
Republic of Indonesia
Country strategic opportunities programme
2023–2027

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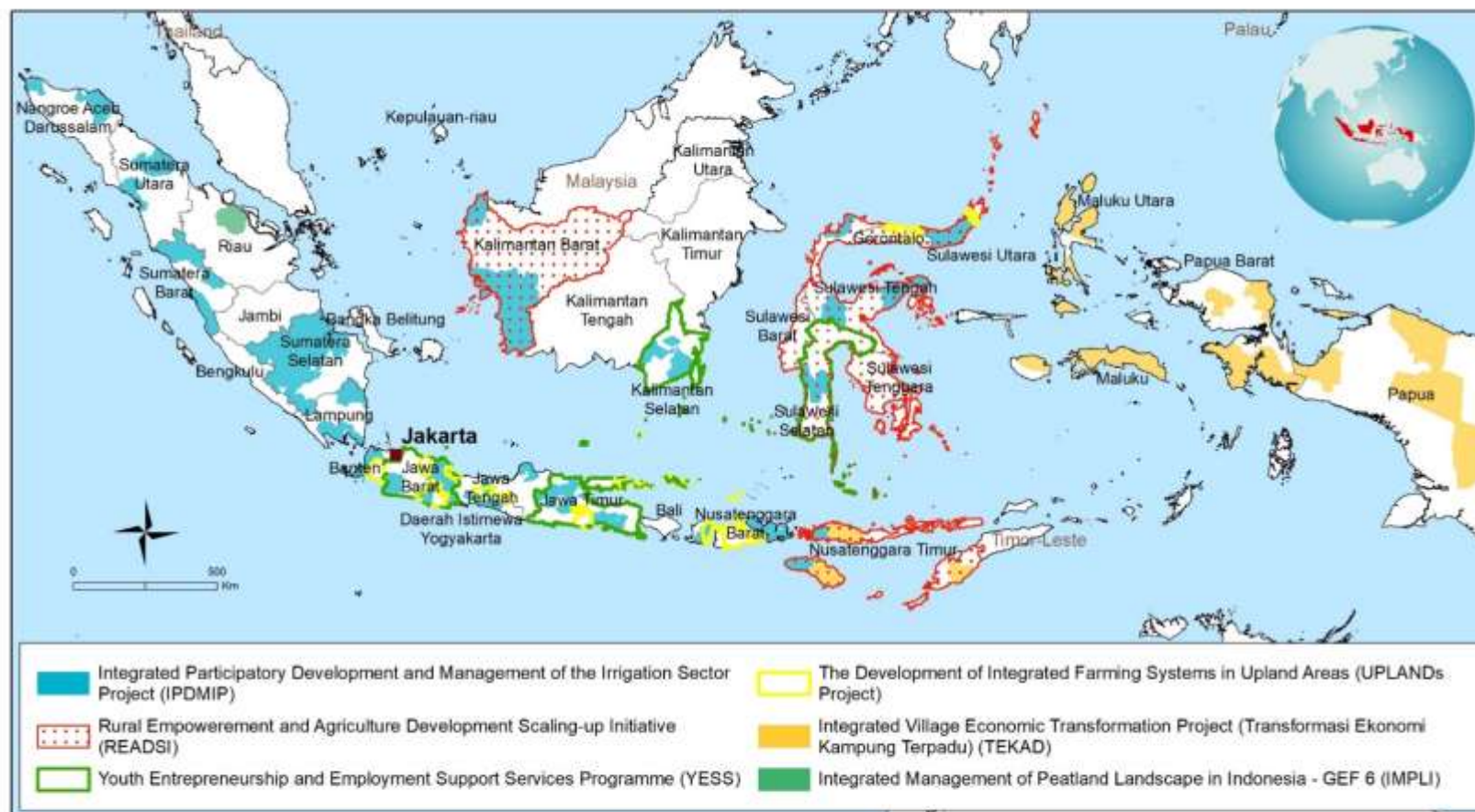
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Map of IFAD-funded operations in the country



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.
 IFAD Map compiled by IFAD | 05-07-2022

Executive summary

1. Indonesia is a fast-growing middle-income country, with a population of 270 million. While national poverty has dropped to 9 per cent, it remains higher in rural areas (13 per cent), with the highest rates in eastern Indonesia, although the largest number of rural poor live in other regions. Agriculture is the main source of livelihood for 64 per cent of poor rural households, predominantly by smallholder farmers with limited access to services. A high proportion of young people are leaving the sector, which is a barrier to rural transformation. New economic opportunities can be tapped for youth engagement and the modernization of the agri-based sector, including more diversified urban food demand and new models of partnerships between agribusinesses and smallholders.
2. The current Government has designated food systems transformation as a national priority and has targeted doubling agriculture productivity and income by 2030. Decentralization is also a key priority, aiming at improving service delivery at the local level.
3. The goal of the country strategic opportunities programme (COSOP) is the inclusive transformation of food systems, so that rural women and men achieve remunerative, sustainable and resilient livelihoods and improve their food and nutrition security. The expected outcome is that rural small-scale producers generate stable income and assets, preserve natural resources and contribute to food security and nutrition, in accordance with the first strategic objective, and that institutions and organizations, from village to national level, deliver quality services that respond to rural needs, under the second strategic objective.
4. IFAD projects will primarily target smallholder households with sufficient land to develop farming activities as their main source of livelihood, land-poor households, landless rural people, and unemployed and underemployed women and youth. They will ensure gender equality, women's economic empowerment, economic opportunities for young women and men, and participation by women and youth in decision-making roles.
5. Strategic objectives will be achieved by promoting food systems transformation in marginal areas, consisting of ongoing and new projects, scaling up through additional financing to successful projects, and cofinancing with other international financial institutions. Grants will focus mainly on the sustainable management of peatland ecosystems.
6. The main implementation risk is weak project implementing capacity, which will be addressed through capacity-building and by setting up support service delivery units.

Republic of Indonesia

Country strategic opportunities programme

I. Country context and rural sector agenda: key challenges and opportunities

1. Indonesia is a fast-growing middle-income country with a population of 270 million,¹ of whom 50 per cent are under 25 years old.² Fifty-seven per cent of Indonesians live in urban centres,³ and demographic growth runs at 2.7 per cent annually, with consequences for food demand and consumption.
2. Indonesia possesses a wide range of ecosystems and hosts 50 per cent of the world's tropical peatlands. More than 60 per cent of these peatlands have been degraded by drainage and deforestation, leaving them prone to fire and contributing to high greenhouse gas emissions.
3. Steady economic growth has led to significant poverty reduction, from 24 per cent (1999) to 9.7 per cent (2021). Yet 30 per cent of the population remain vulnerable to falling back into poverty.⁴ Income inequality has increased, with a Gini coefficient rising from 28.6 (2000) to 37.3 (2021).⁵ Pronounced regional disparities exist, with the highest poverty rates in eastern Indonesia, although the largest number of poor people are in Java and Sumatra. Poverty in rural areas (13 per cent) is higher than in cities (7 per cent).⁶
4. Agriculture ranks third (13 per cent) in contributing to GDP but remains the main source of livelihood for 64 per cent of rural households,⁷ and 75 per cent of farming households operate on less than one hectare of land.⁸ Limited availability of modern inputs and technologies, high post-harvest losses and limited access to finance and other support services contribute to low productivity. Difficulties with access to markets and a lack of market information affect farm earnings. While labour income has been the most important driver of rural poverty reduction, it remains constrained by the lack of job opportunities.⁹ Although women play a significant role in agriculture, they have less control over productive resources and limited access to financial services, and shoulder a greater burden of domestic work.¹⁰
5. Young people are leaving the agriculture sector on a massive scale, and only 8 per cent of farmers are under 39 years old.¹¹ Limited access to land, services and finance are major barriers to youth engagement in agriculture. Given demographic growth, the ageing and declining farming population will have to produce more food on less land. Attracting young people is vital to preserve food security.

¹ Statistics Indonesia (BPS), 2020.

² <https://www.unfpa.org/data/world-population/ID>.

³ BPS 2020.

⁴ World Bank (May 2020). No One Left Behind, Rural Poverty in Indonesia

<https://openknowledge.worldbank.org/handle/10986/34163>.

⁵ World Development Indicators.

⁶ BPS 2021.

⁷ World Bank 2020.

⁸ Schenck, Laura (2018) Country factsheet on small family farms: Indonesia, Food and Agriculture Organization of the United Nations (FAO). <http://www.fao.org/3/i8881en/i8881EN.pdf>.

⁹ World Bank 2020.

¹⁰ FAO (2019) Country gender assessment of agriculture and the rural sector In Indonesia, FAO. [online] Available from: <http://www.fao.org/3/ca6110en/ca6110en.pdf>

¹¹ BPS 2019, in ActNews <https://news.act.id/en/berita/number-of-farmers-in-indonesia-decreases-as-young-generation-reluctant-to-work-in-agriculture>.

6. In 2019, stunting affected 27.7 per cent of children under the age of five.¹² Climate change is expected to increase the frequency and intensity of extreme weather events,¹³ affecting livelihoods and reducing food production. Food security and rural livelihoods have been shaken by COVID-19 and the war in Ukraine, which have raised food prices, increased production costs and disrupted supply chains.
7. Demand for more diversified food is rising. Horticulture production has been quasi-stagnant and is unable to meet this higher demand, and the value of imports of fruits and vegetables has increased 37 per cent (2016-2020). This represents an opportunity for smallholder farmers to engage in high market value and highly nutrient-rich crops, with potential to provide for women's empowerment, youth engagement, better nutrition and increased income.
8. The rapid expansion of internet connectivity has opened up access to innovative technologies that contribute to modernizing agriculture and attracting youth, as 76 per cent of rural youth in Indonesia use the internet.¹⁴ New models of business partnerships and supply chains are emerging, as agribusinesses increasingly source from smallholders.

II. Government policy and institutional framework

9. The Strategic National Pathway for Food Systems Transformation (2021), prepared in the context of the Food Systems Summit, envisions that by 2030 all Indonesians will benefit from healthy and nutritious food, equitable livelihoods, sustainable food production, and higher productivity and incomes. The National Medium-term Development Plan (RPJMN) 2020-2024 points to 4 per cent agriculture growth, and to increased availability and quality of food. Key strategies in the 2020-2024 Strategic Plan of the Ministry of Agriculture (MoA) are to increase the added value and competitiveness of agriculture, increase diversification, improve infrastructure and technologies, enhance the quality of human resources and institutions, and promote business-oriented smallholder farming. Decentralization is another RPJMN priority, to improve service delivery at the local level. The Ministry of Villages, Development of Disadvantaged Regions and Transmigration (MoV) is tasked with strengthening the integration of villages into regional development. The village fund implemented by MoV channels resources to villages to support their development. Sustainable management of peatlands is a high priority for the Minister of Environment and Forestry (MoEF), which calls for reducing land degradation, gas emissions and haze pollution.

III. IFAD engagement: lessons learned

10. A country strategy and programme evaluation (CSPE) for the period 2013-2021 was undertaken by the Independent Office of Evaluation of IFAD in 2021-2022 and highlighted the following strategic issues: (i) a poverty focus vis-à-vis supporting smallholder farmers' businesses could, according to the CSPE, push IFAD away from working with the rural poor. According to the COSOP approach, poverty alleviation and profitable business are complementary, and the latter can contribute to the former; (ii) the CSPE expressed concerns about IFAD projects being spread across several provinces, and advocated for concentrating operations in eastern Indonesia, which presents the highest poverty rates. This point is discussed in the targeting section

¹² World Bank (2020). Spending Better to Reduce Stunting in Indonesia: Findings from a Public Expenditure Review. <https://openknowledge.worldbank.org/handle/10986/34196>.

¹³ BAPPENAS (2019): National Adaptation Plan Executive Summary 2019 in HEVA

¹⁴ United Nations Development Programme (UNDP) and IsDB, 2021. The State of the Ecosystem for Youth Entrepreneurship in Indonesia <https://www.undp.org/indonesia/publications/state-ecosystem-youth-entrepreneurship-indonesia>.

below; and (iii) weak project implementing capacities affect project performance; this concern warrants high priority under this COSOP.

11. The CSPE, the COSOP completion report and the IFAD country team have highlighted the following lessons learned:
- Several projects have lacked the operational and technical capacities needed to achieve impact. Part-time staff, skills mismatches and frequent project staff turnover are some aspects of the problem. Successful experiences come about when project directors exercise leadership and qualified staff are appointed in a timely manner on a full-time basis and remain throughout the project life.
 - Project implementation involving national, province and district levels add complexity, but this is unavoidable in a decentralized country. Despite decentralization, the ministries make most of the decisions, reducing flexibility to respond to local dynamics, while districts and provinces have limited decision-making power. There is no evident difference between provincial and district capacities, although district interest in IFAD-supported projects is higher.
 - IFAD has evolved from an exclusive poverty focus to one whereby smallholders' business development is considered instrumental to overcome poverty. Indonesian experience shows that a business approach can contribute to poverty alleviation, that win-win partnerships with private companies can trigger smallholders' sustainable development, and that most beneficiaries appreciate this shift, although it entails a certain risk of elite capture.
 - Geographically dispersed projects are challenging to implement and carry higher operating costs, while geographically focused ones have better prospects to succeed.
 - Quotas for women promote their participation but not necessarily their empowerment, which requires women's accessing decision-making roles in social and producers' organizations, and in their own households. The family approach, with wife and husband participating and making decisions together, contributes to women's empowerment.
 - Horticulture production has contributed to women's empowerment, diversified production and consumption, improved nutrition and, when surpluses exist and are traded, increased income that is often managed by women.
 - Engaging young people requires creating economic opportunities for them. They are not interested in traditional agriculture, but are very enthusiastic about innovative agriculture that puts together productive and digital innovations and is business oriented. Through this combination, the Youth Entrepreneurship and Employment Support Services Programme (YESS) is having an impact on young women's and men's incomes, and supporting their development as entrepreneurs.
 - Benefiting from community-driven development experience, the IFAD-supported Village Development Programme has influenced the preparation of the Village Law, which is the main policy for village development in Indonesia. This is an example of successful policy engagement.
 - The peatlands portfolio, comprising grants funded by the Global Environment Facility (GEF) and IFAD, has had an impact on the preparation of public regulations for sustainable peatland management, land and water management, fires and haze reduction, and on the development of sustainable smallholders'

livelihoods in peatland areas. One of these projects was recognized by GEF as a global good practice.

- The Coastal Community Development Project has had a significant impact on sustainable artisanal fishing and on fishers' incomes, and has demonstrated that sustainable natural resources management by smallholders is possible and can also be profitable. Solid project management was a key success factor.

IV. Country strategy

A. Comparative advantage

12. IFAD in Indonesia has earned the reputation of a trusted development partner specializing in promoting rural transformation and addressing poverty in marginalized areas. IFAD's comparative advantage stems from its alignment with national plans and policies, and its support for institutional change within government systems. IFAD also has long-standing experience in working at the grass-roots level and developing inclusive strategies that empower small-scale producers. IFAD is seen as a source of innovation that contributes to policy development for linking smallholders to markets, creating opportunities for rural youth, supporting village economic development and promoting environmental sustainability. IFAD is a preferred partner of the Government, the Asian Development Bank (ADB) and the Islamic Development Bank (IsDB) in bringing value added to large investments by integrating strategies for rural livelihoods improvement into their interventions.

B. Target group and targeting strategy

13. Based on the results of the CSPE and on government priorities, IFAD will keep eastern Indonesia as one of its geographical priorities, and will continue working in other regions where the largest number of rural poor live, and where the Government wishes IFAD to test innovative approaches for developing evidence-based models suiting diverse contexts to be replicated on a larger scale.
14. IFAD projects will target smallholder households with sufficient land to develop farming activities as their main source of livelihood; land-poor households to increase productivity on their limited land; the landless; and unemployed and underemployed women and youth to obtain better conditions in the labour market and to provide services along value chains. Projects will promote women's economic and social empowerment, economic opportunities for youth, and participation by women and youth in decision-making. A secondary target group will consist of farmers and small-scale entrepreneurs who have escaped poverty and can contribute to job creation. Projects will also work with private stakeholders along value chains, who can bring technologies, financing, training and market opportunities.
15. Supporting smallholders to develop business-oriented activities, enter into agreements with private companies and participate in value chains has been demonstrated to be effective to overcome poverty, although it entails a certain risk of elite capture that needs to be addressed to ensure that the IFAD target population is the primary beneficiary of IFAD action. Addressing these risks requires setting and disseminating clear eligibility criteria, strengthening smallholders' negotiating capacities, facilitating their access to market information and establishing win-win agreements with private stakeholders.
16. All of the foregoing will be achieved by adapting project support to the specificities of target groups; building project staff and partners' capacities on gender equality and social inclusion; developing appropriate monitoring indicators; and collecting data disaggregated by sex and youth. The targeting strategy will combine selecting

provinces following government and IFAD priorities, selecting districts and villages with high poverty rates within these provinces, defining household eligibility criteria and encouraging self-targeting of eligible households.

C. Overall goal and strategic objectives

17. The COSOP goal is the **inclusive transformation of food systems so that rural women and men achieve remunerative, sustainable and resilient livelihoods and improve their food and nutrition security**. The goal and strategic objectives are aligned with the RPJMN 2020-2024, Indonesia's Strategic National Pathway for Food Systems Transformation, IFAD's Strategic Framework 2016-2025, the United Nations Sustainable Development Goals (SDGs),¹⁵ the 2021-2025 United Nations Sustainable Development Cooperation Framework (UNSDCF)¹⁶ and the Rome-based agencies' Indonesia Country Strategic Plan (2021-2025).
18. The **theory of change** is centred around two axes: an economic one that includes productive, market and environmental dimensions, and an institutional one.
19. The economic axis will address the persistent focus on primary production in agriculture, which prioritizes staple foods and has limited off-farm complementarities. The COSOP will promote productive diversification to include more nutritious and higher market value products, without however neglecting staple foods. A food systems approach will guide the COSOP, and insertion into inclusive value chains will be instrumental to it. A new balance between staple foods and new products; between primary production and processing; and between self-consumption and market access will improve nutrition, increase incomes and help to deal with uncertainties derived from climate change. It will also contribute to women's empowerment as they have an advantage in producing non-traditional crops, processing and trading; and will create opportunities for rural youth and non-farmers as services providers and/or workers. Climate and environment action will cut across all interventions.
20. The institutional axis will strengthen public and private capacities to deliver quality services to rural people, improve implementing agencies' capacities to obtain higher impact from IFAD resources, assign greater decision-making power to districts and provinces for project implementation, and strengthen rural economic organizations. This requires capacity-building for smallholders to strengthen their productive, entrepreneurial and organizational skills; strengthening district and province governments' decision-making and implementing capacities, including for IFAD-supported projects; and ensuring that implementing agencies recruit qualified human resources.
21. The expected outcome is that rural small-scale producers generate stable incomes and assets, preserve natural resources and contribute to food security and nutrition, under the first strategic objective 1, and that institutions and organizations, from village to national level, deliver quality services that respond to rural needs, under the second strategic objective.
22. **Strategic objective 1: Small-scale women and men producers increase their income from diversified, profitable and resilient production that meets their food security and nutrition needs, meets demand from local and international markets, and sustainably manages natural resources.** IFAD will promote diversified on- and off-farm production, prioritizing activities benefiting women and youth from entrepreneurial and employment opportunities.

¹⁵ Mainly SDGs 1, 2, 5, 10, 13 and 15.

¹⁶ Outcome 2.

23. Diversification will contribute to reducing risks, increasing resilience to market and environmental shocks, engaging in higher market value products, increasing incomes, production and consumption of more nutritious food, and reducing monoculture with the corresponding environmental gains. This will be done by: (i) prioritizing fresh vegetables and fruits, considering that Indonesia is mostly self-sufficient in staple foods and depends on horticulture imports; (ii) promoting agroforestry systems that increase incomes and promote sustainable forest, soil and water management; and (iii) applying a food systems approach that includes primary agricultural production, post-harvest activities, processing and trading.
24. This approach will allow IFAD to target farmers and landless people to be engaged as service providers to agri-based activities, and as employees and entrepreneurs involved in post-harvest activities, processing and marketing. This can be particularly beneficial to youth and women, who are often excluded from land access, thanks to the innovative potential of youth, and to women's experience in horticulture, processing and trading.
25. Therefore, IFAD-supported activities will develop smallholders' productive, managerial and financial skills; strengthen their economic organizations; facilitate access to new technologies and financial resources; reduce post-harvest losses and increase value addition; and promote win-win alliances with private stakeholders.
26. **Strategic objective 2: Institutions and organizations, from village to national level, strengthen their capacities to respond to the needs of small-scale producers.** This entails strengthening the capacities of stakeholders implementing IFAD-supported projects at the national, provincial, district and village levels; clarifying the complementary roles of each; and building synergies among them.
27. Although Indonesia is a decentralized country, most decisions are still made by ministries leading project implementation, while provinces and districts mainly implement those decisions with little flexibility to respond to local challenges and opportunities. Under this COSOP, plans call for ministries to set rules for national observance and provide guidance for project implementation, allowing provinces and districts to prioritize, from a menu of eligible interventions, those that are the best fit for their realities and priorities. This requires improved planning, decision-making and implementing capacities on the part of local governments, which will be a priority for institutional strengthening.
28. While there is no evident difference between province and district capacities to implement IFAD-supported projects, the districts have demonstrated greater interest, probably because the size of these interventions are more relevant to their level than province level. Learning from this evidence, district-level capacity-building will be prioritized to strengthen project management skills, deliver support services to smallholders, articulate cross-sectoral and public-private complementarities, improve market access, and develop productive and entrepreneurial capacities.
29. At the village level, people's participation in the allocation of village resources according to their priorities will be strengthened, which will contribute to reducing the risk of elite capture. Village authorities' capacities to access Village Fund resources and to use them to promote local economic development will be also strengthened.
30. IFAD will prioritize supporting existing smallholder organizations – or supporting their creation where they do not yet exist – to enable them to become autonomous, sustainable, business-oriented and gender-balanced. Support will be provided to strengthen their productive and managerial skills, establish transparent governance systems and support their recognition as legal entities.

31. IFAD corporate mainstreaming priorities will be addressed as follows:
- **Gender.** The COSOP will support women’s economic and social empowerment by promoting their access to technical, financial and business services and technologies; enabling them to build their own businesses and/or participate in mixed producers’ organizations in decision-making roles; and helping them build equitable relationships in their households and family business. Projects will prioritize economic activities where women have higher potential to play leading roles and receive benefits, such as horticulture, post-harvest handling, processing and marketing.
 - **Youth.** Projects will support on- and off-farm youth entrepreneurship and employment by offering incentives for young people to engage in the rural economy and facilitating their access to employable skills, modern technologies, digital solutions and financing. New projects will include supporting young people as agents of change, building on the ongoing YESS programme.
 - **Nutrition.** IFAD interventions will contribute to better nutrition by increasing the production and improving the availability of, and promoting access to, nutritious and diverse food. More diversified food crops production will be promoted, with higher nutrition and market value, improved post-harvest handling, storage and processing – this will also contribute to boosting incomes and women’s empowerment. However, this approach also presents risks: when prioritizing more nutritious crops with higher market value, the income incentives could prevail in such a way that families prefer to sell their entire production. If this occurs, producing more nutritious food will not necessarily improve family nutrition.
 - **Climate.** Adaptation to climate resilience and sustainable natural resources management will be mainstreamed into project design, crop selection and capacity-building. The peatlands portfolio will continue to contribute to climate change mitigation by addressing land degradation and pollution due to fires in peatland areas, which are among the biggest environmental issues in Indonesia. Sustainable land and water management will be given priority, and agroforestry will be a privileged entry point to embed environmental sustainability into production support.

D. Menu of IFAD interventions

32. **Loans and grants.** Most ongoing IFAD-supported activities are aligned with the COSOP approach and strategic objectives, and new projects will be fully in line with them. The Rural Empowerment and Agricultural Development Scaling-up Initiative (READSI) and the Uplands Agriculture Productivity and Markets Project (UPLANDS) aim at improving on- and off-farm livelihoods and income, the latter through stronger market linkages; UPLANDS also has a strong focus on sustainable water, soil and land management. YESS champions economic opportunities for youth and is becoming MoA’s flagship for working with rural youth. The Integrated Village Economic Transformation Project (TEKAD) promotes inclusive village economic development and strengthening local capacities. Integrated Participatory Development and Management of the Irrigation Project (IPDMIP) supports irrigated rice production to improve food security and family income. In various ways, all of the projects promote gender equity, adaptation to climate change and smallholders’ business development.
33. The Horticulture Development in Dryland Areas Project (HDDAP), to be cofinanced by ADB and scheduled for presentation to the Executive Board in May 2023, has a strong focus on agriculture diversification, value chains, women’s empowerment and environmental sustainability. The IFAD loan will be administered by ADB to enable

IFAD to be an active partner while avoiding the burden of loan administration, given the small country team and the challenges currently facing the implementation of IFAD-funded projects.

34. IFAD has received a request from the Ministry of Home Affairs, which leads the decentralization process, to develop an Integrated Agriculture Regional Development Project (IARD), aimed at strengthening province and district capacities to design and implement agriculture programmes and policies. A decision will be made on this request and on other new interventions in consideration of the very small IFAD country team and the challenges faced by ongoing projects. Therefore, priority will be given to additional financing to scale up successful interventions, and to expand cofinancing with other international financial institutions.
35. The grants portfolio is focused on peatlands management, with a positive impact on sustainable land and water management, and fire and haze reduction, both at the ground and policy levels. It consists of two ongoing GEF-funded grants: Sustainable Management of Peatland Ecosystems in Indonesia, to be completed in December 2022, and Integrated Management of Peatland Landscapes in Indonesia, now under implementation, jointly with the IFAD-funded Measurable Action for Haze-Free Sustainable Land Management in Southeast Asia (MAHFSA) regional grant implemented by the Association of Southeast Asian Nations (ASEAN). A new GEF-financed grant, Strengthened Systems for Community-based Conservation of Forests and Peatland Landscapes in Indonesia (CoPLI), will start activities in 2023.
36. **Policy engagement.** During COSOP preparation, the following potential areas for policy engagement were identified:
 - **Youth participation in food systems transformation.** Providing economic opportunities for rural youth and modernizing the rural economy requires policies and incentives to engage youth in agri-based and other economic activities. Learning from the ongoing YESS programme, priority areas include youth qualification to engage in labour markets and entrepreneurship, access to digital technologies and access to financing.
 - **Village economic development.** Based on previous and ongoing projects, MoV requested IFAD support to set up a strategic policy unit that is expected to become a policy think tank for promoting inclusive local economic development and integrating sectoral action at the local level.
 - **Sustainable management of natural resources.** Pursuant to the partnerships with MoEF and ASEAN, IFAD will continue to support the development of policy and regulatory instruments for sustainable peatland management, fire prevention and haze monitoring in Indonesia and Southeast Asian countries. This will also include supporting ASEAN for the preparation of a 10-year investment framework for sustainable peatland management.
37. **Capacity-building.** Capacity-building will include strengthening the skills of actors at the national, province, district and village levels that play a role in project implementation and deliver services to rural smallholders; and clearly defining their complementary roles for project implementation. COSOP implementation will also assign priority to strengthening smallholder organizations to become business-oriented, gender-balanced actors with the technical, managerial and legal capacity to establish profitable businesses and enter into win-win agreements with private actors. The capacities of government and other stakeholders will be built to strengthen communities' resilience to natural hazards and climate.

38. **Knowledge management.** Although available resources for knowledge management are quite limited, it will receive priority attention, acknowledging its pivotal role for policy engagement and scaling up. Knowledge management will be embedded into each project and the IFAD Country Office (ICO) will lead programme-level knowledge management aimed at learning and sharing knowledge emerging from ground-level experience. It will include: (i) cross-learning among project management units (PMUs) on the challenges they face and solutions developed on technical, financial management, procurement and monitoring and evaluation (M&E) aspects; (ii) systematization and dissemination of successful experiences that are scalable and have the potential to feed policy discussion; and (iii) setting up an agriculture and rural development forum jointly with multilateral and bilateral partners.
39. **South-South and Triangular Cooperation (SSTC).** The ASEAN-implemented MAHFSA project will spearhead SSTC efforts and will promote the sharing of Indonesia's experience in peatland conservation and haze control. SSTC will also be promoted by UPLANDS, through the IsDB Reverse Linkage mechanism, whereby IsDB member countries exchange expertise and technologies. YESS is exploring the possibility of bringing into Indonesia learnings from IFAD-supported projects in other countries to promote local champions as production and business leaders who provide technical services to other smallholders.
40. **Communication and visibility.** All projects deliver communication products that showcase their achievements. A country level strategy will be developed taking advantage of these project-level communication activities. This strategy will: (i) support knowledge-sharing and dissemination of project achievements and learnings; (ii) position IFAD vis-à-vis stakeholders; and (iii) enhance IFAD's visibility.

V. Innovations and scaling up for sustainable results

41. The projects are designed to promote innovations with the potential for scaling up, and this will continue to be a driver of this COSOP. Innovations will include: (i) agroecological practices including sustainable water and soil management, organic farming and sustainable peatland management; (ii) partnerships between small-scale producers and agribusinesses, including agritech; (iii) partnerships with financial institutions, including fintech, to extend credit services to smallholders; and (iv) digital solutions for technical services.
42. Pathways for scaling up will be developed in ongoing and new projects, based on experience on the ground and further development of knowledge management. Key elements for scaling up will include: (i) solid project M&E and knowledge management systems to document scalable good practices and inform policy engagement; (ii) multi-stakeholder platforms to disseminate innovations and advocate policy changes; and (iii) capacity-building to mainstream innovations at different levels.
43. Support to village authorities will promote scaling up through Village Fund resources. TEKAD can play a role in this regard, by scaling up the use of the Village Fund beyond the project area. Furthermore, discussions are being held on potential MoEF and MoV collaboration to scale up sustainable peatland management to eastern Indonesia.

VI. COSOP implementation

A. Financial envelope and cofinancing targets

44. The COSOP will cover two cycles of the performance-based allocation system (PBAS), the Twelfth Replenishment of IFAD's Resources (IFAD12) (2022–2024) and IFAD13 (2025–2027). For IFAD12, the PBAS allocation is US\$58 million and the Borrowed Resource Access Mechanism (BRAM) is estimated at US\$60 million. This is

complemented by US\$5.3 million from the seventh replenishment of resources of the GEF Trust Fund (GEF-7), and cofinancing from the Government, ADB and IsDB.

45. Projections of GDP growth suggest that Indonesia will regain its upper-middle-income country status, which would preclude PBAS access under IFAD13. The extent of available BRAM resources cannot be predicted ahead of replenishment consultations. Cofinancing from ADB and/or IsDB will be sought to complement IFAD resources.

Table 1

IFAD financing and cofinancing

(Millions of United States dollars)

Project	Cofinancing		International cofinancing ratio	
	IFAD	Domestic		International
Ongoing				
IPDMIP	100.0	152.9	600.0	
READSI	40.9	14.4	-	
YESS	57.3	15.6	-	
UPLANDS	50.0	31.4	70.3	
TEKAD	34.4	587.7	-	
Planned				
HDDAP	40.0	TBD	85.0	
Total	322.6	802.0	755.3	1:2.34

B. Resources for non-lending activities

46. Resources for non-lending activities will originate mainly in grant funding and the ICO administrative budget. Grant funding will be available as follows: (i) a portion of the US\$1.5 million grant built into TEKAD will be used to set up a strategic policy unit in MoV; (ii) the US\$3.5 million MAHFSA grant will promote SSTC with ASEAN member countries on peatlands management; and (iii) the IsDB US\$0.28 million grant built into UPLANDS will support SSTC with IsDB member countries in ASEAN. The ICO budget will be tapped to develop in-house capacity to provide implementation support for project implementation, chiefly on financial management, procurement and M&E. Regional technical assistance opportunities will be explored.
47. Although the Government has shown little interest in engaging in NSOs, the ICO will explore opportunities to deploy this instrument.

C. Key strategic partnerships and development coordination

48. Key entry points for IFAD in Indonesia are the Ministry of Finance (MoF) and the Ministry for National Development Planning (BAPPENAS), both of which intend to strengthen their engagement in project oversight and with which the ICO has developed a solid relationship. IFAD will continue to pursue its partnerships with MoA on agriculture development, MoEF on peatlands, and MoV around village development. A new partnership is envisaged with the Indonesia Financial Services Authority to strengthen project engagement with financial institutions and financial inclusion. Partnerships with local governments, mainly at the district and village level, will be at the core of project development, to achieve greater impact and in line with decentralization.
49. Projects will foster business partnerships between small-scale producers and agribusinesses, including agritech and international companies such as Mars Inc., that provide fair prices and better access to markets and training. As this remains new terrain in MoA, IFAD will seek to bring in technical assistance by mobilizing grant resources, either in house or with bilateral development partners.

50. IFAD is a signatory of the UNSDCF and co-chairs its results group on economic transformation. In addition, jointly with FAO and the World Food Programme, IFAD has prepared the 2021-2025 United Nations Rome-based agencies' joint country strategic plan, whereby a pilot action combining the expertise of the Rome-based agencies is planned. A partnership with UNDP is being built to scale up village-level participatory planning tools within TEKAD and to support village economic development. The ICO is in discussions with the International Labour Organization to access entrepreneurship training tools they have developed to support small-scale enterprises.
51. The long-standing partnership with GEF will continue and the CoPLI project design has recently been finalized and is nearing GEF approval. The Asia and the Pacific Division and the Environment, Climate, Gender and Social Inclusion Division are holding discussions with the Green Climate Fund on a potential peatlands project for Southeast Asian countries.
52. IFAD has established solid partnerships with ADB and IsDB. Indeed, the HDDAP project to be submitted to the Executive Board in May 2023 is being cofinanced with ADB.
53. Finally, partnerships will be sought with bilateral agencies as they provide flexibility that government-implemented projects often lack, and in several cases have developed innovative experiences that can be scaled up through IFAD loan-funded projects. Conversations have begun with the Netherlands and the United Kingdom in this regard.

D. Beneficiary engagement and transparency

54. Producers' organizations, the private sector and the Government will participate in annual programming and M&E with a view to cross-learning to inform project planning. Feedback mechanisms will include grievance redress and participatory approaches to M&E.
55. Indonesia is ranked 96th out of 180 countries in the 2021 Corruption Perceptions Index. IFAD will continue to apply zero tolerance on corruption. Projects will be encouraged to adopt frameworks for transparency and public notice, including the disclosure of procurement documents; access by end-users to financial management and procurement information; and an internal code of conduct that will be proposed to project implementing agencies. Data on project resources, financial implementation and outreach will be published annually on project websites.

E. Programme management arrangements

56. Improving project implementation will continue to be a high priority. Ensuring full-time qualified staff is appointed to projects will be the top priority, including technical, M&E, financial management and procurement specialists. The ICO has proposed that MoA set up a specialized project service unit that would be in charge of procurement, financial management and M&E for all MoA-implemented projects. During the COSOP consultation, MoA informed IFAD that more time is needed to make a final decision in this regard.
57. A country programme steering committee will be set up, led by MoF and BAPPENAS, with the participation of project directors and other authorities from ministries implementing projects.
58. New project designs will propose lighter national PMUs, and the empowerment of district and province implementing units, through decentralized management structures delivering flexible activities.

59. Procurement will continue to follow the national procurement framework and its implementing procedures to the extent they are consistent with IFAD’s project procurement framework. National standard procurement documents will be adopted as they are embedded into the procurement systems, but will need to be supplemented with audit, and anticorruption and safeguard provisions in accordance with IFAD requirements. Key findings of the borrower’s capacity assessment are presented below:

Table 2

Procurement SWOT analysis

	<i>Strengths</i>	<i>Weaknesses</i>
Internal procuring agencies	<ol style="list-style-type: none"> 1. Well-developed legal and institutional public procurement systems. 2. Procurement officers hold national certification and have been trained on procurement and contract management. 3. Procurement department has familiarity with internationally financed contracts. 	<ol style="list-style-type: none"> 1. Limited experience in tender involving foreign suppliers. 2. Procurement departments in provinces and districts do not have recent experience with foreign funded projects.
	<i>Opportunities</i>	<i>Threats</i>
External from procuring agency	<ol style="list-style-type: none"> 1. Capable civil works contractors are available. 2. Existing information systems on e-procurement can increase efficiency. 	<ol style="list-style-type: none"> 1. Market believes procurement processes seek lowest price rather than lowest project life cycle cost. 2. Farmers’ availability for community participation in procurement is difficult to predict.

F. Monitoring and evaluation

60. Strengthening M&E systems will be a priority, in order to gather, process and analyse information on progress made in meeting the COSOP targets. Solid M&E systems will enable projects and the country programme to measure the COSOP achievements, and will back project management decisions, feed the preparation of knowledge management products and inform policy discussions.
61. Dedicated training on M&E will be delivered to PMUs and technical assistance will be provided to strengthen existing projects’ M&E systems and develop solid ones for new projects; project staff at provinces and districts will also be trained. This training will focus on selecting relevant indicators, data collection and processing, database formation, IT tools for M&E, data interpretation, and the use of M&E data for knowledge management purposes. Core indicators will be selected to avoid dispersion, reduce complexity and improve data reliability; a few of them, common to all or most projects, will be aggregated, so that common indicators from different projects may serve as a basis for a programme-level M&E system.

VII. Risk management

62. The main risks and relevant mitigation measures are as follows:

Table 3

Risks and mitigation measures

<i>Risks</i>	<i>Risk rating</i>	<i>Mitigation measures</i>
Weak implementing capacities	High	<ul style="list-style-type: none"> Provide technical assistance to PMUs and ensure they have full-time qualified staff. Ensure that PMUs have specialized financial management, procurement and M&E capacities.
Climate change threats to agriculture production	Substantial	<ul style="list-style-type: none"> Ensure that projects include climate risk assessment and adaptation plans. Strengthen farmers' resilience through diversification, climate-resilient practices and adapted seeds, crops and livestock.
Limited interest on the part of financial institutions in agriculture	Substantial	<ul style="list-style-type: none"> Promote access to Kredit Usaha Rakyat. Partner with the Indonesia Financial Services Authority to train financial institutions on rural financing. Provide financial literacy training to smallholders.
Elite capture	Medium	<ul style="list-style-type: none"> Disseminate information on project objectives and targeting among target population and local governments. Strengthen smallholders' organizations and provide them with information on eligibility criteria.
Management challenges deriving from geographical dispersion	Medium	<ul style="list-style-type: none"> Limit projects' geographical coverage to a reasonable number of provinces/districts. Strengthen M&E for performance monitoring.

COSOP results management framework

Country strategy alignment	Related SDG and UNSDCF outcomes	Key COSOP results ¹			
		Strategic objectives	Lending and non-lending activities for the COSOP period	Outcome indicators	Milestone indicators
<p>RJPMN (2020-2024)</p> <p><u>Macro-development targets</u></p> <p>6-7% poverty rate 5.7-6 % annual growth 0.36-0.37 Gini coefficient</p> <p><u>Objectives related to food systems transformation</u> Increasing availability, access, and quality of food consumption, through: (1) improved quality of consumption, safety, food and seed enrichment; (2) increased availability of produce through increased productivity and sustainable production techniques; (3) increased</p>	<p>SDGs</p> <p>Goal 1. End poverty in all its forms everywhere</p> <p>Goal 2. End hunger, achieve food security and improved nutrition and promote sustainable agriculture</p> <p>Goal 5. Achieve gender equality and empower all women and girls</p> <p>Goal 8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</p> <p>Goal 9. Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation</p> <p>UNSDCF (2023 – 2027) Strategic Priority 2: Economic Transformation Outcome 2: Institutions and people contribute more effectively to advance a higher value-added and</p>	<p>Overall goal: Inclusive transformation of food systems, so that rural women and men achieve remunerative, sustainable and resilient livelihoods and improve food and nutrition security.</p> <p>Indicators:</p> <p>1. 60% of project households with improved asset ownership - IPDMIP, READSI, YESS, UPLAND, and TEKAD</p> <p>2. 60% of households reporting minimum dietary diversity (MDD) – READSI</p> <p>Outreach:</p> <p>(i) Number of persons receiving services promoted or supported by the project (CI 1)</p> <p>(ii) Corresponding number of households reached (CI² 1a)</p> <p>(iii) Estimated corresponding total number of household members (CI 1b)</p>	<p>SO1: Rural small-scale women and men producers generate income from diversified production meeting the demand of profitable local markets</p> <p>Lending/investment activities</p> <ul style="list-style-type: none"> Ongoing: IPDMIP, READSI, YESS, UPLAND, TEKAD, IMPLI, CoPLI (contributing) Pipeline: HDDAP, IARD <p>Non-lending/non-project activities</p> <ul style="list-style-type: none"> CLPE Partnerships with OJK, business partners, RBAs, UN Women and UNDP Knowledge sharing and management 	<p>3. 85%³ of households reporting adoption of environmentally sustainable and climate-resilient technologies and practices (CI 3.2.2) - IPDMIP, READSI, UPLANDS, TEKAD⁴</p> <p>4. 75% of households reporting 30% increase in productivity (CI 1.2.4) - IPDMIP, READSI, UPLANDS, TEKAD</p> <p>5. 75% of households reporting 30% reduction in post-harvest loss</p> <p>6. 70% of supported households/rural enterprise reporting 30% increase in profit of the main commodity/product (CI 2.2.2) – IPDMIP, READSI, YESS, UPLAND, TEKAD</p>	<p>(i) Number of hectares of farmland under water and/or climate-resilient infrastructure constructed/rehabilitated – IPDMIP, READSI, and UPLAND</p> <p>(ii) Number of rural small-scale producers accessing sustainable and climate-resilient inputs and/or technology packages (CI 1.1.3) - IPDMIP, READSI</p> <p>(iii) Number of producers trained in production practices and/or technologies (CI 1.1.4) - IPDMIP, READSI, UPLANDS,</p> <p>(iv) Number of persons trained in income-generating activities or business management (CI 2.1.2) - IPDMIP, READSI UPLANDS,</p> <p>(v) Number of rural producers' organizations engaged in formal marketing partnerships or</p>

¹ All indicators to be disaggregated by gender, youth (defined as 19 – 39 years old by the MoA) and indigenous people where relevant.

² IFAD Core Indicator (CI).

³ MoA's target by 2024.

⁴ Reference to projects shows that indicator is already monitored by project as per logical framework, or project is collecting data enabling indicator monitoring.

<p>productivity welfare of workers in agriculture and fishery, and ensuring market certainty; (4) sustainable and resilient production, improved land management, and strengthened irrigation; and (5) improved governance of food systems.</p> <p>Agriculture transformation Increasing land productivity and strengthening agricultural value added – 4.1% growth in agriculture and strengthened micro, small, and medium enterprises and cooperatives,</p> <p>Gender mainstreaming and equality</p>	<p>inclusive economic transformation</p>			<p>7. 80% of households reporting using rural financial services for savings and investment (CI 1.2.5) - IPDMIP, TEKAD READSI, YESS,</p>	<p>contracts with public or private entities (CI 2.2.3) (vi) Number of persons in rural areas trained in financial literacy - IPDMIP, READSI, YESS, TEKAD</p>
		<p>SO2: Institutions and organizations from village to national level have the capacities to respond to the needs of small-scale women and men producers</p>	<p>Lending/investment activities</p> <ul style="list-style-type: none"> • Ongoing: IPDMIP, READSI, YESS, UPLAND, TEKAD, IMPLI, CoPLI (contributing) • Pipeline: HDDAP, IARD <p>Non-lending/non-project activities</p> <ul style="list-style-type: none"> • CLPE • Partnerships with UN Women and UNDP • MAHFSA/SSTC • Knowledge sharing and management 	<p>8. 70% of physical and expenditure target achieved by national/province/district executing agencies for components directly benefitting target groups</p> <p>9. 80% of households are satisfied with the support services provided by village/sub-districts/districts/ – READSI, TEKAD</p> <p>10. 80% of rural producers' organization with improved capacity to provide services to members - READSI</p> <p>11. 70% of rural producers' organization reporting a 30% increase in sales (CI 2.2.5) - READSI</p> <p>12. M&E systems in all projects providing reliable and comprehensive data that support management in making decisions</p>	<p>(vii) 80% of the executing agency consultants are assigned full-time with relevant experience and not vacant for more than one month</p> <p>(viii) All project human resources from village to national have received capacity building to perform project management task – UPLAND</p> <p>(ix) Number of village/district administration staff receiving capacity-building to improve service delivery – UPLAND, TEKAD</p> <p>(x) 80% of rural producers' organization received capacity building package to improve their services to members - READSI</p> <p>(xi) 80% of rural producers' organization established system to manage the infrastructure/ facilities received from project – IPDMIP, READSI, UPLAND, YESS</p> <p>(xii) All projects have M&E plan, guidelines in place</p> <p>(xiii) All projects have regularly updated MIS - TEKAD</p>

Transition scenarios

Indonesia, the largest economy in Southeast Asia, has been severely hit by the pandemic, and as a consequence, the country went from upper-middle income to lower-middle income status as of July 2021. The pandemic-induced economic slowdown has reversed some of the gains in poverty reduction with the national poverty rate edging up from of 9.2 percent in September 2019 to 9.7 percent as of September 2021.

Additional headwinds caused by the ongoing conflict in Ukraine are exerting upward pressure on energy and food prices (food prices have risen by 6 percent since 2021). Notwithstanding the lingering effects of the pandemic and the more recent shockwaves triggered by the Ukraine conflict, the economy is predicted to grow by 5.1 percent and 5.3 percent in 2022 and 2023, respectively thanks to a relatively high level of vaccination rollout. By mid-June, Indonesia had vaccinated 62 percent of its population.

According to IMF, the public debt stock will remain sustainable despite its current growing trajectory (public debt is expected to reach 49 percent of GDP in 2022, rising from 36.3 percent in 2019). It will gradually decline in 2023-26, but is predicted to remain above 43 percent of GDP at the end of the COSOP period. The Federal Reserve (the US central bank) began a tightening cycle in March 2022, in contrast to BI's loose monetary policy stance in Q1 2022. Throughout 2022, the Rupiah is expected to stay depreciated against the US dollar as a result of narrowing real interest rate differential between Indonesia and the US. Given the fiscal uncertainty, the Rupiah will require scrutiny and interventions by BI.

In 2022, consumer price inflation is estimated at 5.3 percent, the highest rate since 2015. With global food markets projected to remain tight through 2022, unexpected circumstances such as poor harvests in major agricultural suppliers could drive up prices quicker than currently anticipated. Inflation will decline in annual average terms in 2023-26 as global commodity prices fall and infrastructure, such as roads and ports, improve, lowering rising logistical costs. The government has put in place measures to rein in inflation, such as a capping domestic cooking oil prices.

Table 1
Projections for key macroeconomic and demographic variables

Case	Base	High	Low
Average GDP growth (2022- 2026)	5.4%	6%	4.6%
GDP per capita in \$ (2022-2026)	5423	6125	4690
Public debt (% of GDP) (2022-2026)	45	49	43.5
Debt service ratio (2022-26)	21.6%	22.8%	20.7%
Inflation rate (%) (2022-26)	3.6	2.9	3.9
Rural population	Current: 118M (2022) (End of COSOP period): 1115M Annual growth rate: -0,5%		
Investment climate for rural business	(4.4/6) IFAD's 2021 Rural Sector Performance Assessment (RSPA) overall score for Indonesia stands at 4.1, above the APR average score of 3.6. The specific score for investment climate for rural business is 4.4., which measures the quality of countries' policies and institutions in the rural sector, for achieving rural development and rural transformation benefitting the poor. The RSPA score for all clusters is relatively good except for gender frameworks; the overall score is less for capital		

Vulnerability to shocks

formation in agriculture, requirements for trader-level license to buy/sell agricultural products, and per capita food production variability.

(5/6)

The high vulnerability score of 0.451 and high readiness score of 0.387 Indonesia places it in the upper-right quadrant of the ND-GAIN Matrix with an overall score of 46.8. The country is responding effectively to climate change effects, but the adaptation needs and urgency to act are greater. Indonesia is the 76th most vulnerable country and the 103rd most ready country.

Base case scenario: Real GDP growth over the COSOP period is projected to hover around an average of 5.4 percent, showing a significant acceleration from the 2020–2021 Covid-19 induced downturn. Tourism is projected to gather momentum during the COSOP period, contributing to GDP growth. Food and energy prices will peak under the base case scenario in 2022 before the market begins to regulate itself. Domestic food supply will meet the government expectations thereby not posing serious threat to food insecurity. Government will continue to subsidise prices. Inflation rate will average 3.6 percent over the projection period. Public and publicly guaranteed debt would remain relatively low as a share of GDP (the updated debt sustainability analysis (DSA) reflecting the impact of the COVID-19 pandemic shocks demonstrates that Indonesia remains at low risk of debt distress). Debt service ratio would stand at 21.6 percent.

High case scenario: In the high case scenario, average GDP growth over the COSOP period is projected at 4.6 percent. Macroeconomic risks remain high. These include tighter global financing conditions, potential further increases in world energy prices, and the possible risk of a return of stringent COVID-19-related mobility restrictions. Domestically, commodity prices in cooking oil, energy, food staples like wheat will remain all-time high. The Ukraine conflict will disrupt supply chains, decrease household consumption, and postpone the implementation of development projects, further driving the most vulnerable populations into poverty and food insecurity. Due to higher inflation and weaker investment sentiment, the economy will be less attractive to foreign investments. We anticipate a rise in the debt service ratio of 22.8 percent. Inflation is expected to stay elevated during the timeline of the COSOP. In this scenario, the Indonesian Rupiah may appreciate, which, in the absence of further government funding, might result in a decline in the purchasing power of the IFAD funds, which are provided in dollars. .

Low case scenario: In the low-case scenario, high GDP and low inflation will further accelerate the recovery of the economy. According to this scenario, the expected GDP growth rate is 6 percent, and the inflation rate is 2.9 percent. Exports will increase due to a surplus of agricultural products like palm oil, further strengthening the economy. Due to the high coverage rates of vaccination, a strict COVID-19 lockdown is unlikely to recur, and as a result, supply chains disruptions would be completely overcome. The economy is likely to attract private and public sector investments with high development outcomes. Over time, public debt will continue to be sustainable. The low scenario invites the risk that GoI may limit its international borrowing from IFIs for development projects which are not in its priority list. In the past, this has led to BAPPENAS restricting loans to projects supporting investments in infrastructure rather than the primary sector.

The most likely scenario for the purpose of the COSOP is the baseline scenario. However, it is expected that authorities will remain committed to promoting inclusive growth while strengthening financial and external stability, maintaining fiscal sustainability, and improving governance irrespective of which scenario will materialize.

IFAD Implications on IFAD's Country Programme

(a) Lending terms and conditions

Indonesia is currently a LMIC, receiving loans from both PBAS and BRAM funding windows. Loans are currently priced at ordinary terms. Projections of GDP growth over the COSOP period would allow Indonesia to regain its UMIC status and thus it is very likely that it will have to forgo access to PBAS resources under IFAD13 and beyond. This transition from its dual access to the two current IFAD funding windows (i.e. PBAS and BRAM) could potentially affect the overall volume of resources to be committed over the COSOP period (availability of BRAM resources and the overall BRAM envelope are determined as part of the replenishment consultations and are harder to predict from one lending cycle to the other) but this transition is unlikely to affect the overall concessionality of loans as BRAM resources are priced at ordinary terms.

(b) COSOP priorities and products

It is expected that the proposed COSOP priorities and associated products will remain highly relevant irrespective of transition scenarios. However, a higher emphasis on non-lending engagement would be needed as the country is expected to attain UMIC status over the course of the COSOP implementation. IFAD will need to be more proactive in policy engagement and embarking on new partnerships to better accompany the country's efforts towards a more sustainable green economy and inclusive rural transformation. That said, the shift in income status and the associated shift in access from a mix of PBAS/BRAM to an exclusive access to BRAM would most likely entail changes in the number and size of investment projects to be included in the pipeline over the COSOP period, particularly starting from IFAD13.

(c) Co-financing opportunities and partnerships

Indonesia's country program is expected to be able to attract major international co-financing from ADB, IsDB and possibly from other multilateral financiers such as the OPEC Fund. Partnerships with Government Ministries, non-government organisations reflecting the interest of the indigenous people, farmers organisations to reflect traditional and structural challenges and civil societies is expected to improve the portfolio implementation performance over the COSOP's timeline. IFAD's partnership with private sector players like MARS Inc. will continue to feature prominently in the country. Due to higher government revenues, domestic co-financing and partnership opportunities should increase under the high-case scenario. The Omnibus Law on Job Creation, which went into effect in 2021, loosens labor market regulations, eliminates some requirements for creating permits/business licenses, and expands the range of industries that are open to FDI. There is a rapid emergence of agriculture technology companies, or AgriTech's, which will revolutionise sustainable farming, especially for small farmers. FDI is expected to grow in AgriTech companies working for reshaping the agriculture value chain by attracting youth employment, with operational efficiency through climate smart technologies and waste reduction. As a result, expanding collaborations with private sector players exploring to invest in these thematic areas as co-financiers and stakeholders are crucial.

Agricultural and rural sector issues

1. Features of the agricultural sector

Economic relevance of agriculture. Indonesia's gross domestic product (GDP) per capita has grown steadily since 2000, more than doubling from US \$2,144 to US \$3,877 in 2019 with a slight drop to US \$3,855 in 2021¹. While the share of agriculture's contribution to Indonesian GDP has declined to 12.7% of GDP in 2019², mainly to the benefit of the service sector, the agricultural sector has still doubled in value since 2000 to more than US \$79.2 billion in 2020³. Fourteen percent of Indonesia's GDP comes from the agriculture sector, which is predominantly run by smallholder farmers (93%). The agriculture and estate crop sector received 6,9% allocation of the total state budget in 2021.

Public finance. Spending on agriculture rose between 2016 and 2019, mainly through fertiliser subsidies and infrastructure via the Ministry of Public Works⁴. However, the government's indicative spending plans indicate a fall in the volume of financing for agriculture in the future⁵. This is due, in large part, to a shift in priorities with a significant fall expected in the amount of funding for fertiliser subsidy in the coming years.

Agriculture and livelihoods. Employing 29% of the total labour force, agriculture is the second largest employment sector in Indonesia after services (49%)⁶. Though agriculture's share of total employment has dropped steadily, from 44% in 2005 to 29% in 2019, the sector still employs a large number of Indonesia's 276 million citizens, with 64% of poor rural households engage in agricultural production⁷. Ninety three percent of all agricultural producers in Indonesia are small-hold family operations comprising an average of 4.9 hectares, with 75% of all agricultural households operating on less than one hectare of land⁸.

Indonesia's poverty rates are low for the region and represent the significant progress that has been made in reducing deprivation: the percentage of the population living under the poverty line fell from from 24% in 1999 to 9.71 percent in 2021⁹. However, Indonesia's large population means the number of poor households is still significant.

The percentage of Indonesians living on less than \$5.50 per day decreased from 60% in 2016 to 50% in 2021¹⁰. Those living on less than US \$3.20 per day decreased from 7% to 4% over the same period¹¹.

¹ World Bank (n.d.) GDP per capita (constant 2015 US\$) - Indonesia | Data. [online] Available from: <https://data.worldbank.org/indicator/NY.GDP.PCAP.KD?contextual=default&end=2021&locations=ID&start=2016> (Accessed 17 July 2022)

² World Bank (n.d.) Agriculture, forestry, and fishing, value added (% of GDP) - Indonesia. World Bank Data Bank. [online] Available from: <https://data.worldbank.org/indicator/NV.AGR.TOTL.ZS?end=2021&locations=ID&start=2016> (Accessed 17 July 2022)

³ Food and Agriculture Organisation of the United Nations (n.d.) FAOSTAT | Value of Agricultural Production. FAOSTAT. [online] Available from: <http://www.fao.org/faostat/en/#data/QV> (Accessed 17 July 2022)

⁴ GOI (2020b) Strategic plan of the Ministry of Agriculture (Rencana Strategis Kementerian Pertanian 2020–2024). Jakarta: Government of Indonesia. [Online] Available from: www.pertanian.go.id/home/?show=page&act=view&id=12

⁵ Kovach, H (2020) External finance for rural development Country case study: Indonesia. [Online] Available from: http://cdn-odi-production.s3-website-eu-west-1.amazonaws.com/media/documents/odi_indonesia.pdf

⁶ World Bank (n.d.) Employment in agriculture (% of total employment) (modelled ILO estimate) - Indonesia | Data. World Bank. [online] Available from: <https://data.worldbank.org/indicator/SL.AGR.EMPL.ZS?locations=ID> (Accessed 16 July 2022)

⁷ World Bank (n.d.) Poverty gap at \$5.50 a day (2011 PPP) (%) - Indonesia | Data. [online] Available from: <https://data.worldbank.org/indicator/SI.POV.UMIC.GP?locations=ID> (Accessed 15 July 2022)

⁸ Schenck, Laura (2018) Country factsheet on small family farms: Indonesia, FAO. [online] Available from: <http://www.fao.org/3/i8881en/l8881EN.pdf>

⁹ BPS, 2021.

¹⁰ World Bank (n.d.) Poverty gap at \$5.50 a day (2011 PPP) (%) - Indonesia | Data. [online] Available from: <https://data.worldbank.org/indicator/SI.POV.UMIC.GP?locations=ID> (Accessed 15 July 2022)

¹¹ World Bank (n.d.) Poverty gap at \$3.20 a day (2011 PPP) (%) - Indonesia | Data. [online] Available from: <https://data.worldbank.org/indicator/SI.POV.UMIC.GP?locations=ID> (Accessed 15 July 2022)

However, income inequality has increased dramatically since 2000, with the national GINI coefficient increasing from 28.6 in 2000 to 37.3 in 2021¹². While 7% of urban poor were impoverished in 2018, that number was 13.2% in rural areas where the majority of workers are employed in low-productivity, agricultural livelihoods¹³.

Overall, progress has been uneven, and pockets of scarcity remain; in 2021 poverty rates in Papua and West Papua are twice the national average (27.4% and 21.8% respectively) with 36,5% and 33,5% of the population live in rural areas.

Susceptibility of rice supply. Indonesians have a cultural preference for rice. Indonesian diets are highly reliant on rice, with low levels of consumption of meat and fats¹⁴. This exposes Indonesia to particular risks, given that Indonesia imports significant amounts of rice and other key staples such as soybeans, sugar and meat. Shocks that disrupt logistics and distribution, especially to rice imports, present significant challenges. Anticipating this problem, Indonesian policies have focused on promoting self-sufficiency in food production in order to achieve food security.

The national rice consumption in Indonesia is among the highest in the world, reaching 29.13 million tonnes in 2017. It has been estimated that it might increase to 31.7 million tonnes by 2045 along with the increase in population¹⁵. In contrast, Indonesia has seen a decline in rice production in recent years. The combination of increased demand and declining production is likely to cause a widening imbalance between rice supply and demand.

Other studies suggest that communities still value the consumption of local staples, even as they have increasingly become net food purchasers. In some parts of Indonesia, the provision of rice for the poor has become a key factor shaping a change in consumption away from local staples towards rice¹⁶. Rural households consume more plant-sourced protein than animal-sourced protein. While fish is the main animal-source food in diets in many parts of Indonesia, poor families of ten have insufficient incomes to access fish¹⁷. Chicken (meat and eggs) is also one of the most-consumed forms of animal protein and micronutrients.

Food security and nutrition. Indonesia has committed significant resources to improving nutrition outcomes. Findings from a public expenditure review¹⁸ suggest that overall government spending on nutrition is adequate, however, the situation of Indonesia's food security in 2020 has deteriorated compared to 2019, which is illustrated by an increase in the number of food insecurity vulnerable areas to 74 districts/cities, and a decrease in the number of food-secure areas to 440 districts/cities¹⁹. COVID-19 pandemic has an impact on decelerating regional economic growth and declining

¹² World Bank (n.d.) Gini index - Indonesia. World Bank Data Bank. [online] Available from: <https://data.worldbank.org/indicator/SI.POV.GINI?locations=ID> (Accessed 15 July 2022)

¹³ Asian Development Bank (2019) Policies to Support Investment Requirements of Indonesia's Food and Agriculture Development during 2020-2045 0 ed., Manila, Philippines, Asian Development Bank. [online] Available from: <https://www.adb.org/publications/indonesia-food-agriculture-development-2020-2045>

¹⁴ Hirschmann R (2020). Per capita meat consumption in Indonesia 2020, by type, Statista, [Online] Available from: www.statista.com/statistics/756883/indonesia-meatconsumption-per-capita-by-type/ (Accessed 17 July 2022)

¹⁵ Octania G. (2021) The Government's Role in the Indonesian Rice Supply Chain. Center for Indonesian Policy Studies [Online] Available from: <https://repository.cips-indonesia.org/publications/338075/the-governments-role-in-the-indonesian-rice-supply-chain> (Accessed 25 July 2022)

¹⁶ Utami AW, Cramer L A & Rosenberger N (2018). Food diversification versus *raskin*: developing climate change resilience in rural Indonesia. *Human Organization* 77:359–370, doi:10.1177/0018-7259.77.4. 359.

¹⁷ Gibson E, Stacey N, Sunderland TCH & Adhuri DS (2020). Dietary diversity and fish consumption of mothers and their children in fisher households in Komodo District, eastern Indonesia. *PLoS ONE* 15:1–22, doi:10.1371/journal.pone.0230777.

¹⁸ World Bank. 2020. Spending Better to Reduce Stunting in Indonesia : Findings from a Public Expenditure Review. World Bank, Washington, DC. © World Bank. <https://openknowledge.worldbank.org/handle/10986/34196> License: CC BY 3.0 IGO.

¹⁹ WFP (2022) Vulnerability Analysis and Mapping. Indonesia Country Office

household income. One of the main indicators used by GoI is Prevalence of Undernourishment (PoU), which is an estimate of the proportion of a given population, where the usual daily energy consumption from food is not sufficient to meet the energy level required for a normal, active and healthy life, expressed as a percentage. BPS data shows a prevalence indicator of 16.5% in 2011 which decreased to 8.5% in 2021²⁰.

Exposure to climate change. Climate change exacerbates the risk of floods, droughts, storms, landslides, and forest fires. Shifts in rainfall, evaporation, run-off water and soil moisture change combine with other risks that negatively impact smallholders.

Indonesia water deficits linked to climate change have already been reported for Bali and East Nusa Tenggara, while food deficits resulting from climate change have been observed in the provinces of East Nusa Tenggara and Papua. Poor rural smallholders are among the most vulnerable to these impacts, due to the dependence of their livelihoods on land and water, their limited income (110–140 million people live on less than US\$2 per day), their poor adaptive capacity, and their limited ability to access improved technologies, inputs, and alternative livelihood options.

Reports link harvest variability, particularly of rice, to exposure to climate change. Rice production is trending downwards with a 13% fall in harvests compared with the previous year, even though harvests were still sufficient for a 6.4 Mt surplus²¹.

Land ownership in Indonesia is also increasingly concentrated. Smallholders on average have less than half a hectare, or about an acre. Functionally landless farmers have much less capacity for providing their own food²². Landless non-food-producing households may be poorer and more vulnerable to fluctuations in labour demand²³. While household food production can be an effective strategy for rural households to meet their food requirements, developing food crops needs time and requires access to suitable land.

Access to markets. Farmers' lack of market information and marketing skills further affect productivity and earnings. Most smallholders are dependent on collectors who informs market information such as price and product specification. Agricultural underperformance in eastern Indonesia, for example, is partly due to smallholder farmers having low access to modern agricultural markets and production systems. If agriculture is to deliver sustained impact on incomes in a growing and increasingly dynamic Indonesian economy, it will need to become more competitive.

Access to services. The experience of the Indonesian decentralization of its extension system has been mixed, with adverse impact on extension through sharp reductions in funding, and removal of central-level guidance. At the same time, a series of positive debates and experimentation in management have taken place from a shift on top-down to participatory approaches, input and technology dissemination to dissemination of market and upstream information and technology, from centrally managed extension services to decentralized services, and some movement toward privatization of extension. Digital agriculture has the potential to be a game-changer for agriculture in Indonesia as the country's start-up ecosystem has seen a rapid growth of agricultural technologies (AgTech). Indonesian AgTech startups have helped advance many aspects of traditional agriculture and significantly contributed to the sector's production, supply chain, market access, transaction, and financing.

²⁰ BPS (n.d.) Prevalensi Ketidacukupan Konsumsi Pangan Porsn). [Online] Available from: https://www.bps.go.id/indikator/indikator/view_data/0000/data/1473/sdgs_2/1 (Accessed 27 July 2022)

²¹ WFP (World Food Programme) (2020). Indonesia—COVID-19: economic and food security implications, WFP [Online] Available from: <https://www.wfp.org/publications/indonesia-covid-19-economic-and-food-security-implications> (Accessed 17 July 2022)

²² McCarthy JF & Robinson K (2016). Land and development in Indonesia: Searching for the people's sovereignty, ISEAS, Singapore, 1–34.

²³ McCarthy JF (2019). The paradox of progressing sideways: food poverty and livelihood change in the rice lands of outer island Indonesia. *The Journal of Peasant Studies* 47(5):1077–1097, doi:10.1080/03066150.2019.1628021.

Apart from the government-provided people's business credit (Kredit Usaha Rakyat/KUR) system, most small-scale agricultural operators have no access to formal credit. Geographical scope and scale poses logistical barriers for financiers. Hence, many smallholders resort to informal loans, while most go without any credit at all. Insurance mechanisms that protect agricultural stakeholders from environmental and nonenvironmental hazards are rare. High costs have inhibited adoption of agricultural insurance in Indonesia²⁴. Commercial institutions shy away from the sector. Agricultural insurance programmes that link smallholder coverage with practices and technologies are being piloted elsewhere, but yet to take hold in Indonesia's economy.

COVID-19 pandemic has impacted food security and rural livelihoods in Indonesia. The impacts differ across geographical areas and production systems, depending upon how the effects of the pandemic articulate with local food systems, social relations, and the livelihood strategies of individual households. While the Government of Indonesia has rolled out social protection and other programs to soften the impact, the fragmentation of value chains, falling producer prices, the contraction of the informal sector and the loss of jobs have dealt a blow to diversified livelihoods, severely affecting the welfare of rural households in many places. In response, smallholders are taking up localised survival strategies and turning back to agriculture, suggesting that the pandemic will have detrimental effects on nutrition.

The unfolding crisis in Ukraine has shaken commodity markets and threatens global food security. Russia's invasion of Ukraine has affected Indonesian fertilizer producers with many firms in the industry, which are among the leaders of the agriculture sectors, facing difficulty securing certain raw materials²⁵. It was also recorded that in 2021 15.7% of Indonesia's imported fertilizers came from Russia.

In 2021 Indonesia imported 25% or 2.8 million tonnes of its total wheat needs from Ukraine. Indonesia is the largest wheat importer in the world with 10.29 million tonnes in 2020. Instant noodles make up a major part of the diet of the country's 275 million people²⁶. After the invasion of Ukraine occurred, global wheat prices rose by 5.35% to US\$9.84 per bushel. This increase is the highest since 2008²⁷. Other food price increases are expected to follow along with the increase in fertilizer prices which will affect the productivity of farming communities.

2. Rural women and youth

Though women play a significant role in Indonesia's agricultural production systems, they generally have less control over economic and productive resources, limited access to financial services and credit, are paid less than their male counterparts, and shoulder a greater burden of domestic work in addition to their agricultural responsibilities²⁸. While women often manage household finances in Indonesia, and have a degree of control over decision-making, they cannot access finances without their husband. In areas where large-scale rural-to-urban migration occurs, women take up work typically done by men. While

²⁴ Mutaqin, Dadang Jainal and Usami, Koichi (2019) Smallholder Farmers' Willingness to Pay for Agricultural Production Cost Insurance in Rural West Java, Indonesia: A Contingent Valuation Method (CVM) Approach. *Risks*, 7(2), p. 69. [online] Available from: <http://dx.doi.org/10.3390/risks7020069>

²⁵ Ukraine crisis hits Indonesian cement, fertilizer industries (2022) [online] Available from: <https://www.thejakartapost.com/business/2022/04/13/ukraine-crisis-hits-indonesian-cement-fertilizer-industries.html> (Accessed 19 July 2022)

²⁶ Asia Sentinel (2021) Ukraine Crisis Disrupts Indonesia's Wheat Supply; Concern rising over possible food shortages [Online] Available from: <https://www.asiasentinel.com/p/ukraine-crisis-disrupts-indonesia-wheat-supply#:~:text=The%20dwindling%20supply%20of%20wheat,raising%20fears%20of%20food%20shortages>. (Accessed 25 July 2022)

²⁷ BBC News Indonesia (4 March 2022) Konflik Rusia-Ukraina: Dampak bagi Indonesia, harga mi instan, pupuk hingga bunga kredit bisa naik. [Online] Available from: <https://www.bbc.com/indonesia/indonesia-60617679> (Accessed 27 July 2022)

²⁸ FAO (2019) Country gender assessment of agriculture and the rural sector In Indonesia, FAO. [online] Available from: <http://www.fao.org/3/ca6110en/ca6110en.pdf>

women comprise 37% of the agricultural workforce, they earn an average of 44% less than their male counterparts, just 13% of agricultural landowners are female, and only 11% of smallholder farms are female-headed^{29 30}.

Women spend an average of 5.4 hours on agricultural production per day while also performing significant domestic labour around their time in the fields. Female-headed households are more vulnerable to poverty due to their lower incomes, and estimates suggest that 20% of rural households are headed by women. Due to gender inequalities and income distribution, access to credit, and control over land and natural resources, rural women are more vulnerable to poverty. Further, previous studies have shown that women are vulnerable to gender-based violence during and after disasters³¹.

The average age of an Indonesian farmer is 52 years old, and Indonesia's youth are increasingly disinterested in pursuing futures in the agricultural sector. Discouraged by a lack of access to land and income instability, many rural youths are moving to cities³². Youth are increasingly absent from agricultural value chains, which contributes to chronic labour shortages that get worse over time. Indonesia has experienced urbanisation typical of the region, with its rural population declining from 58% of total in 2000 to 43% in 2021³³.

Between 2000 and 2015, the population of Indonesia's urban areas grew by 50 million, while rural areas shrunk by 5 million³⁴. The access to improved education and livelihood opportunities on offer in urban areas are a stronger magnet for male migration than the prospect of land inheritance and ownership in rural areas³⁵. This indicates a growing labour crisis for smallholder farming and the need for robust interventions aimed at promoting entrepreneurship and rebuilding agriculture's value proposition.

3. Policy and regulatory framework

The GOI's National Long-Term Development Plan (RPJPN 2005-2025) vision and mission is: "To establish a country that is developed and self-reliant, just and democratic, and peaceful and united." Under the current national medium-term development plan (RPJMN 2020-2024), the GOI's stated goal is an: "Indonesia that is self-reliant, advanced, just, and prosperous."

Indonesia's Mid-term Development Plan (RPJM) 2020-2024 also focuses on increasing access, price stability and sustainability of food production. Challenges of food system include demographic, economic, socio-culture and climate change. Food systems transformation will be implemented on the basis of three approaches, which include integrated action areas of development, inclusiveness, and localizing food systems³⁶.

²⁹ World Bank (n.d.) 'Employment in agriculture, female (% of female employment) (modelled ILO estimate) - Indonesia | Data'. [online] Available from: <https://data.worldbank.org/indicator/SL.AGR.EMPL.FE.ZS?locations=ID> (Accessed 20 July 2022)

³⁰ World Bank. 2020. Indonesia Country Gender Assessment : Investing in Opportunities for Women. World Bank, Washington, DC. © World Bank. <https://openknowledge.worldbank.org/handle/10986/35310> (Accessed 20 July 2022)

³¹ FAO (2019) Country gender assessment of agriculture and the rural sector In Indonesia, FAO. [online] Available from: <http://www.fao.org/3/ca6110en/ca6110en.pdf>

³² Ningrum, V. & Jogaswara, H. (2018) Engage Youth in Future Agriculture: Strategies for National Food Sovereignty. Lembaga Ilmu Pengetahuan Indonesia (Indonesian Institute of Sciences). [online] Available from: <http://lipi.go.id/publikasi/engage-youth-in-futureagriculture-strategies-for-national-food-sovereignty/26948> (Accessed 19 July 2022)

³³ World Bank (n.d.) Rural population (% of total population) – Indonesia | Data. [online] Available from: <https://data.worldbank.org/indicator/SP.RUR.TOTL.ZS?end=2021&locations=ID&start=2000> (Accessed 25 July 2022)

³⁴ FAO (2017) Empowering the rural youth in food and agriculture is key to changing the future of migration in Indonesia | FAO in Indonesia | Food and Agriculture Organisation of the United Nations. FAO. [online] Available from: <http://www.fao.org/indonesia/news/detail-events/en/c/1061725/> (Accessed 15 July 2022)

³⁵ FAO (2019) Country gender assessment of agriculture and the rural sector In Indonesia, FAO. [online] Available from: <http://www.fao.org/3/ca6110en/ca6110en.pdf>

³⁶ Anon (n.d.) Indonesia Strategic National Pathway for Food Systems Transformation. [Online] Available from: https://summitdialogues.org/wp-content/uploads/2021/09/Pathway_version_1.0english_Indonesia_15.09.2021.pdf (Accessed 21 July 2022)

The Strategic Plan of the Indonesian Ministry of Agriculture 2020-2024 is generally aimed at achieving a self-reliance, developed, and prosperous agricultural community. The regulatory framework of the strategic plan includes human development and poverty alleviation, infrastructure and regional mapping, added value of real sector, industrialization, and employment opportunities, food, water, energy and environment securities, as well as defence and security stability.

Three most aligned ministries within the national agriculture development programs are Ministries of Agriculture, Village, Development of Disadvantaged Areas and Transmigration, and Cooperatives and SMEs. The Ministry of Cooperatives and SMEs has the responsibility to carry out affairs in the field of cooperatives and small and medium enterprises in the government. Its functions include formulating and determination of policies, coordinating and synchronising policy implementation. The Ministry of Villages, Development of Disadvantaged Regions, and Transmigration has the task of carrying out government affairs in the fields of development of villages and rural areas, empowerment of rural communities, and development of underdeveloped areas. An effort from the government is establishing the farmers' corporation program, which is a form of farmer economic empowerment to increase farming system efficiency and farmers' welfare. However, its development faces barriers, even though it has been stated in the 2020-2024 RPJM as a National Strategic Priority Project.

SECAP background study

Introduction

1. The Social, Environmental and Climate Assessment Procedures (SECAP) underscores IFAD's guiding values and principles that defines its strategy for assessing social, environmental and climate risks to enhance the sustainability of results-based country strategic opportunities programmes (RB-COSOPs), country strategy notes (CSNs), programmes and projects. The first IFAD-SECAP took effect on January 2015⁵⁷. By 2017, an update to the SECAP, along with guidance statements, provide the mandatory requirements and other elements that must be integrated throughout the project life cycle. SECAP 2021 supersedes and replaces SECAP 2017 and will apply to all new IFAD-supported projects entering the pipeline after 1 August 2021.

2. IFAD's mainstreaming priority themes (youth, gender, environment and climate change, and nutrition) and cross-cutting themes of indigenous peoples, people with disabilities and biodiversity are woven into the SECAP 2021. Investments are assessed and managed for risks anchored upon nine environmental and standards (ES): (i) ES1: Biodiversity conservation, (ii) ES2: Resource efficiency and pollution prevention, (iii) ES3: Cultural heritage, (iv) ES4: Indigenous peoples, (v) Labour and working conditions, (vi) ES6: Community health and safety, (vii) ES7: Physical and economic resettlement, (viii) ES8: Financial intermediaries and direct investments, and (ix) ES9: Climate change. The ESs sets out an enhanced risk assessment process that recognizes the heterogeneity of responses to risks, given the widely varying conditions existing in different countries and communities. With SECAP 2021, IFAD aims to better manage environmental and social risks and more effectively address climate change in its investment portfolio. An environmental and social exclusion list is provided in Attachment 1.

3. Country Geographic Context.

Indonesia is the largest archipelagic state in the world that extends 5,120 kilometres from east to west and 1,760 kilometres from north to south. The country encompasses 17,508 islands with over 81,000 kilometres (km) of coastline with an approximate population of 276,361,788 million as of 2021⁵⁸ and the largest economy in Southeast Asia. The country's islands are home to an extremely varied geography, topography, and climate, ranging from sea and coastal systems to peat swamps and montane forests.⁵⁹



4. There are five main islands: Sumatra, Java, Kalimantan, Sulawesi, and Papua; two major archipelagos (Nusa Tenggara and the Maluku Islands); and sixty smaller archipelagos. Total Area of Indonesia is 1,919,440 sq km (Land Area: 1,826,440 sq km; Water Area: 93,000 sq km which include straits, bays and other bodies of water.)⁶⁰ Islands are mountainous with dense rain forests, and some have active volcanoes numbering to about 400 in which about 100 are active. Most of the smaller islands belong to larger groups, like the Maluku Spice Islands.⁶¹

5. **Approach and Methodology.** The background study follows the approach and methodology outlined in SECAP 2021 Edition Volumes 1 and 2 as well as overarching IFAD strategy documents such as the *Climate Mainstreaming in IFAD-Funded Programmes (2016)*, Environment and Natural Resource Management (ENRM) Policy (IFAD, 2012), Targeting Policy: Reaching the Rural Poor (IFAD, 2008), IFAD Initiative for Mainstreaming Innovation (2007), and Engagement with Indigenous Peoples (IFAD, 2009).

6. IFAD engaged a SECAP Specialist and Remote Sensing Specialist to prepare the SECAP study from May to August 2022. The methods applied included: review of literature and GOI policy

⁵⁷ <https://www.ifad.org/topic/gef/secap/overview/tags/mlgef>.

⁵⁸ <https://data.worldbank.org/indicator/SP.POP.TOTL?locations=ID>

⁵⁹ ADB WB 2021

⁶⁰ <https://www.embassyofindonesia.org/basicfacts/#:~:text=Geography%20of%20Indonesia>. Accessed July 2022

⁶¹ *Ibid.*

documents, assessment of available database from open access sites as well as those shared by key Government offices, and consultations with COSOP implementation partners and other stakeholders from government, civil society, donor, and academic sectors as integrated into the COSOP consultations.

Part 1 Situational analysis and main challenges

1.1 Socioeconomic Situation and Underlying Causes

7. **Economy and Poverty.** In 2021, the health and social services/activities sector has the most significant contribution to Indonesia's Gross Domestic Product (GDP) at 14.06 %, followed by the mining and excavation sector, 7.7%.⁶² Due to travel and production activities restrictions during the COVID-19 pandemic, major GDP contributors in the past—trade and manufacturing sectors—fell back⁶³. Economic damages include low investments, slow human capital growth and productivity, and prolonged unemployment that contributed to the low potential growth of the country, decrease in poverty reduction, and widen inequality⁶⁴. Indonesia's economy remained resilient with high-contact services like exports, retail, and hospitality and manufacturing activities and is slowly reverting to pre-pandemic stages⁶⁵.

8. Poverty⁶⁶ for the whole Indonesia decreased from 10.14% (27,542.77) in the 1st quarter of 2021 to 9.7% (26,503.65) in the 4th quarter of the same year (Attachment 2 SECAP Reference Maps on poverty map). Java (13,171,250 persons) and Bali (211,460 persons) have the highest number of individuals that are considered poor but compared to the percentage of poor population per region, Papua ranks highest with 944,490 people out of 4,355,445 (21.69%) with West Papua having 221,290 out of 1,150,468 (19.23%) poor people.

9. The World Bank (2020) noted that majority of the poor and vulnerable members of the population reside in rural areas with 65.1% non-metropolitan rural zones with the islands of Java-Bali (53.7 percent) having the largest number of Indonesia's poor and vulnerable. Pockets of poverty exist as with outer islands like Papua (1.4 percent) and Sulawesi (7%). There has already been uneven and unequal delivery of services to rural areas like safe water, electricity, and sanitation⁶⁷ and this record may have worsened due to the effects of the pandemic.

10. Rural households experience multiple burdens⁶⁸. Common characteristics are high rates of poverty, high dependency ratios⁶⁹, low number of migrant heads, multiple income-generating activities, low educational attainment, and low labor force participation. Rural area residents, especially the elder, young school dropouts and disabled population, are at high risks of social and economic exclusion. Areas in Java-Bali, Nusa Tenggara, South Sulawesi, and Papua show a Gini coefficient higher than 0.35 indicating a high risk of exclusion and inequality.

11. Vulnerable groups also experience food insecurity especially female-headed families. The main drivers of issues in food security in rural areas are climate dependency and lack of economic opportunities. Households indicated that food shortages were mostly related to weather like droughts, floods, landslides, lack of employment, plant diseases, inadequate farming inputs and plots, household member's death, low food access, and high educational expenses. Coping mechanisms of households for food shortages are reducing food varieties, substituting food types, selling assets, migration, and borrowing from relatives and neighbors.

⁶² Bank of Indonesia. 2021. Rise and Be Optimistic: Synergy and Innovation for Economic Recovery. Economic Report on Indonesia 2021. Retrieved from: www.bi.go.id/en/publikasi/laporan/Documents/LPI_2021_EN.pdf

⁶³ *Ibid*

⁶⁴ World Bank. 2021 December. A Green Horizon Towards a High Growth and Low Carbon Economy. Indonesia Economic Prospects (IEP). Retrieved from: [chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://openknowledge.worldbank.org/bitstream/handle/10986/36732/166956.pdf#:~:text=The%20Indonesia%20Economic%20Prospects%20%28IEP%29%20is%20a%20bi-annual,as%20specific%20development%20challenges%20for%20the%20Indonesian%20economy.](https://openknowledge.worldbank.org/bitstream/handle/10986/36732/166956.pdf#:~:text=The%20Indonesia%20Economic%20Prospects%20%28IEP%29%20is%20a%20bi-annual,as%20specific%20development%20challenges%20for%20the%20Indonesian%20economy.)

⁶⁵ World bank. 2021 December. A Green Horizon: Towards a High Growth and Low Carbon Economy. Retrieved from: <https://openknowledge.worldbank.org/bitstream/handle/10986/36732/166956.pdf>

⁶⁶ 2021 Poverty profile of Indonesia. Statistics Indonesia, 2022)

⁶⁷ The World Bank. 2020. No One Left Behind: Rural Poverty in Indonesia. 1818 H Street NW, Washington DC 20433. Retrieved from: <https://openknowledge.worldbank.org/handle/10986/34163>

⁶⁸ *Ibid*.

⁶⁹ 63% elder members, 52% more young children , 30% with disabilities.

12. **Agriculture sector.**⁷⁰ In 2019, the agricultural sector in Indonesia still remains significant despite ranking third (13%) in contributing to the country's GDP; with oil and gas processing at 20% and non-oil and gas sector at 18%. Agriculture remains as the main source of livelihood for poor household living in rural areas⁷¹.

13. Indonesia⁷² is the world's largest producer of plantation crops, such as palm oil and natural rubber. Total production of smallholder estates for crude palm oil is 16.75 million tons; while total planted area is 6.08 million hectares. Total production of large estates for crude palm oil is 30.73 million tons; total planted area is 8.4 millions hectares. Despite the large production of large estates, smaller estate companies account for the majority of the total planted area of oil palm, cloves, and rubber in Indonesia.

14. Food and horticultural crops⁷³ are relatively low while the last decades have seen an increase in imports of horticultural products, indicating a more diversified food supply than before. There is potential in expanding the domestic market by cultivating more profitable fruits and vegetables. The demand for fish and meat is also increasing every year. The country is the 2nd largest producer of poultry birds in the Asia-Pacific region and one of the largest seafood producers in the world. However, there is a large gap between income derived from the fisheries sector (less than 3% of GDP) as against land-based agriculture despite 77% of its geographical area being ocean waters. With the unexplored potential of the marine sector, Indonesia is focusing the country's attention on this sector. GDP from livestock amounted to 268.17 trillion Indonesian rupiah; gradual increase from 2014. The distribution across regions can be found in Attachment 2 – SECAP Reference Maps on priority crops/commodities.

15. **Challenges facing the agriculture sector.** The growing large-scale commodity production in Indonesia is to meet with the high demand for pulp and palm oil, however more operators are utilizing marginal lands, especially peatlands, for these large-scale commodities resulting to conflict over land rights with small land holders. Furthermore, local communities, mostly indigenous people, living in state forest areas have no formal rights over their lands and state-licensed concessions create land tenure conflicts. State forests, as sources of livelihood and sustenance of some forest occupants, are assigned as state-owned reserved for formal access.⁷⁴

16. Despite the significant size of Indonesia's agriculture industry, some barriers to maximizing its potential still exist, such as poor technological advancement and supply chain challenges. These challenges are further compounded by prolonged spells of bad weather, such as drought, leading to shortages of basic commodities such as rice, wheat, soybean, and sugar. Indonesian 'agripreneurs' and the government have been transforming the agricultural sector by establishing collectives and using modern farming methods in recent years. However, emerging challenges such as increasing demand for food traceability and the impact of climate change are already taking a toll on Indonesia's agriculture. Improving the agricultural sector through technology could help shorten the long distribution chain from farmers to consumers, reduce its large carbon footprint, and evenly distribute economic growth in Indonesia.⁷⁵

17. **Nutrition.** Indonesia has made progress in reducing child mortality but it still has high stunting rates in the world⁷⁶. Overall, the nutrition status of toddlers and children in Indonesia improved, especially in the region of Sumatra. Data⁷⁷ in 2021 reveal that Indonesia decreased stunting from 27.7% to 24.4% and wasting to 7.1% from 7.4%, however, cases of underweight children increased to 17% from 16.3%. Provinces with the highest stunting rates are from Nusa Tenggara Timur (37.8%), Sulawesi Barat (33.8%), and Aceh (33.2%) while lowest stunting rates are from Bali (10.9%), Jakarta (16.8%), and Yogyakarta (17.3%). Regional distribution is spatially

⁷⁰ World Bank. 2021. Sustainable Lowland Agriculture Development in Indonesia. World Bank, Washington, DC. © World Bank. <https://openknowledge.worldbank.org/handle/10986/36223> License: CC BY 3.0 IGO.

⁷¹ World Bank. 2020. No One Left Behind: Rural Poverty in Indonesia. World Bank, Washington, DC. © World Bank. <https://openknowledge.worldbank.org/handle/10986/34163> License: CC BY 3.0 IGO.

⁷² Ministry of Agriculture. "Agricultural Statistics Database". <https://aplikasi2.pertanian.go.id/bdsp/en/location>. accessed on July 12, 2022)

⁷³ *Ibid.*

⁷⁴ World Bank. 2021. Sustainable Lowland Agriculture Development in Indonesia. World Bank, Washington, DC. © World Bank. <https://openknowledge.worldbank.org/handle/10986/36223> License: CC BY 3.0 IGO.

⁷⁵ Statista Research Department, Jun 15, 2022. https://www.statista.com/topics/7732/agriculture-industry-in-indonesia/#dossierContents_outerWrapper

⁷⁶ World Bank. 2020. Spending Better to Reduce Stunting in Indonesia: Findings from a Public Expenditure Review. World Bank, Washington, DC. © World Bank. <https://openknowledge.worldbank.org/handle/10986/34196> License: CC BY 3.0 IGO

⁷⁷ Ministry of Health of the Republic of Indonesia, 2021, Results of Study on Nutritional Status of Indonesia (SSGI) at National, Provincial and District/City Levels in 2021

provided in Attachment 2 SECAP Reference Maps on stunting. The maps further show that the GOI has the capacity in addressing stunting through facilitation of the Ministry of Health as stunting cohorts are recover in a matter of three months. Indonesia is able to address and lessen the issues of stunting and wasting because of the nutrition-specific and nutrition-sensitive initiatives of different sectors (national government, non-government organizations, development partnerships, and private sectors)⁷⁸. At the national level, the National Strategy to Accelerate Stunting Prevention (StraNas Stunting) was launched in August 2017 as mandated by Presidential Decree No. 72/2021⁷⁹.

18. Wasting in Indonesia is highest in the provinces of Maluku (12%), Papua Barat (10.8%), and Aceh (10.7%) while lowest rates are from Bali (3%), Bengkulu (5%), and Jawa Barat (5.3%). High prevalence of underweight children are present in Nusa Tenggara Timur (29.3%), Maluku (26.4%), and Kalimantan Selatan (24.3%) and lowest in Bali (7%), Yogyakarta (12.3%), and Bengkulu (12.9%).

19. Given the high population density in Java and Bali, a large number of poor individuals also occupy the region, however, overall nutrition of children and toddlers are relatively good. This success is attributed to the simultaneous implementation of multi-sectoral interventions down until grassroots level. On the other hand, there are high rates of stunting in children in Nusa Tenggara even if poverty is not prevalent in the region.

20. **Women.** Indonesia is one of the countries that has lessened the gap in gender inequality, however, this has not been apparent in women participation in the economy with marriage and pregnancy as the key predictors⁸⁰. Married women in rural areas is less likely to be working compared to single women in rural areas. This is more distinct in women in urban areas. Women in the working force mostly remain in low productive and informal sectors, a manifestation of occupational segregation since construction, electricity, gas and water supply, transport, finance and business sectors remain to be male dominated. More women, especially rural women, have been participating more in informal sectors and in non-wage works. Women entrepreneurs in Indonesia does not reach their full growth potential as compared to men due to less access to capital, credit, technology, and markets. According to ADB (2020)⁸¹, there are high percentages of poor individuals among female population, with no education, living in rural areas, and people with no professional occupation. Women as wives and mothers have affected Indonesia's cultural norm in widening the gap between men and women but this is slowly changing⁸².

21. **Youth.** About a quarter of the total Indonesian population is composed of the youth, around 64.92 million (23.90%)⁸³. Based on gender, there are more male youths than females, 24.04% compared to 23.76%. The majority of the youth population resides in urban areas (24.77%) compared to rural (22.76%) which can be attributed to better access to facilities, infrastructure, and services in the cities. About 55% of the youth population are in Java. According to Indonesian Youth Law No. 40 of 2009, the youth is composed of people from 16-30 years of age while Indonesia's Central Bureau of Statistics is in line with the United Nations' (UN) and ADB's description of the youth as 15-24 years old⁸⁴.

22. During the COVID-19 pandemic, there are about 44% and 34% households that experienced income reduction in urban and rural areas, respectively⁸⁵. Forty-five percent of households with children was recorded to eat smaller meal portions and serve less nutritious food to their family members⁸⁶. Children's access to services like health care, nutrition, education were severely

⁷⁸ *Ibid.*

⁷⁹ *Ibid.*

⁸⁰ The World Bank. 2020. Indonesia Country Gender Assessment: Investing in Opportunities for Women. 1818 H Street NW, Washington DC 20433. Retrieved from: <https://openknowledge.worldbank.org/handle/10986/35310>

⁸¹ Askar, Ouattara, & Zhang. 2020 March. Financial Literacy and Poverty Reduction: The Case of Indonesia. ADBI Working Papers. Retrieved from: <https://www.adb.org/sites/default/files/publication/574816/adbi-wp1097.pdf>

⁸² The World Bank. 2020. Indonesia Country Gender Assessment: Investing in Opportunities for Women. 1818 H Street NW, Washington DC 20433. Retrieved from: <https://openknowledge.worldbank.org/handle/10986/35310>

⁸³ Badan Pusat Statistik. 2021. Statistics of Indonesian Youth 2021. Retrieved from: <https://www.bps.go.id/publication/2021/12/21/52333d2ce0a748fff6469811/statistik-pemuda-indonesia-2021.html>

⁸⁴ Islamic Development Bank. 2019 February. Country Youth Profile: Indonesia. Retrieved from: <https://www.isdb.org/youth-development/publications/country-youth-profile-indonesia>

⁸⁵ UNICEF. Indonesia Country Office Annual Report 2021. Retrieved from: https://r.search.yahoo.com/_ylt=Awr48m8A191i_O0kG21XNyoA;_ylu=Y29sbwNncTEEcG9zAzMEdnRpZAMEc2VjA3Ny/RV=2/RE=1658718080/RO=10/RU=https%3a%2f%2fwww.unicef.org%2fmedia%2f117061%2ffile%2fIndonesia-2021-COAR.pdf/RK=2/RS=UVSC1Xp8Fpz7tuvmwJG34Jao32E-

⁸⁶ *Ibid.*

impacted so the national government increased investment on social protection to \$10.9 billion in 2020-2021.

23. **Indigenous peoples.** The Government of Indonesia has a policy of not recognizing ethnicity during political discourses and policy-making decisions to avoid 'special treatment' of individuals and groups claiming to be 'indigenous peoples'.⁸⁷ GOI believes that all Indonesians are natives or groups occupying Indonesian territory since time immemorial. However, the government through The Ministry of Social Affairs has a program to develop community groups residing in forests which are considered to be lagging behind the majority⁸⁸. These groups are referred to as *komunitas adat terpencil (KAT)* or "local and scattered socio-cultural groups having low involvement in social networks and service in society, economy, and politics", as stated in Presidential Decree, No. 111 of 1999⁸⁹. Currently, the GOI recognizes 1,128 ethnic groups⁹⁰.

24. Indigenous groups in Indonesia organized and founded Alliance of Indigenous Peoples of the Archipelago (Aliansi Masyarakat Adat Nusantara, or AMAN). AMAN estimates that there are about 50 to 70 million IP population in the country and defines IPs or *masyarakat adat* as "community living together based on their origins intergenerationally in adat land, who have sovereignty over the land and the natural resources, sociocultural life regulated by adat law and adat institutions which manage the sustainability of the communities' lives" (p.5)⁹¹. Other sources have estimated the number to be as high as 120 million⁹². Membership to AMAN is open to all communities identifying as an adat⁹³ community with the same collective principle, vision, and objectives of AMAN.

25. The Badan Registrasi Wilayah Adat -Customary Territory Registration Agency (BRWA, an institution registering customary territories), customary territories undergo a process to validate the existence of IPs in an area.⁹⁴ Kalimantan, specifically West Kalimantan has large areas of BRWA certified customary areas in which it is also reflective of the large population of IPs residing West Kalimantan. Papua is followed by Kalimantan with a large area of certified customary area but IP population is low. IPs in Indonesia live in various parts of the country but mostly in mountains, forests, and coastal areas living in their ancestral lands or as nomads⁹⁵ See Attachment 2 SECAP Reference Maps for geographic distribution of IPs as recorded by BRWA.

26. Nature is a significant part for IPs in Indonesia's survival because of their belief that the planet is a communal possession that needs to be protected for sustainability. Most IP populations in Indonesia live in rural areas with rich natural resources but IP lands are continuously being discarded in the name of "development", allowing private and/or industrial enterprises to conduct activities within ancestral lands without Free, Prior, and Informed Consent⁹⁶. Disregard of customary laws and systems are due to structural inequalities furthered by discriminatory and oppressive laws. ADB identified issues faced by IPs in Indonesia, which follows: lack of land and natural resources recognition, pollution, poor agricultural land quality, migrants or outsiders claiming rights to ancestral lands, lack of education, poor health status, lack of access to infrastructure, transportation facilities, and information, and fluctuating commodity prices.

⁸⁷ Duncan, C. R. (2007). Mixed outcomes: The impact of regional autonomy and decentralization on indigenous ethnic minorities in Indonesia. *Development and change*, 38(4), 711-733.

⁸⁸ *Ibid*

⁸⁹ Asian Development Bank. 2002. *Indigenous Peoples/Ethnic Minorities and Poverty Reduction: Indonesia*. Retrieved from: <http://hdl.handle.net/11540/2966>

⁹⁰ Indigenous World 2020: Indonesia. 2020 May 11. Retrieved from: <https://www.iwgia.org/en/indonesia/3602-iw-2020-indonesia.html#:~:text=While%20Indonesia%20is%20a%20signatory%20to%20the%20United,Indigenous%20and%20thus%20entitled%20to%20the%20same%20rights.>

⁹¹ Asian Development Bank. 2002. *Indigenous Peoples/Ethnic Minorities and Poverty Reduction: Indonesia*. Retrieved from: <http://hdl.handle.net/11540/2966>

⁹² O. Lynch, *Whither the People? World Resources Institute*, Washington DC, 1991; C. Zerner, *Indigenous Forest-Dwelling Communities in Indonesia's Outer Islands: Livelihoods, Rights and Environmental Management Institutions in the Era of Industrial Forest Exploitation*, Paper for the World Bank Forest Sector Review, World Bank, Washington DC, 1992; World Agroforestry Centre, 2005, *Facilitating Agroforestry Development through Land and Tree Tenure Reforms in Indonesia*, ICRAF SE Asia Working Paper No 2, Bogor, 2005.

⁹³ Self-governing

⁹⁴ Registered/ Not regulated territories refers to an area agreed upon by the local community as customary in which indigenous communities submit required application forms and a document stating the community's decision to register their land as customary territory. Verified/Established areas are lands that are under BRWA's verification process, followed by a validation procedure by the registering indigenous community. Certified/Regulated customary areas are lands that were accepted by BRWA to have followed requirements. <https://brwa.or.id/pages/prosedur>

⁹⁵ IFAD. 2012 November. *Country Technical Notes on Indigenous Peoples' Issues Republic of Indonesia*. Retrieved from: <https://www.ifad.org/en/web/knowledge/-/publication/indonesia-country-technical-note-on-indigenous-peoples-issues>

⁹⁶ *Ibid*

27. **Cultural Heritage.** In Indonesia, cultural heritages, tangible and intangible, are protected by the Cultural Conservation Law No. 11 of 2010 and Law on the Advancement of Culture No. 5 of 2017. According to UNESCO, there are 9 heritage sites in Indonesia⁹⁷. These are Ombilin Coal Mining Heritage of Sawahlunto in West Sumatra, Borobudur Temple Compounds in Java, Subak Landscape in Bali, Prambanan Temple Compounds in Yogyakarta, Sangiran Early Man Site in Jawa Tengah, Komodo National Park in Nusa Tenggara Timur, Lorentz National Park in Papua, Tropical Rainforest Heritage of Sumatra in Jambi, and Ujung Kulon National Park in Banten. Java has the most number of cultural heritages, 4, but the largest cultural heritage, in terms of land area cover, is the Tropical Rainforest Heritage of Sumatra with 2,595,125 ha.

28. **Financial inclusion.** Financial exclusion is often observed among households with no access to microfinance services, specifically in rural areas, despite Indonesia being dubbed as a microfinance laboratory with numerous types of microfinance plans and one of the first Asian countries to advance commercial microfinance⁹⁸. Even with notable financial inclusion efforts and microfinance provision, financial inclusion is still low⁹⁹. In ADB's 2015 report, 6% of the world's unbanked population belongs to Indonesia. Now, the Bank of Indonesia aims to improve financial inclusion through the use of technology increasing the electrification of bank transactions and digitalization of financial products and services. To ensure to reach the goal, Bank of Indonesia will collaborate with World Bank to develop a module on digital financial services education¹⁰⁰. Other than financial technology to guarantee financial inclusion in this 4th industrial revolution era, development of micro, small, and medium enterprises (MSMEs) is also planned since e-commerce is now eminent¹⁰¹.

1.2 Environment and Climate

29. **Hydrology.** Inland freshwater resources are abundant in Indonesia covering areas of 534,000 km², consisting of 394,000 km² of swampy areas, 119,500 km² of water catchment areas and flood plains, 16,000 km² of man-made lakes and 5000 km² of natural lakes. There are 521 lakes of which fourteen (14) are deeper than 100 m, eight (8) are deeper than 200 m, and three (3) are deeper than 400m. The biggest lakes are over 1,130 km² wide with depths of approximately 590m. These lakes contain 500 km³ of freshwater that are available in an average annual quantity of 15,500m³ per capita. That amount is globally significant and is about 25 times that of the world average, which is only about 600 m³ per capita annually. However, the abundance of freshwater bodies is not evenly distributed in the country and its availability also depends on seasonal changes. These conditions are exacerbated by environmental degradation and changes in the hydrological cycle (UN ESA, 2004).

30. **Forests.** The land cover of Indonesia is about 95.56 million hectares of natural and planted forest, representing 51% of its total land area (MOEF 2020). Attachment 1 SECAP Reference Maps on deforestation rates of forest and non-forest areas show that the fastest deforestation rate occurs in the Kalimantan and Sumatra Provinces. Causes of deforestation range from illegal logging, forest fires and conversion of forests into oil palm plantations.

31. Global forest watch (accessed July 2022) reported in 2011 that Indonesia lost 645,000 ha of primary forest. Up until 2021, primary forest loss averaged 506,000 ha. The largest forest loss of 929,000 ha occurred in 2016. The El Niño event occurred during this time. Huge forest fires were observed. Forest loss declined from 2017 to 2021. The rate of deforestation of primary forests has been reduced significantly through a moratorium on forest clearance since 2011. However, primary forest cover loss still occurs in certain locations (RPJMN 2020-2024).

32. In terms of land use/land cover, Indonesia has 67.5% tree cover while woody crops and herbaceous crops cover 10.3% and 12.2%, respectively (FAOSTAT 2022). Inland waters, mangroves and shrub-covered areas have single digit proportions. In terms of area, Kalimantan Barat has the highest non-forest cover in Indonesia having 8.9 M ha followed by Kalimantan Tengah with 7.8 M ha. The rest of the provinces range from 7 M ha to as low as 64,500 ha found in DKI Jakarta.

⁹⁷ <https://whc.unesco.org/en/statesparties/id>

⁹⁸ Asian Development Bank. 2016. Financial Inclusion in Indonesia Summary Sector Assessment 2016. Retrieved from: https://r.search.yahoo.com/_ylt=AwrOqrpNW9RixVkgdS9XNyoA;_ylu=Y29sbwNncTEEcG9zAzQEdnRpZAMEc2VjA3NyRV=2/RE=1658112973/RO=10/RU=https%3a%2f%2fwww.adb.org%2fsites%2fdefault%2ffiles%2fflinked-documents%2f48207-002-sd-03.pdf/RK=2/RS=uyhAkO6e3HTBmOQ6SUR_Yses_4-

⁹⁹ World Bank. 2020. No One Left Behind : Rural Poverty in Indonesia. World Bank, Washington, DC. © World Bank. <https://openknowledge.worldbank.org/handle/10986/34163> License: CC BY 3.0 IGO.

¹⁰⁰ Bank of Indonesia. 2021. Rise and Be Optimistic: Synergy and Innovation for Economic Recovery. Economic Report on Indonesia 2021. Retrieved from: www.bi.go.id/en/publikasi/laporan/Documents/LPI_2021_EN.pdf

¹⁰¹ Republic of Indonesia. The National Medium-Term Development Plan for 2020-2024.

33. **Peatlands.** The original area of tropical peatlands, both forested and non-forested, in Indonesia has been estimated at about 21 million ha (Gokkon 2021). Peatlands continue to experience disturbances, especially from drainage, deforestation, and wildfires that potentially increase greenhouse gas (GHG) emissions and disrupt the functions within the ecosystem. Sumatra and Kalimantan have peatland forests decline from yr2000 to 2015, respectively by half (43.43% to 20.33%) and by one-third (54.22% to 39.87%). The forest cover area, which includes both primary and secondary forests in peatlands, tends to decrease indicating the extent of damage to peatlands from year to year (RPJMN 2020-2024).

34. **Water.** Areas in Java, Bali, East Nusa Tenggara, and parts of Sulawesi experience water deficits heightened by water pollution despite the country having over 21% of the freshwater reserves of Asia. Indonesia reported in its Second National Communication to the UNFCCC (2010) that 14% of its 453 districts record no months of surplus water. By 2025, this is projected to increase to 20%, and to 31% by 2050. Saltwater intrusion affects Indonesia's water resources experienced along Indonesia's coastline and is exacerbated by land subsidence, sea level rise and groundwater exploitation. (ADB WB 2021). Areas with critical levels of water supply have increased from 6% in 2000 to 9.6% by 2045, covering the regions of southern Sumatra, West Nusa Tenggara, and southern Sulawesi (RJPMN 2020-2024).

35. **Fisheries and Coral.** In 2017 Indonesia represented the world's second largest capture fish producer, and third largest fish farming (aquaculture) producer. Climate change could lead to around a 13% (RCP2.6) to 29% (RCP8.5) decrease in total fisheries catch potential in Indonesian waters by 2050. These rise to 18% and 63% respectively by the end of the century. At the national level, Indonesia's fisheries sector is believed to be one of the most vulnerable in the world (ADB WB 2021).

36. Coral reefs provide key spawning grounds for many fish species as well as harboring significant biodiversity and generating tourism income at \$3.1 billion per year (ADB WB 2021). High water temperatures and ocean acidification are already impacting on the health of Indonesian coral reefs. The 2016 coral bleaching event had placed corals under stress across 39% of Indonesia's waters up from 31% in 2010 (Wouthouyzen et.al. 2018 cited by ADB WB 2021). Climate modelling suggests by 2100 Indonesia could lose between 25% (RCP4.5) and 82% (RCP8.5) of its coral cover and lose the majority of coral reef-based tourism (Gaines et.al. 2019).

37. **Biodiversity.** Indonesia hosts a wide array of diverse ecosystems from sea and coastal systems to peat swamp forests to montane forests. It has extremely high levels of biodiversity possessing about 10 percent of the world's flowering plant species, 12 percent of the world's mammals, 16 percent of the world's reptile and amphibian species, 17 percent of the world's birds, and at least 25 percent of all the world's fish species. Borneo and Sumatra are home to the last remaining Sumatran tigers, orangutans, pygmy elephants and Sumatran rhinos. Both islands are also key sources of freshwater to Borneo and Sumatra's 56 million people. Indonesia's seas cover more than 33,000 million hectares (ha), contain some 450 species of coral, and support one of the world's largest varieties of reef fish as well as commercial and community fisheries. (Case et.al. 2007 cited by ADB WB 2021). Indonesian peatland forests are of particular importance for the survival of the Sumatran Orangutan (*Pongo abelii*), Sumatran Tiger (*Panthera tigris sumatrae*), Sumatran Rhinoceros (*Dicerorhinus sumatrensis*), as well as the lesser-known rare species such as the White-winged Duck (*Cairina scutulata*), Storm's Stork (*Ciconia stormi*), and False Gavia (*Tomistoma schlegelii*), whose small populations are mainly restricted to the peat swamp forests.

38. Threats include increasing population and rapid industrialization such as large-scale deforestation and wildfires, land conversion and habitat destruction, overexploitation of marine resources, and a multitude of environmental problems including climate change. Primary forest degradation and conversion into palm oil plantations resulted to declines in species richness up to or above 50%. Ecosystems in the coastal zone, such as mangroves and seagrasses, are also under threat as well as many other marine species (ADB WB 2021).

39. Indonesia contains some of the world's most endangered species, such as the Proboscis Monkey (*Nasalis larvatus*), Javan Rhinoceros (*Rhinoceros sondaicus*), Komodo dragon (*Varanus komodoensis*), and the Sumatran and Bornean Orangutan (*Pongo abelii* and *P. pygmaeus*, respectively) to name a few. These are especially threatened by the effects of climate change¹⁰² that could affect species distribution and reproduction timings of amphibians, reptiles, birds, and large animals. The IUCN Red List of Threatened Species 2011 – 2018 identified 34 species in Indonesia that are in various categories of threat. The thirteen flagship or popular species are shown with their home ranges across Indonesia in Attachment 2 SECAP Reference Maps on Home ranges.

¹⁰² Case et.al 2007 cited by ADB WB in 2021.

40. Indonesia has several hundreds of designated protected or conservation areas. They range from about 300 ha to as large as almost 15 M ha. The Papua province contains the biggest conservation area of 14.5 M has while Kalimantan region and West Papua have less than the extreme of 15M has, as shown in Attachment 2 SECAP Reference Maps on Conservation sites.

41. **Climate.** Average monthly temperatures in Indonesia remain constant throughout the year at approximately 25°C–26°C (ADB WB 2021). Indonesia's position between the Indian and Pacific oceans and spanning both sides of the equator means that its climate is strongly influenced by conditions in these oceans. Indonesia has a tropical climate with two distinct seasons; monsoon wet and dry. The rainy season is usually from November to April with some regional variations¹⁰³ leaving May through October typically dry (ADB WB 2021). Indonesia experiences year-to-year variability in climate linked with both the El Niño Southern Oscillation (ENSO) and the Indian Ocean Dipole (IOD). ENSO usually results in extreme droughts in Indonesia (BMKG, 2015).



temperature rate changes are projected to occur in Papua Province, especially in the Pegunungan Tengah region, West Papua, South Sulawesi, Central Sulawesi, East Nusa Tenggara, and Aceh Province. The southern coastal areas of the island of Java, especially West Java, Central Java, and DI Yogyakarta Province, the increase is only $0.9 - 1.2\text{ }^{\circ}\text{C}$.

44. The average annual rainfall in the lowlands is around 1,800 millimeters (mm) to 3,200 mm compared with the mountainous regions where it can reach up to 6,000 mm (ADB WB 2021). The climate of Indonesia is influenced by the El Niño Southern Oscillation (ENSO) where drier conditions are experienced during El Niño events and wetter conditions during La Niña events. There is considerable variation in average monthly rainfall: the lowest rainfall is in the dry season of June to September when average monthly rainfall in June and July is around 160-180 mm. The months with the highest rainfall are from October to May (ADB WB 2021).



45. The BMKG projection of changes on seasonal rainfall for the period 2020-2049 is derived from observations during the period 1976-2005, which predicts that the western coastal areas of Sumatra, Java Island, and Nusa Tenggara region will experience decrease in seasonal rainfall by up to 25%. The decrease especially will occur in Banten, West Java, Central Java, DI Yogyakarta, East Java, Bali, West Nusa Tenggara, and East Nusa Tenggara and some for Aceh, North Sumatra, West Sumatra, Bengkulu, and Lampung. On the other hand, Gorontalo, North Sulawesi, North Maluku, West Papua, and Papua Province are foreseen to have increased seasonal rainfall of more than 25%.

63. 1.3 Main Challenges

46. **Sea level rise and Ocean Acidification.** Global sea-level rise is currently increasing at about 2 mm per year (1-3 mm/year in coastal areas of Asia) and is projected to accelerate to about 5 mm per year over the next century (Cruz et al., 2007 cited by ADB WB 2021). A change of this magnitude will result in significant losses of Indonesia's 80,000 km of coastline and thousands of islands and the associated marine resources like coral reefs, fisheries, mangroves, etc. (Wassmann et al., 2004 cited by Case et.al. 2007 in ADB WB 2021). Even moderate sea-level rise will result in significant physical and socio-economic impacts because much of Indonesia's population, industries

¹⁰³ *Ibid.*

infrastructure, and most fertile agricultural lands are concentrated in low-lying coastal areas (Case et.al. 2007 cited by ADB WB 2021). Groundwater near the coasts is also at risk due to saltwater intrusion, a result of higher sea levels, over-extraction of the resource (resulting in lower groundwater levels), and recharge with more saline surface waters (Case et.al. 2007 cited by ADB WB 2021). Considering the melting ice dynamics and thermal expansion of seawater, Indonesia could experience up to 175cm of sea level rise by 2100 (Bappenas, 2010). The warming of ocean water will also have drastic impacts on marine biodiversity.

47. **Risks: Interplay of Hazards, Exposure, and Vulnerability.** Indonesia with its high risk levels, has proactively taken initiatives in establishing an Adaptive Social Protection (ASP) approach¹⁰⁴ for the country as reflected in its being a national policy priority in its medium-term development plan (RPJMN 2020-2024). It was thus selected as a case study for the Hazards, Exposure, Vulnerability and Risks Assessment (UNU-EHS HEVA, 2022). This section cites the results of the study by way of identifying and characterizing main challenges brought about by climate change. For reference, please see Attachment 2 SECAP Reference Maps on HEVA and Attachment 3, HEVA scores for hazard, exposure and vulnerability as well as subcomponents.

48. Hazards¹⁰⁵ are defined as potentially harmful or destructive phenomena (World Bank, 2014). Indonesia is prone to a wide range of natural hazards. Despite HEVA limitations on data availability,¹⁰⁶ the following are forwarded by the study:

- The provinces with the overall highest hazard levels are Aceh, East Nusa Tenggara, East Java, North Sulawesi and Central Java largely due to a high level of geophysical hazard.
- Climate-related hazard is high in East Java
- Java and Bali, Sulawesi and Maluku all have high projected increases in terms of future drought due to an expected decrease in rainfall.
 - Five of Java and Bali's seven provinces have high drought levels with relatively high population density.
 - Sulawesi has high levels of projected water scarcity.
- Papua is the lone region predicted to have increased vector-borne disease hazard

49. Exposure pertains to the location of people and assets within the impact zone of a hazard (IPCC, 2014). Indonesia has high levels of exposure due to widespread hazard areas compounded by high population density, the growing economy, and its archipelagic characteristic possessing 7,000 islands. The HEVA, noted the following:

- Exposure hotspots are: (i) Central Sulawesi, (ii) Gorontalo, (iii) Maluku, (iv) Aceh, and (v) North Maluku; four provinces coming from the country's eastern side. Exposed assets¹⁰⁷ vary as below:
 - Maluku and Papua - predominantly physical assets (ie, buildings and roads)
 - Nusa Tenggara - environmental asset exposure, ie, 56% of West Nusa Tenggara's total environmental area, including forests, agricultural land and wetlands, is exposed to hazards (BNPB, 2016)
- While Java and Bali and other regions are relatively rated as moderate, the high population that will be exposed to high risks and should not be neglected
- Kalimantan has some highest projected increases, emanating from ongoing development processes and the relocation of the national capital to East Kalimantan

50. Vulnerability is the predisposition of people and assets to be adversely affected by hazards, resulting from the interplay of susceptibility and capacities, or lack thereof (IPCC, 2012).

¹⁰⁴ ASP aims to strengthen resilience to natural hazards, climate change and their impacts on communities by integrating the efforts of social protection (SP), disaster risk management (DRM), and climate change adaptation (CCA) (Bowen and others, 2020).

¹⁰⁵ Under HEVA, dimensions of hazard are (i) Climate-related, i.e. related to the earth's atmospheric processes, including meteorological and hydrological hazards, such as storms and droughts (UNDRR, 2020a), (ii) Geophysical - related to the earth's physical processes resulting in some kind of mass-movement, such as earthquakes and volcanic eruptions (UNDRR, 2020a), and (iii) Impacts and shocks - natural hazard-induced livelihood shocks. Livelihood shocks can be defined as threats to people's lives and well-being, such as injuries, poverty, food insecurity and water scarcity.

¹⁰⁶ Data on hazard projections was only available for storm surges, marine hazards, droughts, water scarcity, vector-borne diseases and livelihood impacts at the time of study, creating a challenge to identify regions and provinces of future concern

¹⁰⁷ Exposure dimensions are people and their livelihoods, economic activities (includes Micro and small enterprises), physical assets (village assets, and transport, electric, and health infrastructure) and environmental assets (includes agricultural lands).

Vulnerability levels differ across Indonesia and high variability can be observed both across and within provinces:

- Vulnerability hotspots are: (i) Papua, (ii) West Papua, (iii) West Kalimantan, (iv) Riau, and (v) Maluku; marked by high variability in vulnerability levels across the five dimensions¹⁰⁸.
- Human and social vulnerability is highest in Papua and West Kalimantan. Papua in particular is marked by high inequality, low levels of well-being due to a lack of access to food and health facilities and particularly low coverage of social assistance.
- While Sulawesi faces low human and social vulnerability, it is also characterized by a high level of inequality. This phenomenon manifests itself as providing disproportionate access to certain population groups with regards to assistance and health services, thus increasing disparities and creating or exacerbating the vulnerability of marginalized groups (World Bank, 2015).
- Economic vulnerability is high in Maluku and Papua, and to a lesser degree also in parts of Sulawesi and Sumatra. Rural and informal livelihoods are highly vulnerable in these regions.
- Java and Sumatra are characterized by poor environmental quality, lack of environmental protection and a high rate of land conversion, which all lead to significant loss of environmental services, resulting in high levels of vulnerability.
- Relocation of Indonesia's capital to Kalimantan is linked to increased land conversion as forests are cleared for construction of the new capital city (Normile, 2022).
- Institutional vulnerability has moderate to high scores across all provinces. Sumatra, Kalimantan and Papua are marked by the highest ranked institutional vulnerability

51. Overall risks the result of the interaction of hazard, exposure and vulnerability. Generally speaking, the entire Indonesian archipelago faces moderate to high overall risk, whereas no single province can be characterized by low risk levels. Below is the summary of the assessment result:

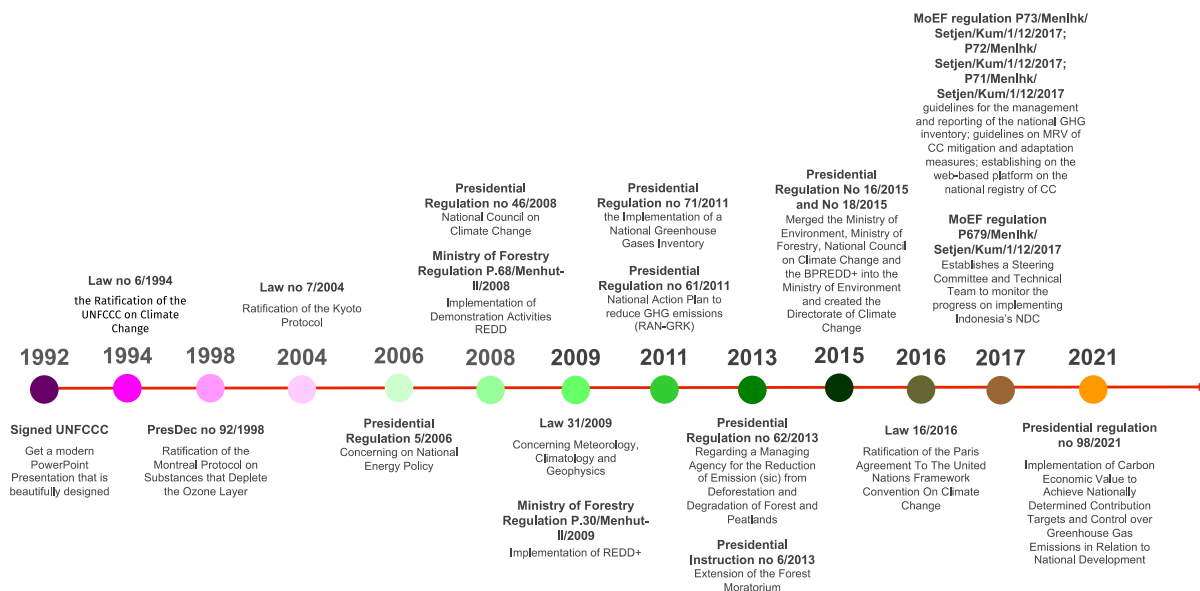
- Risk hotspots are: (i) Papua, (ii) Maluku, (iii) Central Sulawesi, (iv) West Papua, and (v) Southeast Sulawesi. Papua faces high risk due to very high vulnerability values and moderate to high exposure and hazard levels. In contrast, Maluku's high risk level results from the interplay of very high exposure and vulnerability.
- Differences in composition of risk demonstrates that people and communities across Indonesia face very different risks based on the regionally specific interplay of hazards, exposure and vulnerability.
- Though future projections of vulnerability were not available, increasing hazard and exposure levels in certain regions are indicative of future risk. Three regions, Maluku, Java and Bali and Papua, each have a high projected future increase for two hazards, and Sulawesi has a high projected increase for one. At the same time, Maluku, Papua and Kalimantan also have high projected increases for indicators of exposure. If these projected increases manifest without an accompanying decrease in vulnerability, risk in these areas would increase too.

Part 2 Legal and Institutional Framework

2.1 Indonesia's Commitments to Global Efforts on Climate Change and Natural Resource Management

52. The below figure provides the summary of how Indonesia shaped its legal and institutional framework in efforts to address its commitments to global concerns on climate change.

¹⁰⁸ Refers to (i) human and social, (ii) economic, (iii) environmental, (iv) physical and (v) institutional (Birkmann, 2013)



53. The year 1992 was significant for the Parties involved in the Convention on Climate Change and it was then that Indonesia signed to be a Party. A plethora of activities was done after the signing by the GOI through the years which saw the ratification of the Convention in 1994. This was followed by the ratification of the Montreal Protocol on Substances that Deplete the Ozone Layer in 1998 and the ratification of the Kyoto Protocol in 2004. In a related development, in 2006, a policy was issued on energy for the biofuel development that sought to replace the fossil fuels as an alternative. By 2008, a National Council on Climate Change was established to coordinate the management of climate change and also to enhance Indonesia's negotiating position in the international climate change forum. The year 2009 saw the implementation of the REDD+ program and a Law on meteorology, climatology and geophysics was issued to set out the need to develop GHG Inventory for climate change policy development. This was then implemented in 2011 with the National Green House Gases Inventory that seeks to establish a GHG inventory administration guideline and an administration to coordinate that inventory. It was also in this year that a National Action Plan to reduce GHG emissions (RAN-GRK) which targets a 26% reduction by 2020 as an unconditional basis and 41% on a conditional basis, and a moratorium on forest was issued. From 2013 to 2016 notable were the issuances of policies that established an agency to manage the reduction of emissions from deforestation and degradation of forests and peatlands, extending the moratorium, merging of overlapping agencies into the Ministry of Environment under which the Directorate on Climate Change was created. The 1st Biennial Update Report was made in 2015 which established the gaps in financing, capacity building, and technical support. By 2016, the Paris Agreement was ratified and led to the establishment of a Peatland Restoration Agency. 2017 saw the establishment of a Steering Committee and Technical Team to monitor the progress of GOI's NDC. 2020 was the year that the National Medium-Term Plan (RJPMN 2020-2024) was approved that would address among others the climate change targets and priority projects of the country, and in 2021, Presidential Regulation No 98/2021 was issued to implement the Carbon Economic Value to achieve the NDC targets and control over the GHG emissions in relation to national development.

54. The NDC or the Nationally Determined Contributions to the COP of the UNFCCC is a communication instrument to the COP wherein countries would report their achievements vis-à-vis their commitments to climate change agreements. The Government of Indonesia submitted its first NDC Communication in 2010 and updated this in 2021. Some commitments and their status are worth mentioning such as the mixed energy use policy in which 23% of the energy would come from new and renewable energy by 2025. However, the utilization of new and renewable energy (EBT) is still far from the target of the EBT mix. The development of renewable energy sources is still not significant enough to be able to meet domestic energy demand; the RPJMN 2020-2024 identified 7 development goals and priority projects addressing the quality of the environment, increasing disaster and climate resilience, and promoting low carbon development. With respect to reducing the GHG emissions of the country, the GOI targeted to reduce emissions by 29% unconditionally (an

increase from the 2010 commitment of 26% though by 2020) and 41% conditionally by 2030. The GHG emission reduction neared to 26% in 2020. As for Adaptation to climate change, the GOI committed to ensure that its communities and ecosystems are resilient to the risks and impacts of CC by 2030. The GOI response was the trial implementation of the CC Adaptation Plan (RAN-API) on 15 pilot areas.

55. Attachment 4 summarizes the status of climate change commitments of Indonesia to the COP UNFCCC per its updated submission in 2021. The greenhouse gas (GHG) emission reduction is nearing the target of 26% reduction in 2020. The potential GHG emission reduction until 2018 was 22.59% from the accumulated baseline. From 2015-2019, reduction in GHG emissions was achieved by 22.6% in 2018.

**Indonesia Climate Change Commitments to COP UNFCCC and IFAD contribution
(extended table in Attachment 4)**

Commitments to COP UNFCCC, updated and submitted July 2021	Status as of July 2022 <i>Source: RPJMN 2020-2024 historical and accomplishment data</i>	IFAD Country Programme contribution
<ul style="list-style-type: none"> Commits to increasing the target to reduce greenhouse gas (GHG) emissions to 29% unconditionally and 41% conditionally (with international support), compared to the business-as-usual (BAU) scenarios of 834 MtCO₂e and 1,185 MtCO₂e, respectively, by 2030. 	<ul style="list-style-type: none"> The greenhouse gas (GHG) emission reduction is nearing the target of 26% reduction in 2020. The potential GHG emission reduction until 2018 was 22.59% from the accumulated baseline. From 2015-2019. Reduction in GHG emissions was achieved by 22.6% in 2018 The potential annual GHG emission reduction in the year of 2018 was 23.18% or 452,613 thousand tons of CO₂e. The intensity of GHG emissions in 2017 was 412 tons CO₂e/billion rupiah. In the forestry sector, the highest GHG emission reduction is derived from the forest moratorium policy, forest fire control, and forest rehabilitation efforts. issues are inefficient management and inefficient use of energy which contributes to emissions. the use of coal to meet domestic energy needs has not been optimal. Coal DMO only achieved 23.5% of the total coal production (548 million tons) in 2018. 	<p>IFAD Country Programme is contributing to reduce GHG emissions and this will continue during the COSOP 2023-2027 implementation. Unsustainable peatlands management is one of the main sources of GHG emissions in Indonesia due to deforestation, drainage and fire of peatlands areas, which storage an enormous amount of carbon that is released as a consequence of these practices. In order to reduce emissions, IFAD supports MoEF in peatland areas to reduce deforestation, avoid drainage and fires, and rewet peatlands. This is made through the ongoing GEF-funded SMPEI (to be closed in 2023) and IMPLI projects, and will continue through IMPLI and COPLI, the latter to start implementation in 2023.</p>
<ul style="list-style-type: none"> Enhancing ambition on adaptation through commitment to ensure that its communities and ecosystems are resilient to the risks and impacts of climate change by 2030 by enhancing adaptation ambitions through programs, strategies, and actions aiming to achieve economic, social, and livelihood resilience. 	<ul style="list-style-type: none"> Trial implementation of the climate change adaptation plan (RAN-API) in 15 pilot areas; Trial reviews in 4 priority sectors (sea and coastal, water, agriculture and health) Identified Priority Project 36 Restoring 4 critical watersheds to Reduce erosion in critical watershed areas by greening 150,000 ha of land and reduce the impact of floods in the provinces of Banten, Jakarta, West Java, and North Sumatra Identified Priority Project 39 Strengthening early disaster warning systems to increase speed of delivery or early warning information from 5 minutes to 3 minutes 	<p>Most of IFAD work in agriculture includes support to small farmers' adaptation to climate change. Specifically, a key feature of UPLANDS and HDDAP projects is to support farmers' continuous access to water and reducing the amount of water used in irrigation, by incorporating irrigation infrastructure and techniques such as dripping sprinkling irrigation instead of flood irrigation. This helps to deal with the increasingly uneven rainfall and to reduce the volumes of water used.</p>
<ul style="list-style-type: none"> Enhancing clarity on mitigation by adopting the Paris Agreement rule book and translating it into Indonesia's context. 	<ul style="list-style-type: none"> national priorities are outlined into three policy groups, namely: (1) improving the quality of the environment; (2) increasing resilience against natural disasters and climate change; and (3) applying a lowcarbon development approach. 	<p>The above discussed SMPEI, IMPLI and COPLI projects contribute to mitigation through the reduction of GHG emissions and by reducing/eliminating deforestation in peatland areas.</p>
<ul style="list-style-type: none"> The long-term strategy outlines Indonesia's goal to 	<ul style="list-style-type: none"> the management of food, agriculture, forestry, maritime affairs, marine affairs, fishery, water, and energy has been 	<p>As mentioned above, IFAD will continue contributing to reduce GHG emissions through IMPLI</p>

Commitments to COP UNFCCC, updated and submitted July 2021	Status as of July 2022 <i>Source: RPJMN 2020-2024 historical and accomplishment data</i>	IFAD Country Programme contribution
<p>reach peak national GHG emissions by 2030, with a net sink in the forestry and land use sectors, and to progress towards net-zero emissions by 2060 or sooner.</p> <ul style="list-style-type: none"> The strategy aims to reduce the country's potential GDP loss by 3.45 percent due to climate change in 2050 by enhancing resilience in four basic socioeconomic development needs: food, water, energy, and environmental health. 	<p>ineffective due to weak forward and backward linkages in agriculture and fishery, slow modernization of agriculture, and low access of farmers and fishers to productive resources such as high-quality inputs and financing.</p> <ul style="list-style-type: none"> The national industry has also not been able to utilize existing resources (i.e. food, agriculture, forestry, maritime affairs, marine affairs, fishery, water, and energy) in the best possible manner, leading to import dependency. About 71.0% of total imports are raw materials and intermediate or supporting materials for manufacturing. Various attempts have been made to reduce import dependency, but progress has not been significant. The risk of water scarcity is also rising in other regions as a result of climate change. The percentage of area suffering from critical water shortages is expected to increase from 6% in 2000 to 9.6% by 2045. The water quality is also expected to deteriorate significantly. 	<p>and COPLI projects working on sustainable peatlands management, and to deal with the reduction of available water for irrigation through UPLANDS and HDDAP projects.</p>
<ul style="list-style-type: none"> Indonesia is leaning on the forestry and land use sector and the energy sector to contribute the most to the emissions reduction target, with the former accounting for 24.1 percent of the figure—equal to 692 MtCO₂e—and the latter accounting for 15.5 percent (446 MtCO₂e). The government aims to have the forestry sector surpass carbon neutrality to become a net carbon sink by 2030. 	<ul style="list-style-type: none"> Although the rate of deforestation of primary forests has been reduced significantly through a moratorium on forest clearance since 2011, the reduction in the primary forest cover still occurs in certain locations Although the deforestation rate has decreased significantly compared to before 2000, forest cover is expected to decline from 50% of Indonesia's total land area (188 million ha) in 2017 to around 38% by 2045. The total area of peatlands that has been restored in licensed cultivation areas and/or concessions (Cultivation Rights and Business Permits for the Utilization of Forest Products) has only reached 143,448 ha from the target of 1,784,353 ha for 2020 (8%); while the area of peatlands that has been successfully restored in non-permit areas has only reached 682,694 ha from the target of 892,248 ha for 2020 (77%). Policy direction in the RPJMN 2020-2024 emphasizes the integration of development by considering spatial approaches based on good, accurate and complete evidence of data; information and knowledge; national development scenarios; and clear location sites according to spatial planning and environmental carrying capacity. the recovery performance of 15 critical watersheds and 15 priority lakes, and the management of swamp and peat areas remain low. applying a policy framework to reduce vulnerability and increase resilience, which become a convergence in adaption to climate change and disaster risk reduction, the Disaster Risk Index (IRBI) score for the national growth centres In Indonesia has been successfully reduced. 	<p>UPLANDS is strongly focused on supporting sustainable land management in the Indonesian highlands, where sloping land is incorporated to agricultural production with the risk of land degradation due to inappropriate productive techniques for those areas.</p> <p>As mentioned before, IMPLI and COPLI will continue contributing to sustainable forestry and to recover degraded peatland areas.</p>

2.2 Equivalence-Gap Analysis of Country System with IFAD-SECAP 2021

56. A tabular presentation of Indonesian laws with equivalence to the requirements of SECAP ESs 1-9 is provided in Attachment 5. The table shows that Indonesia approximates equivalence to SECAP standards that covers the conduct of environmental and social assessment, institutionalization of grievance redress mechanisms, consultations/stakeholder engagement, and the free and prior informed consent (FPIC) towards engaging with indigenous peoples and other vulnerable sectors.

2.3 Programs and Partners

57. There currently are six ongoing projects (loan) in Indonesia and four grants. The table below provides both a description of the current loan portfolio and associated risks based on the HEVA risk analysis (See Attachment 2 SECAP Reference Maps on IFAD Portfolio).

58. Of the six ongoing, three are determined to be in high risk areas: READSI, Uplands, and TEKAD. The other three are deemed to be moderate. READSI project scored high based on the overall HEVA risk assessment, especially in the province of Central Sulawesi. Based on the hazard component, all provinces that are implementing READSI scored 'moderate'. On the exposure and vulnerability component, all provinces averagely scored 'high'. The UPLANDS project is operating in high risk areas, in all three components, hazards, exposure, and vulnerability. The Papua region, overall, has a high HEVA score, followed by Maluku and Nusa Tenggara. TEKAD overall is operating in high risk areas with high scores on exposure and vulnerability. Most provinces implementing TEKAD scored 'moderate' in the hazard component, except East and West Nusa Tenggara.

59. Overall, IPDMIP is implementing in moderately risky areas based on the average risk scores on hazard, exposure, and vulnerability, except Aceh that scored high in all three components. However, based on vulnerability, IPDMIP is operating in areas with high vulnerability. Project YESS overall has a moderate risk score since hazards, exposure, and vulnerability since South Kalimantan, South Sulawesi, West Java, and East Java fall on the moderate or low scale across all three HEVA indicators. The YESS project's main objective to engage and support the youth that would not severely impact the environment, climate, and social aspects. IMPLI provinces (Jambi, South Sumatra, and Riau) scored moderate in the HEVA matrix—moderate hazard, moderate exposure, but high in vulnerability.

60. As for the grant portfolio, the three projects - Sustainable Management of Peatland Ecosystem in Indonesia (SMPEI) in Riau, Integrated Management of Peatland Ecosystem in Indonesia (IMPLI) in Riau, Jambi, and South Sumatra, Community-based Conservation of Forests and Peatland Landscapes in Indonesia (CoPLI) in West Kalimantan are at moderate risk per HEVA. The Measurable Action for Haze-Free Southeast Asia (MAHFSA) that covers the various Southeast Asia countries through the Association of Southeast Asian Nations (ASEAN) has the overall goal to reduce transboundary haze pollution and its impacts in Southeast Asia.

61. **Partnerships.** The below table provides a listing of existing environment and natural resources management (ENRM) and climate change undertakings of various donor institutions that include current partnerships with IFAD. The table shows that there is harmonization of efforts in assisting the country to achieve its commitments to the global climate and ENRM (includes biodiversity) concerns with overarching intents to address poverty amongst smallholder farmers and the rest of the vulnerable sectors of Indonesia within ecologically sensitive and high risk areas in terms of climate change.

Existing ENRM and CC Initiatives of Donors in Indonesia

Organization	Description Of Portfolio
JICA	JICA provided assistance through the following technical cooperation project (TCP), Official Development Assistance (ODA) Loan, and Grant Aid (GA) : Urgent Disaster Reduction Project for Mt. Merapi/Progo River Basin and Mt. Bawakaraeng (ODA), Aceh Reconstruction Project (ODA), Lahendong Geothermal Power Plant Project (ODA), Project for Improvement of Animal Health Laboratories for Diagnosis of Avian Influenza and Other Major Diseases of Animals (GA), Project on Improvement of Collection Management and Biodiversity Research Capacity of Research Center for Biology, Indonesian Institute of Sciences (TCP), Sub Sectoral Program on Mangrove (TCP), Gunung Halimun-Salak National Park Management Project (TCP), Rehabilitation and Improvement Project of Jakarta Fishing Port (ODA), Supporting Development of Eastern Indonesia (TCP), Sulawesi Capacity Development Project (TCP), and Climate Change Program Loan (ODA). Community Empowerment Program targets to empower individuals in helping them to build capacities on self-reliance in livelihood and welfare improvement.
ADB	ADB active projects that support agriculture, natural resources, and rural development: Climate Resilient Farmer Group Development to Support COVID-19 Recovery for Smallholder Coffee and Cacao Farmers, Dairy Farmer Support and Food Security Project, Climate-Resilient Farmer Group

Organization	Description Of Portfolio
	Development to Support COVID-19 Recovery for Smallholder Coffee and Cotton Farmers, PT Cisarua Mountain Dairy: Gender empowerment in dairy, Olam COVID-19 Smallholder Farmer Livelihood Support Project, Southeast Asia Agriculture, Natural Resources and Rural Development Facility – Phase II, Supporting Water Security Investments Facility (Subproject 4), Emergency Assistance for Rehabilitation and Reconstruction, Integrated Participatory Development and Management of Irrigation Program, Flood Management in Selected River Basins Sector Project, Coral Reef Rehabilitation and Management Program-Coral Triangle Initiative Project
WB	Program to Accelerate Agrarian Reform (One Map Project), Strategic Irrigation Modernization and Urgent Rehabilitation Project, Regional Infrastructure Development Fund, The National Rural Water Supply and Sanitation Project (PAMSIMAS AF).
GTZ	Innovations and investments for broad-based economic development (ISED) is a project executed by the Ministry for National Development Planning (Bappenas) to encourage the formation of green jobs in the energy sector, mostly in the renewable energy sector, through a harmonized engagement of the private and public sectors. Bappenas is also executing the Low-Emission Palm Oil Development (LEOPALD) project that aims to reduce emissions through forest protection through land-use and development planning, whereas also building the capacity of stakeholders to develop partnerships and resolving conflicts among local communities and oil palm companies.
USAID	The Advancing Cocoa Agroforestry towards Income, Value, and Environmental Sustainability (ACTIVE) will improve smallholder farmers productivity and livelihoods through climate-smart agriculture practices. USAID's Sustainable Environmental Governance Across Regions (SEGAR) project aims for the collaboration of government, businesses, and local communities to make "business-as-usual" commodities manufacture less damaging to the environment and gainful for local farmers and businesses.
IFAD	IFAD provided support through the following grants Sustainable Management of Peatland Ecosystem in Indonesia (SMPEI), Integrated Management of Peatland Ecosystem in Indonesia (IMPLI), Community-based Conservation of Forests and Peatland Landscapes in Indonesia (CoPLI), and The Measurable Action for Haze-Free Southeast Asia (MAHFSA). IFAD loan projects include Integrated Participatory Development and Management of the Irrigation Sector Project (IPDMIP), Rural Empowerment and Agriculture Development Scaling-up Initiative (READSI), Youth Entrepreneurship and Employment Support Services Program (YESS), Integrated Village Economic Transformation Project (Transformasi Ekonomi Kampung Terpadu/TEKAD), and Uplands Agriculture Productivity and Markets Project (UPLANDs)

Part 3 Strategic Recommendations

3.1 Lessons learned from previous COSOP 2016-2021

62. IFAD conducted an evaluation of the COSOP 2016-2021 in 2020. The following are the lessons generated from the implementation of COSOP: The project Log Frame's consistency with the Results Framework (RF) indicators allows smooth reporting and collection of available data of the COSOP RF. Furthermore, a strong coordination among multiple implementing agencies/ministries is envisaged to ensure proper phasing of project activities and common understanding across all institutional levels. Ownership of the implementing ministry/ministries is anticipated to result in strong Project Management Units, support from implementing ministry management, and avoid delays and poor implementation. Project budget flexibility, especially with development projects, will be able to overcome unforeseen delays and challenges during implementation, as much as possible, avoiding on-granting mechanisms requiring pre-financing from local governments. Grant inclusions in loan projects has its benefit of forging policies but continuous and stringent monitoring and reporting is a must to enhance grant impacts, especially grant resources in IFAD that are decreasing in availability.

63. In terms of risks, seven were identified to have materialized during the evaluation that relate to SECAP concerns:

- (i) Changes in political leadership. High turnover in mid-level management, particularly at the MoA, has had an important impact on the projects as these officials have direct decisional power on the Project Implementation/Management Units.
- (ii) Climate variability and extreme weather events. Some extreme weather events and natural disasters have occurred, including a major earthquake in Sulawesi in September 2018 and a severe drought in 2019.
- (iii) Weak project management capacities. The project management capacities deployed by MoA, particularly with regards to the IPDMIP project, and the Ministry of Forestry and Environment (MoEF) with regard to SMPEI GEF-funded project, have been weak. Lack of ownership from the Ministries have led to understaffed Project Management

Units despite provisions to provide management and implementation support at national and sub-national level through Technical Assistance (TA) consultants.

- (iv) Remoteness of target areas. The remoteness of project areas was a major challenge for the VDP and SOLID projects, where some project locations could be over 4 hours by car from the main cities and with limited access. This limitation was overcome, however, with the recruitment of local village facilitators. Another related risk which materialised was the very large geographical coverage of projects; IPDMIP for example covers 16 provinces and 74 districts across the country, thus making planning and coordination extremely difficult.
- (v) Lack of capacities to mainstream successful business models into government and other stakeholders' systems. This risk has materialized to a lesser extent, whereas a number of successful models are being replicated, while some are not. Some successful initiatives with the BUMDES (Village-owned enterprises) under VDP and SOLID were curtailed because the BUMDES are not eligible to access loans from commercial banks.

3.2 Strategic Orientation, Actions and Targeting

64. The overall COSOP goal for 2023-2027 is the *“inclusive transformation of food systems, so that rural women and men achieve remunerative, sustainable and resilient livelihoods and improve food and nutrition security”*. In order to realize these goals, two strategic objectives (SO) have been forwarded:

- (i) SO 1 - Rural small-scale producers generate increased and stable income from diversified on and off farm production meeting the demand of profitable local markets
- (ii) SO 2 - Institutions and organizations from community to national level have the capacities to respond to the needs of rural small-scale producers

65. Opportunities to strengthen the COSOP 2023-2027 SOs 1 and 2 revolves around key SECAP and mainstreaming principles and the priorities set out in the RPJMN 2020-2024. The following are recommended:

- (i) Build the capacities of government institutions, national and subnational, as regards ASP to strengthen resilience to natural hazards, climate change and their impacts on communities recognizing the need to collate sectoral understandings and consider the interplay of hazards, exposure and vulnerability and related drivers and root causes, in order to assess current and future risks.
- (ii) Promote policy dialogue with Government especially MOEF and BAPPENAS, CSOs, private sector, for the inclusion of vulnerable sectors like and indigenous peoples, women, youth, and agri/agroforestry smallholders as regards landuse and climate change adaptation planning and risk assessments.
- (iii) Access and benefit-sharing of genetic resources by promoting indigenous knowledge systems and practices of IP groups for alternative livelihood strategies that complement household nutrition, natural resource management and biodiversity conservation.
- (iv) Engage the Government to provide access to farmers and fishers to productive resources, financing and capacity-building support, establishing forward and backward linkages in agriculture and fishery, and agricultural modernization given the plethora of country enabling mechanisms on banking and finance.
- (v) Include action plans that restore critical watersheds, promote community health, welfare and nutrition-related issues and resource use efficiency such as pesticide and herbicide management, deforestation, and inefficient water use pollution that may impact on women and youth.
- (vi) With the recent issuance of President Regulation No. 98 of 2021 'Implementation of Carbon Economic Value to Achieve Nationally Determined Contribution Targets and Control over Greenhouse Gas Emissions in Relation to National Development' (Regulation No. 98), extend support to government efforts to reduce GHG emissions (RAN-GRK) as part of its National Appropriate Mitigation Action (NAMA) commitment to the UNFCCC, with due focus on forestry, peatlands, and agriculture in continuous collaboration with partner donors such as GEF and ADB, CSOs and local stakeholders through appropriate knowledge management platforms.

66. **IFAD proposed projects.** There currently are two pipelined projects within this COSOP period: (i) Horticulture Development in Dryland Areas Project (HDDAP), and (ii) the Integrated

Agriculture Regional Development (IARD). The HDDAP aims to improve smallholders' income in horticulture through improved land conservation and water infrastructure, business partnerships, value chain development and increased institutional capacities. Noting that the entire Indonesian archipelago generally faces moderate to high overall risk, and that no single province can be characterized by low risk levels, recommended geographic focus shall be Java and Bali, Sulawesi and Maluku due to high projected increases in terms of future drought due to an expected decrease in rainfall. In particular, five of the Java and Bali seven provinces have high drought levels with relatively high population density and Sulawesi has high levels of projected water scarcity.

67. IARD promotes an enabling environment at the regional and local level to support market, value chain and business systems development. The Government, through its RPJMN 2020-2024, aspires to reduce regional inequality but is constrained by areas of settlements in coastal regions affected by climate change. Regions with high inequality among provinces within regions are Java and Bali, Sumatra, and Kalimantan per RPJMN 2020-2024. Papua is also recognized due to (i) suboptimal implementation of Papua's special autonomy, (ii) limited basic services and lack of strong regional government capacity, (iii) lack of development of customary territories in supporting regional economies; (iv) suboptimal development of leading natural resource-based potentials; and (v) vulnerability of physical and social resilience to climate change, disasters, pollution, and coastal abrasion. SECAP supports the targeting of these regions for IARD.

Attachment 1: IFAD Environmental and Social Exclusion List

IFAD will not knowingly finance, directly or indirectly, projects involving the following (SECAP 2021, Volume 2):

- (i) Production or activities involving harmful or exploitative forms of forced labour,¹⁰⁹ or practices which prevent employees from lawfully exercising their rights of association and collective bargaining;
- (ii) Production or activities involving harmful or exploitative forms of child labour;¹¹⁰
- (iii) Production or activities that impinge on the lands owned, or claimed under adjudication, by indigenous peoples, without full documented consent of such peoples;
- (iv) Activities prohibited by host-country legislation or international conventions relating to the protection of biodiversity resources, cultural heritage or other legally protected areas;¹¹¹
- (v) The production, trade in or use of any product or activity deemed illegal under host country (i.e. national) laws or regulations, international conventions and agreements, or subject to international phase-out or bans, such as:
 - a) Products containing polychlorinated biphenyls (PCBs);
 - b) Pharmaceuticals, pesticides, herbicides and other hazardous substances subject to international phase-outs or bans;¹¹²
 - c) Ozone-depleting substances subject to international phase-outs regulated by the Montreal Protocol;¹¹³
 - d) Wildlife products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES);¹¹⁴ and
 - e) Transboundary trade in waste or waste products, as defined by the Basel Convention;¹¹⁵
- (vi) Commercial logging operations or the purchase of logging equipment for use in primary tropical moist forests or old-growth forests;
- (vii) Production or trade in wood or other forestry products other than from sustainably managed forests;
- (viii) Production or trade in alcoholic beverages (excluding beer and wine), tobacco or drugs;
- (ix) Marine and coastal fishing practices such as blast fishing, large-scale pelagic drift net fishing using nets in excess of 2.5 km in length or fine mesh net fishing harmful to vulnerable and protected species in large numbers and damaging to marine biodiversity and habitats;
- (x) Trade in goods without required export or import licenses or other evidence of authorization of transit from the relevant countries of export, import and, if applicable, transit;
- (xi) Production of, trade in or use of unbounded asbestos fibres;
- (xii) All mining, mineral processing and extraction activities;
- (xiii) Production or trade in radioactive materials;¹¹⁶
- (xiv) Gambling, casinos and equivalent enterprises, trade related to pornography or prostitution;
- (xv) Money laundering, terrorism financing, tax avoidance, tax fraud and tax evasion;

¹⁰⁹ Forced labour is work exacted under the threat of penalty and for which the worker has not offered himself or herself voluntarily. It can involve threats of dismissal or physical violence, the withholding of identity documents or wages, threats to report workers to immigration authorities and entangling workers in fraudulent debt.

¹¹⁰ Child labour includes: (i) labour below the host country's minimum age of employment; and (ii) any other work that may be hazardous, may interfere with a child's education, or may be harmful to a child's health or physical, mental, spiritual, moral or social development. If national laws or regulations provide for employment of children of at least 16 years of age (in line with ILO's 1973 Minimum Age Convention), on the condition that their health, safety and morals are fully protected, and they have received adequate instruction or vocational training in the relevant branch of activity, then child labour means employing children for work that does not comply with these laws and regulations.

¹¹¹ Relevant international conventions include the: Convention on the Conservation of Migratory Species of Wild Animals (Bonn Convention); Convention on Wetlands of International Importance, especially as Waterfowl Habitat (Ramsar Convention); Convention on the Conservation of European Wildlife and Natural Habitats (Bern Convention); World Heritage Convention; and Convention on Biological Diversity.

¹¹² Relevant international conventions include the: United Nations Consolidated List of Products whose Consumption and/or Sale have been Banned, Withdrawn, Severely Restricted or not Approved by Governments; Convention on the Prior Informed Consent Procedures for Certain Hazardous Chemicals and Pesticides in International Trade (Rotterdam Convention); Stockholm Convention on Persistent Organic Pollutants; and WHO Classification of Pesticides by Hazard. A list of pesticides, herbicides and other hazardous substances subject to phase-outs or bans is available at <http://www.pic.int>.

¹¹³ A list of the chemical compounds regulated by the Montreal Protocol, together with details of signatory countries and phase-out target dates, is available from UNEP.

¹¹⁴ A list of CITES species is available from the CITES secretariat.

¹¹⁵ See <http://www.basel.int>.

¹¹⁶ This does not apply to the purchase of medical or veterinary equipment, quality control (measurement) equipment and any similar equipment where the radioactive source is trivial and/or adequately shielded.

- (xvi) Production and distribution, or investment in media that are racist, antidemocratic or that advocate discrimination against an individual, group or part of the population;
- (xvii) Activities prohibited by host country legislation or other legally binding agreements regarding genetically modified organisms (GMOs);
- (xviii) Production of or trade in palm oil, unless from growers and companies with internationally recognised certification¹¹⁷, or undergoing certification;¹¹⁸
- (xix) Production of soy in the Amazon region or trade in soy produced in the Amazon region, unless from growers with internationally recognised certification.¹¹⁹

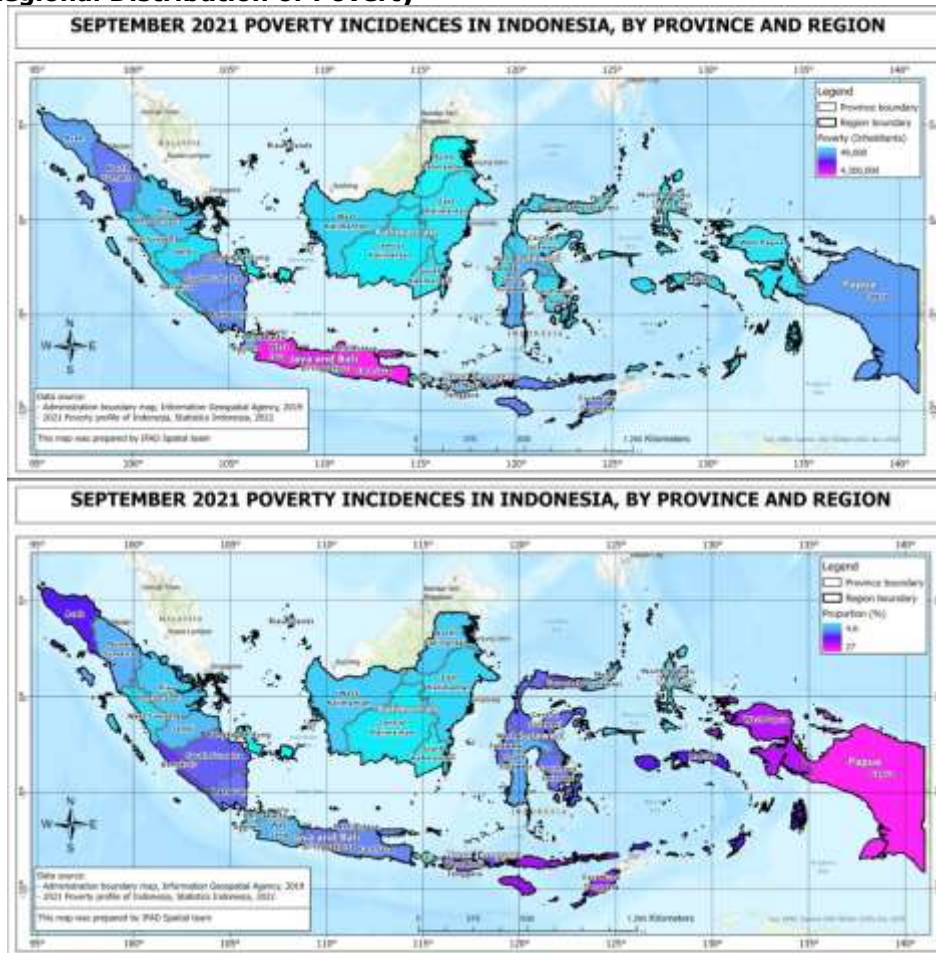
¹¹⁷ For example, Round Table on Sustainable Palm Oil (RSPO).

¹¹⁸ This includes growers and companies that have initiated such certification process. ¹²⁶ For example, Round Table on Responsible Soy Association (RTRS).

¹¹⁹ For example, Round Table on Responsible Soy Association (RTRS).

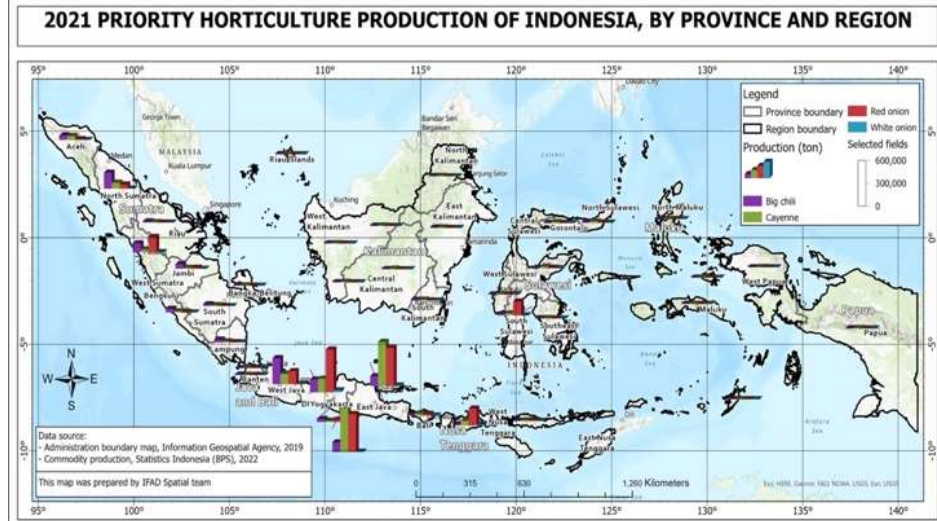
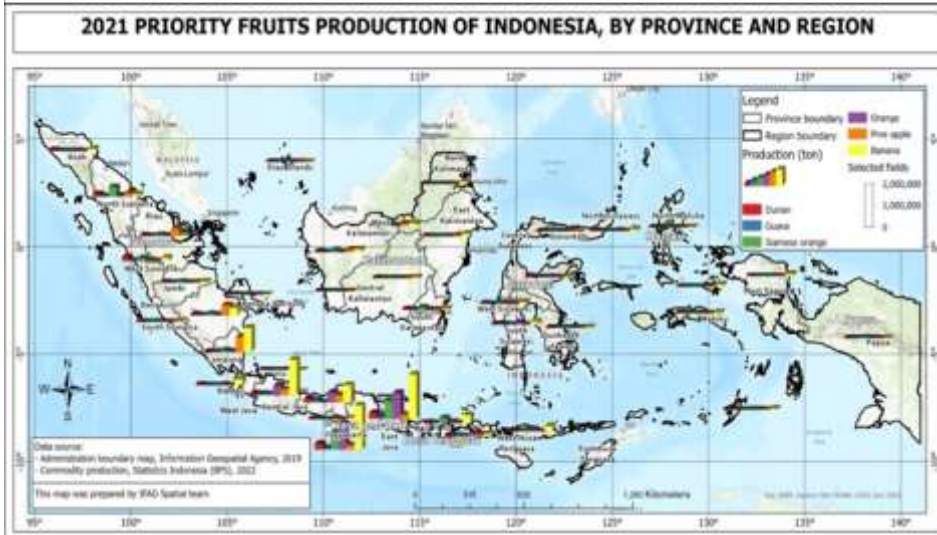
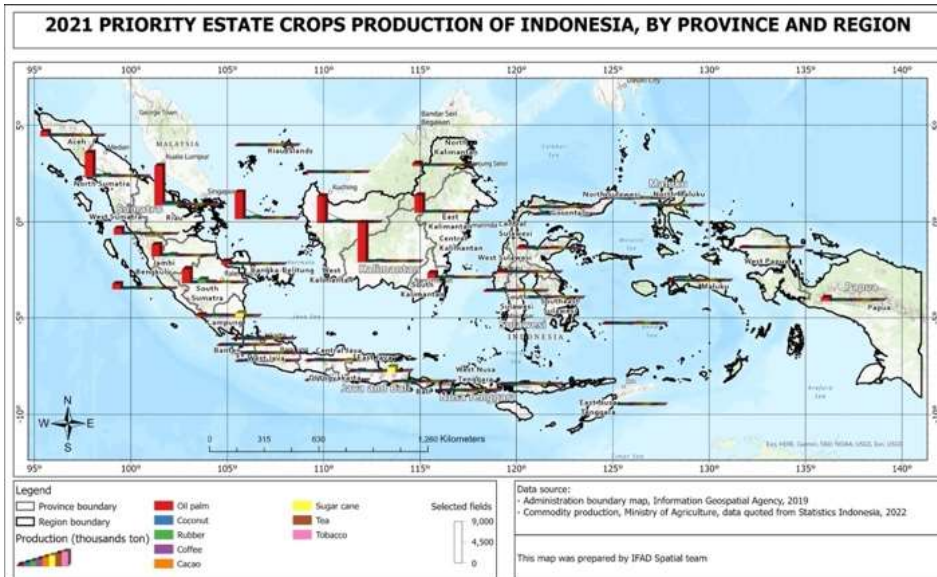
Attachment 2. SECAP Reference Maps

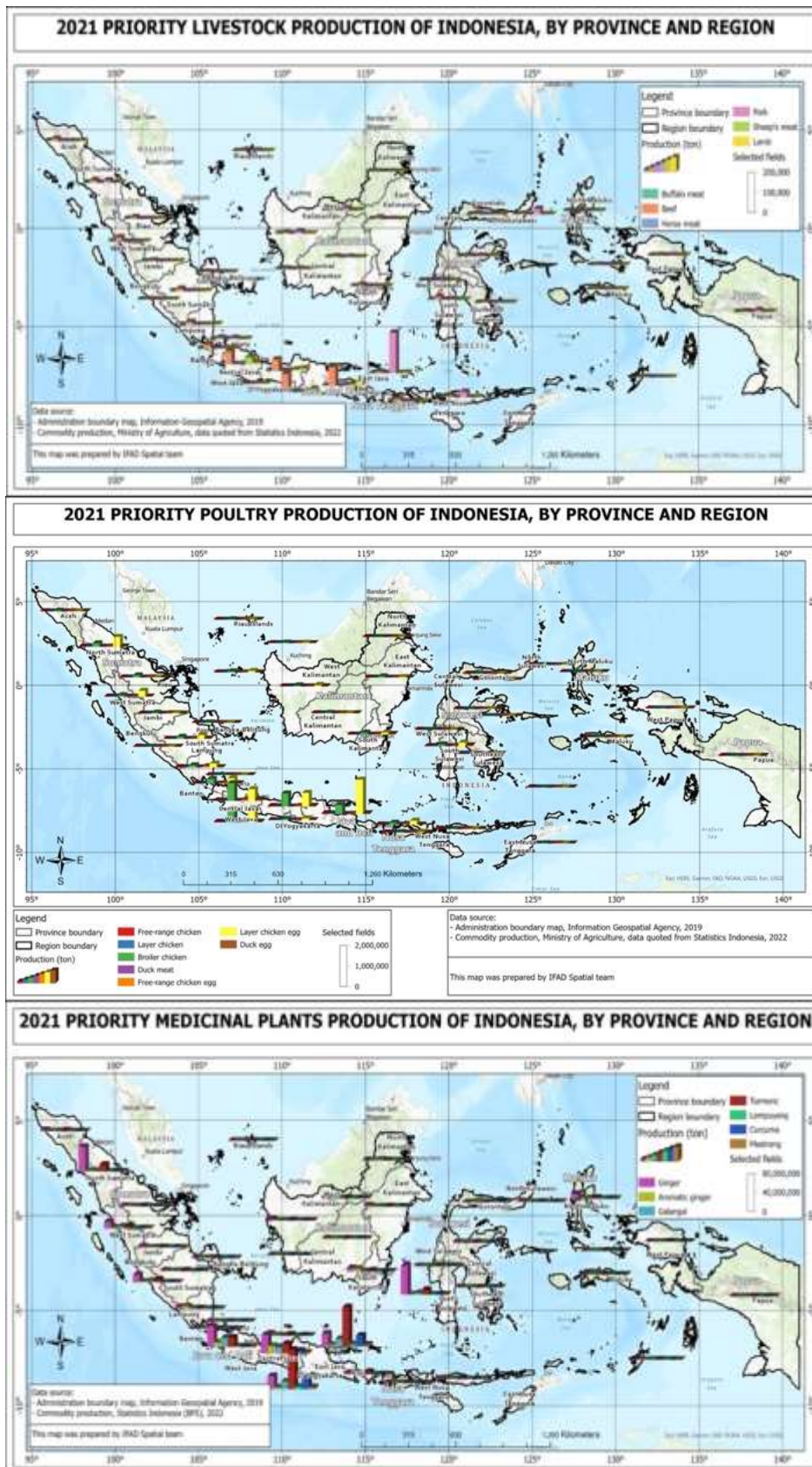
1. Regional Distribution of Poverty



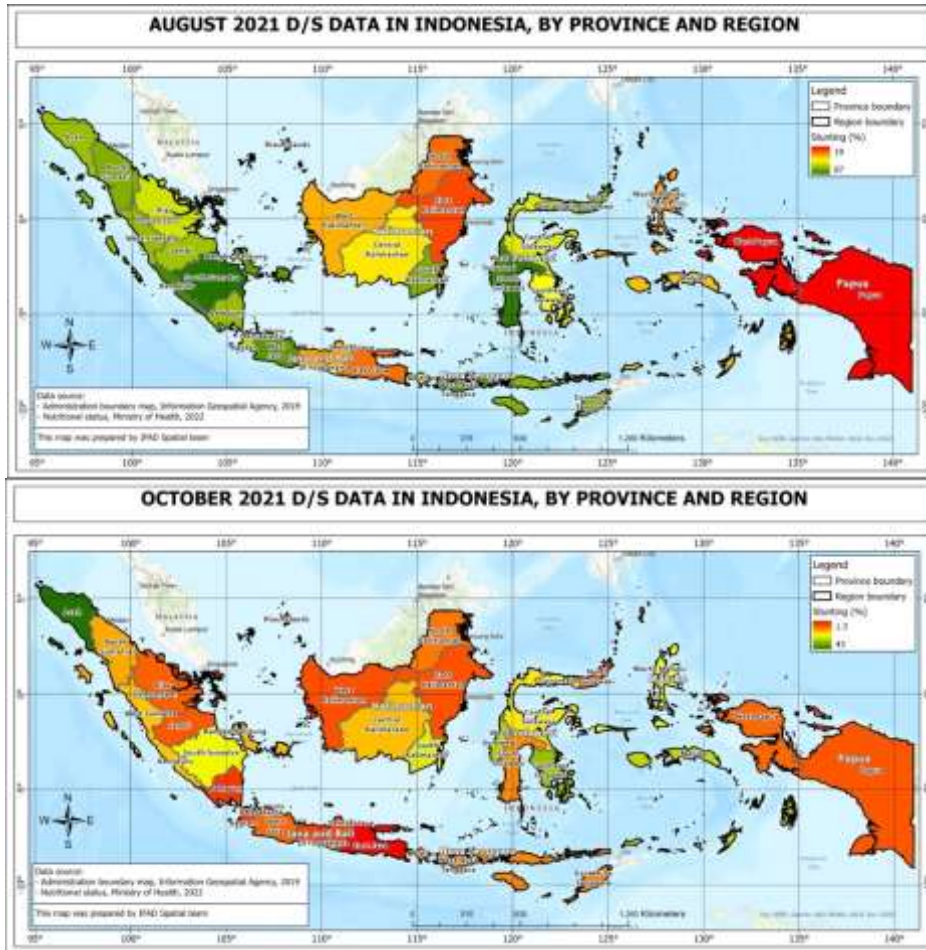
2. Distribution of priority crops/commodities







3. Distribution of stunting



4. Location and Distribution of Indigenous Cultural Communities





5. World Heritage Sites



6. Distribution of Deforestation Rates in Forest and Non-Forest Areas

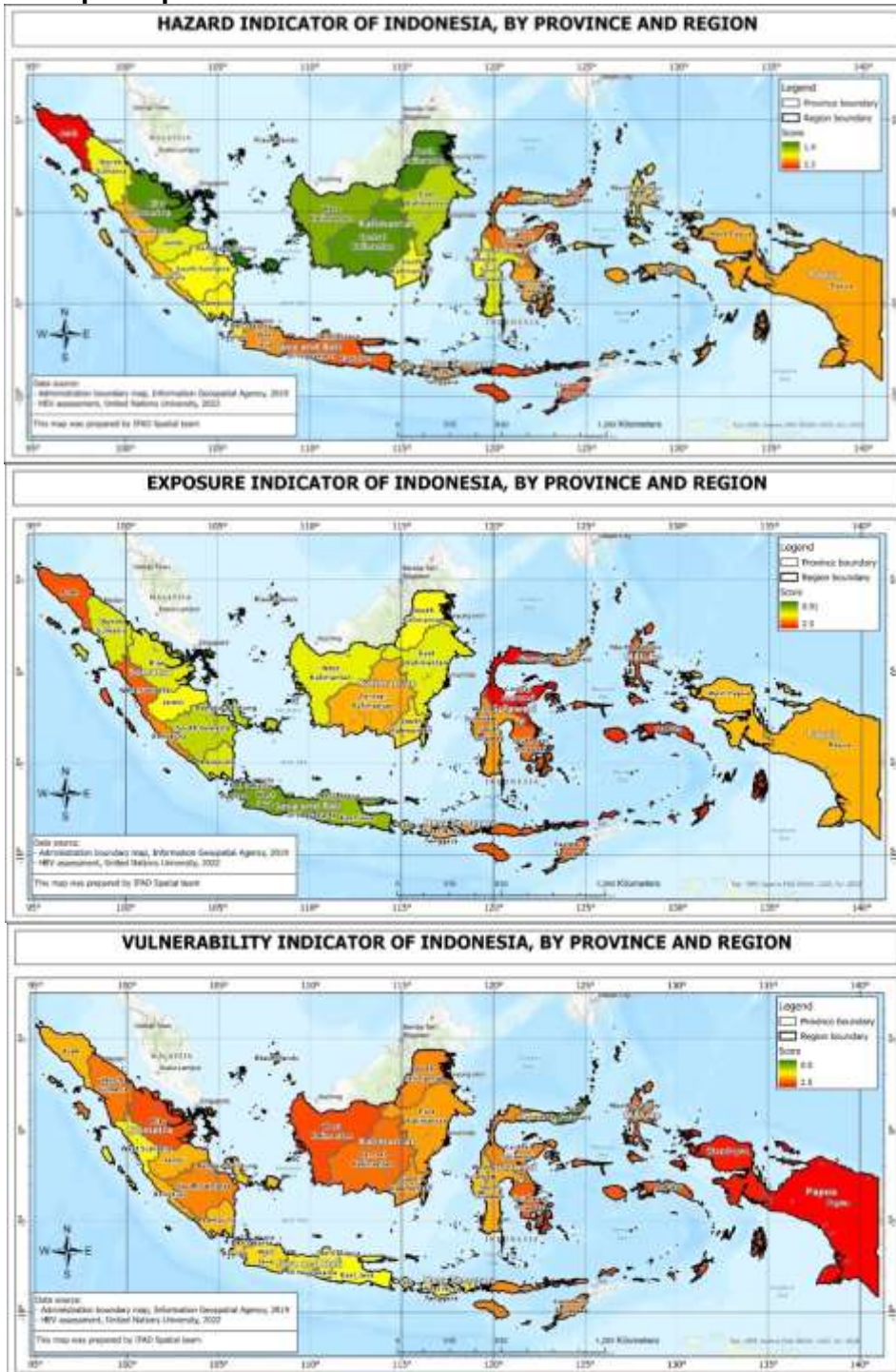




7. Biodiversity and Conservation Sites

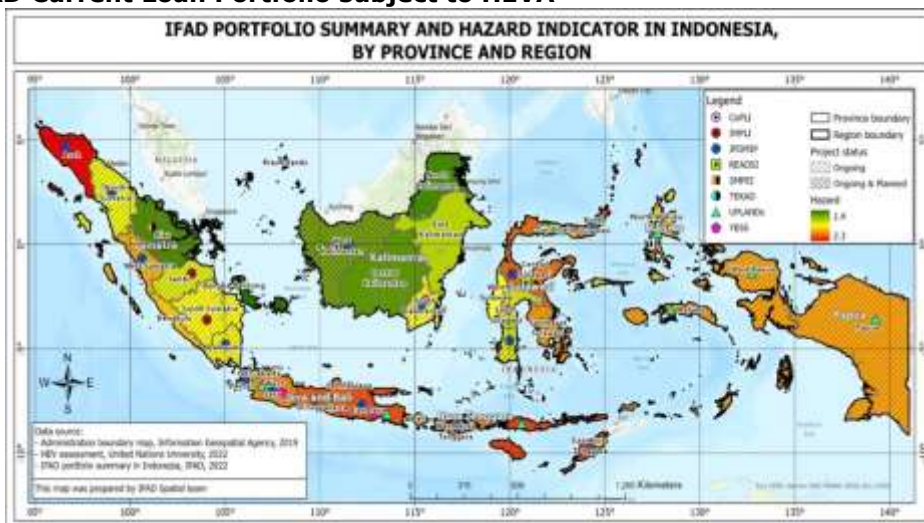


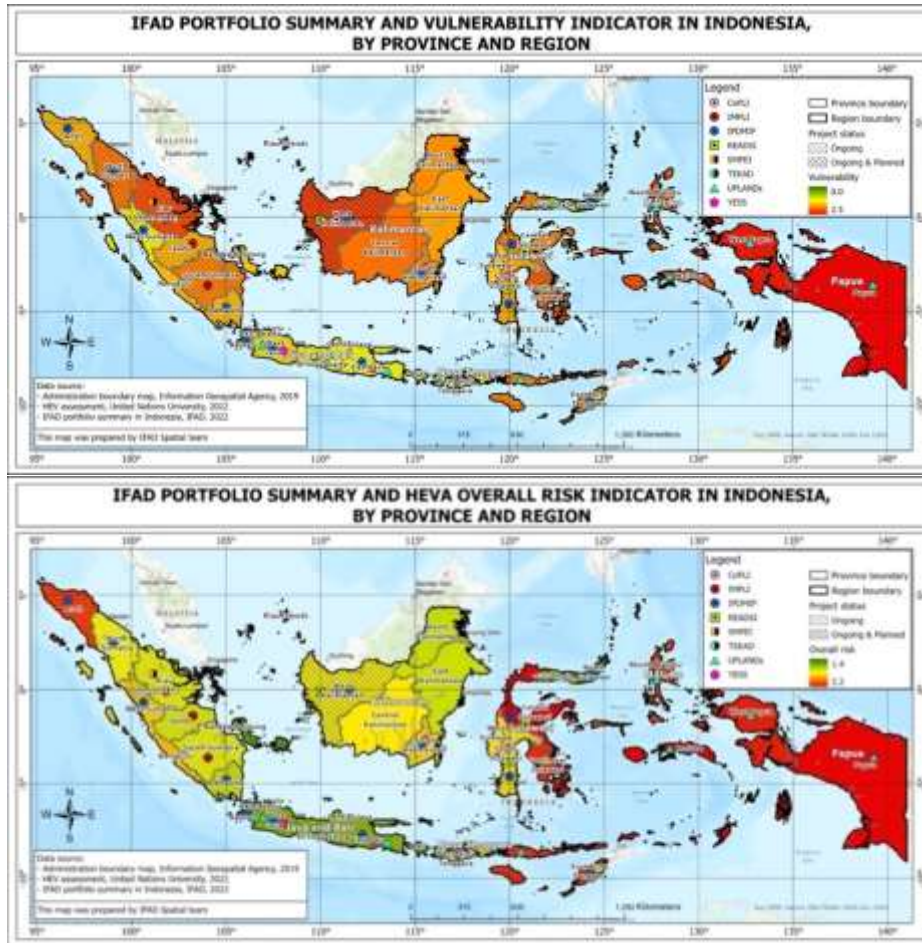
8. HEVA Spatial presentation





9. IFAD Current Loan Portfolio subject to HEVA





Attachment 3. HEVA scores for hazard, exposure and vulnerability as well as subcomponents

Note: orange: 5 highest ranked provinces, yellow: 6th to 10th highest ranked provinces.

Region/Province		Hazard				Exposure					Vulnerability						Overall Risk	
		climate related	geo-physical	livelihood shocks	TOTAL	people & livelihood	eco-nomic	physical	environ-mental	TOTAL	human & social	eco-nomic	physical	environ-mental	institu-tional	TOTAL	Score	Rank
Sumatra	Aceh	2.18	2.94	2.14	2.34	2.05	2.7	1.84	3	2.23	1.24	2.4	1.2	1.8	1.8	1.64	2.17	1
	North Sumatra	1.85	2.78	1.14	1.82	2	1.5	1.4	1.5	1.58	1.41	2.18	1.8	1.7	2.87	1.95	2.17	2
	West Sumatra	1.94	2.63	1.65	1.99	2.45	2.7	1.88	2.1	2.2	1.39	1.2	1.5	1.25	1.33	1.34	2.16	3
	Riau	1.73	1.5	1.08	1.47	1.65	1.8	1.38	1.8	1.59	1.86	1.73	2.4	2.8	2	2.15	2.12	4
	Riau Islands	1.67	1.22	1.08	1.37	0.95	0.3	1.86	0.9	1.21	1.48	2.03	2.25	2.3	2.47	2.06	2.1	5
	Jambi	1.93	1.84	1.55	1.79	1.9	1.5	1.54	2.1	1.72	1.41	1.43	1.8	1.85	1.87	1.66	2.09	6
	South Sumatra	2.07	2.03	1.47	1.86	2.05	1.5	1.1	1.5	1.47	1.69	1.8	1.8	2.15	2	1.89	2.07	7
	Bangka-Belitung	1.89	0.97	0.9	1.36	0.95	1.5	2.14	0.6	1.48	1.2	1.58	1.05	1.95	2	1.56	2.05	8
	Bengkulu	1.83	2.81	1.59	1.97	2.45	2.1	1.8	2.1	2.06	1.48	1.58	1.65	2	1.53	1.64	1.89	9
	Lampung	2.03	2.72	1.11	1.87	1.7	2.1	1.1	2.1	1.58	1.39	1.58	1.95	1.3	2	1.61	1.89	10
Java & Bali	DKI Jakarta	2.03	1.66	1.4	1.74	0.95	0.3	1.26	0.6	0.91	1.58	1.5	0.75	1.85	2.47	1.7	1.89	11
	Banten	2.09	2.66	1.13	1.9	0.85	1.2	1.12	1.5	1.13	1.84	1.65	1.35	1.4	1.27	1.53	1.84	12
	West Java	2.24	2.78	1.35	2.06	1.3	1.5	1	1.2	1.19	1.69	1.58	1.05	1.35	1.4	1.45	1.84	13
	Central Java	2.48	2.72	1.33	2.15	1.3	2.1	0.88	1.2	1.24	1.61	1.43	0.6	1.2	1.53	1.34	1.83	14
	Yogyakarta	2.27	2.47	1.54	2.07	1.35	2.1	1	0.9	1.25	1.48	0.75	0.15	1	0.67	0.91	1.82	15
	East Java	2.42	2.66	1.51	2.17	1.65	1.8	0.86	1.5	1.32	1.28	1.35	0.75	1.2	1.6	1.26	1.81	16
	Bali	2.12	2.41	1.6	2.01	1.15	1.8	1.58	0.9	1.4	1.59	0.83	0.45	0.85	0.8	0.99	1.81	17
Kali-mantan	West Kalimantan	2.19	1.41	0.84	1.57	2	1.2	1.76	1.2	1.63	2.16	2.03	2.7	1.75	2.4	2.18	1.79	18
	Central Kalimantan	1.98	1.38	0.89	1.48	1.8	1.2	2.4	1.8	1.95	1.46	1.88	2.85	2.2	2	1.99	1.78	19
	South Kalimantan	2.02	1.5	1.9	1.86	2	1.8	1.82	1.5	1.81	1.54	1.43	2.25	2.1	1.87	1.81	1.74	20
	East Kalimantan	2.07	1.84	1.07	1.69	1.15	0.9	1.98	2.1	1.61	1.5	1.58	2.1	1.7	2	1.75	1.73	21
	North Kalimantan	1.96	1.66	0.59	1.43	1.3	0.9	2.02	2.4	1.72	1.43	1.95	2.25	1.85	2.07	1.85	1.72	22
Sulawesi	North Sulawesi	2.21	2.84	1.66	2.17	1.95	1.8	2.36	1.2	1.97	1.41	2.63	1.05	1.75	1.07	0	1.69	23
	Gorontalo	1.97	2.47	1.13	1.8	2.1	3	2.1	3	2.4	1.5	1.88	1.2	1.6	1.27	1.48	1.68	24
	Central Sulawesi	2.06	2.53	1.93	2.12	2.55	3	2.44	2.1	2.5	1.69	1.95	2.25	1.75	1.87	1.86	1.67	25
	West Sulawesi	2.13	1.75	1.51	1.84	2.65	1.8	1.8	2.1	2.06	1.31	1.58	2.4	1.8	1.33	1.61	1.58	26
	South Sulawesi	2.49	1.56	0.97	1.78	2.1	2.4	1.5	2.7	2	1.61	1.35	1.65	1.5	2.13	1.67	1.58	31
	Southeast Sulawesi	2.35	1.84	1.76	2.04	1.9	2.7	2.16	2.1	2.18	1.8	1.88	1.8	2.25	2.6	2.08	1.57	28
Nusa Tenggara	West Nusa Tenggara	2.18	2.59	1.63	2.08	1.95	2.1	1.64	3	2.02	1.37	0.98	1.35	1.6	1.2	1.32	1.55	29
	East Nusa Tenggara	2.19	2.59	1.96	2.21	2.35	2.4	1.98	2.4	2.21	1.58	1.88	2.25	1.85	2	1.86	1.52	30
Maluku	Maluku	1.99	2.66	1.66	2.03	1.95	2.1	2.82	2.1	2.36	1.8	2.85	2.85	2.15	1.53	2.12	1.47	31
	North Maluku	2.15	2.78	1.06	1.93	2.1	1.8	2.88	1.2	2.23	1.71	2.7	2.1	2.2	1.6	1.99	1.46	32
Papua	West Papua	1.86	1.84	2.36	2.02	2.1	0.6	2.6	1.2	1.91	2.01	2.78	2.7	2.55	2.4	2.42	1.45	33
	Papua	1.92	2.06	2.13	2.02	2.45	0.9	2.1	1.8	1.94	2.51	2.4	3	2.1	2.87	2.55	1.41	34

Source: Hazards, Exposure, Vulnerability and Risks (UNU-EHS HEVA, 2022). Annex II, Table 5.

Attachment 4. Status of Climate Change Commitments of Indonesia to the COP UNFCCC

Commitments to COP UNFCCC, updated and submitted July 2021	Status as of July 2022 <i>Source: RPJMN 2020-2024 historical and accomplishment data</i>
<ul style="list-style-type: none"> • For the energy sector, Indonesia has embarked on a mixed energy use policy with at least 23% coming from new and renewable energy by 2025. • Government Regulation No. 79/2014 on National Energy Policy, set out the ambition to transform, by 2025 and 2050, the primary energy supply mix with shares as follows: <ul style="list-style-type: none"> ○ new and renewable energy at least 23% in 2025 and at least 31% in 2050; ○ oil should be less than 25% in 2025 and less than 20% in 2050; ○ coal should be minimum 30% in 2025 and minimum 25% in 2050; and ○ gas should be minimum 22% in 2025 and minimum 24% in 2050. 	<ul style="list-style-type: none"> - The utilization of new and renewable energy (EBT) is still far from the target of the EBT mix in the primary energy supply, which is set at 23% in 2025 in accordance with the commitment to reduce greenhouse gas (GHG) emissions. - the development of renewable energy sources is still not significant enough to be able to meet domestic energy demand. - improvements are needed to meet growing national energy demand. - Domestic energy supply in 2018 was only able to meet around 75% of the national energy demand - Identified Priority Project 25 27,000 MW power plants, 19,000 km transmission lines, and 38,000 MVA substations in support of new and renewable energy target of 19.5% of the primary energy mix by the end of 2024 - Other issues in relation to energy management and energy use that need to be addressed are ineffective use of energy for broader economic development; inefficient energy consumption which is remedied by improvements to energy savings in manufacturing, transportation, construction, and commercial facilities, with the potential savings of around 30% of current energy use;
<ul style="list-style-type: none"> • Indonesia established the development of clean energy sources as a national policy directive 	<ul style="list-style-type: none"> - Clean energy utilization in the transportation sector is still underdeveloped. This can be seen from unutilized electric vehicles and electric mass transit. Likewise, the infrastructure for charging electric vehicles (Public Electric Vehicle Charging Stations/SPKLU) in various cities is also still limited. - Quality of life also improved with better access to energy. This is reflected in the electrification ratio of 98.3% in 2018. - Access to other energy sources such as natural gas has been continually expanded. As of 2018 a cumulative total of 463,643 gas networks had been built for households, in addition to a cumulative distance of 10,942.5 km for transmission and distribution pipelines.
<ul style="list-style-type: none"> • For the Waste Mgt sector, Indonesia has committed to further reduce emissions by 2020 and beyond. <ul style="list-style-type: none"> ○ Indonesia has committed to develop a comprehensive strategy to improve policy and institutional capacity at the local level, enhance management capacity of urban waste water, reduce landfill waste, and the utilization of waste and garbage into energy production 	<ul style="list-style-type: none"> - In 2018, the success rate of the national waste management strategy has only covered 68.8% of the total generated waste of 65.8 million tons, whereas the level of waste reduction has only reached 2.8%. As a result, 28.4% of unmanaged waste or around 18.7 million tons is discharged directly into the environment (leakage) and causes pollution. Of the unmanaged waste, around 0.7 million tons/year ends up in the ocean, most of which is plastic waste. - in waste management, the potential for GHG emission reduction comes mainly from the provision of waste management infrastructure (construction of landfill sites/TPA, 3R waste management facilities/TPS3R, and integrated waste management facilities/TPST). Low-carbon development activities within the field of waste management not only contribute to the reduction of GHG emissions, but also potentially increase access to sanitation and strengthen the environment from pollution and domestic waste. - attributed to the less-than-optimal national waste management system in terms of infrastructure, supporting infrastructure, levies on waste management, human resource capacity, institutions, and law enforcement. F - Identified Priority Project 32 Proper and safe access to sanitation for 90% of households - Identified Priority Project 33 Piped water access with connections to 10 million homes - limited access to safe wastewater in urban areas is caused by the inadequate utilization of city-scale wastewater treatment plants and of fecal sludge management services. - The level of proper drinking water supply in urban areas has only reached 51.54%, including the coverage of piped water access services that has only reached 29.30%. This is also the

Commitments to COP UNFCCC, updated and submitted July 2021	Status as of July 2022 <i>Source: RPJMN 2020-2024 historical and accomplishment data</i>
	<p>case with proper domestic wastewater services in urban areas, at only 69.36%, which includes safe access at 11.12%. Another problem is that in urban areas, there are still 3.85% of households that practice open defecation in the open, and 8.52% of households that have toilets but do not have septic tanks (direct disposal into ponds/rice fields/ponds/lakes/seas/beaches/open fields/gardens).</p> <ul style="list-style-type: none"> - the operation of the City-Scale Wastewater Treatment Plant (IPAL) has not been optimal as indicated by the 36.3% of IPAL capacity that can still be utilized. The local Domestic Wastewater Management System (SPALD) also faces the same challenges, one of which is the low number of Fecal Sludge Treatment Plants (IPLT) that operate optimally. - Percentage of households that have access to domestic waste management in urban areas has only reached 61%.
<ul style="list-style-type: none"> o Reduce emissions through comprehensive and coherent policy development, institutional strengthening, improved financial and funding mechanisms, technology innovations and socio-cultural approaches 	<ul style="list-style-type: none"> - Policy directions have been put in place. - Identified Priority Project 38 Constructing processing facilities for toxic and hazardous waste to Increase capacity to treat hazardous and toxic waste to 26,880 tons p.a. - The Urban Sanitation Development Program 2017 report shows that only 19 of the 47 districts/cities have allocated an ideal budget for sanitation development of at least 2% of the total regional budget. - The implementation of policies on the provision of basic services in settlements has also not been adequate
<ul style="list-style-type: none"> • Commits to increasing the target to reduce greenhouse gas (GHG) emissions to 29% unconditionally and 41% conditionally (with international support), compared to the business-as-usual (BAU) scenarios of 834 MtCO₂e and 1,185 MtCO₂e, respectively, by 2030. 	<ul style="list-style-type: none"> - The greenhouse gas (GHG) emission reduction is nearing the target of 26% reduction in 2020. The potential GHG emission reduction until 2018 was 22.59% from the accumulated baseline. From 2015-2019, Reduction in GHG emissions was achieved by 22.6% in 2018 - The potential annual GHG emission reduction in the year of 2018 was 23.18% or 452,613 thousand tons of CO₂e. The intensity of GHG emissions in 2017 was 412 tons CO₂e/billion rupiah. - In the forestry sector, the highest GHG emission reduction is derived from the forest moratorium policy, forest fire control, and forest rehabilitation efforts. - issues are inefficient management and inefficient use of energy which contributes to emissions. - the use of coal to meet domestic energy needs has not been optimal. Coal DMO only achieved 23.5% of the total coal production (548 million tons) in 2018.
<ul style="list-style-type: none"> • Enhancing ambition on adaptation through commitment to ensure that its communities and ecosystems are resilient to the risks and impacts of climate change by 2030 by enhancing adaptation ambitions through programs, strategies, and actions aiming to achieve economic, social, and livelihood resilience. 	<ul style="list-style-type: none"> - Trial implementation of the climate change adaptation plan (RAN-API) in 15 pilot areas; Trial reviews in 4 priority sectors (sea and coastal, water, agriculture and health) - Identified Priority Project 36 Restoring 4 critical watersheds to Reduce erosion in critical watershed areas by greening 150,000 ha of land and reduce the impact of floods in the provinces of Banten, Jakarta, West Java, and North Sumatra - Identified Priority Project 39 Strengthening early disaster warning systems to increase speed of delivery or early warning information from 5 minutes to 3 minutes
<ul style="list-style-type: none"> • Enhancing clarity on mitigation by adopting the Paris Agreement rule book (Katowice Package); Translating the Paris Agreement Rule Book (Katowice Package) into Indonesia's context. 	<ul style="list-style-type: none"> - national priorities are outlined into three policy groups, namely: (1) improving the quality of the environment; (2) increasing resilience against natural disasters and climate change; and (3) applying a lowcarbon development approach.
<ul style="list-style-type: none"> • Enacting milestones along with national development for 2020-2024; 	<ul style="list-style-type: none"> - As of 2019, there was a 3.5% growth of GDP for the agriculture, forestry and fishery sector - there is a rising trend in hydrometeorological disasters influenced by extreme short-term climate variability and by the effects of climate change. - Raw water scarcity has also begun to occur in several other regions due to the impact of global climate change, which is currently affecting most of Indonesia. - The RPJMN 2020-2024 has mainstreamed 118 targets of the SDGs that includes SDG 13 Climate Actions - Even though it has gotten better in 2018, the quality of the environment in Indonesia in general has not shown an

Commitments to COP UNFCCC, updated and submitted July 2021	Status as of July 2022 <i>Source: RPJMN 2020-2024 historical and accomplishment data</i>
	<p>improvement, which necessitates efforts to repair and control any environmental damage more progressively to achieve the expected results in the future. Indonesia's National Environmental Quality Index (IKLH) score reveals that the water quality is getting worse, and air quality is decreasing in absolute terms; however, land cover is improving.</p> <ul style="list-style-type: none"> - The effects of the rising trend of temperature has also begun to be felt at this time, with an increase reaching 0.5°C in 2020 compared to the average temperature in 2000.
<ul style="list-style-type: none"> • Providing indicative pathways towards Vision Indonesia 2045 and the Long-Term Strategy on Low Carbon and Climate Resilient Development 2050 (LTS-LCCR 2050); 	<ul style="list-style-type: none"> - The greenhouse gas (GHG) emission reduction is nearing the target of 26% reduction in 2020. The potential GHG emission reduction until 2018 was 22.59% from the accumulated baseline. - national priorities are outlined into three policy groups, namely: (1) improving the quality of the environment; (2) increasing resilience against natural disasters and climate change; and (3) applying a low-carbon development approach. - Identified Priority Project 9 Metropolitan area development: Palembang, Banjarmasin, Makassar, and Denpasar which will increase the Sustainable Cities Index score of districts/cities in the metropolitan areas - Identified Priority Project 11 Developing new towns: Maja, Tanjung Selor, Sofifi, and Sorong and increase the Sustainable Cities Index score of Lebak (Maja), Bulungan (Tanjung Selor), Tidore (Sofifi) and Sorong (Sorong) - Identified Priority Project 12 Papua indigenous territories: Laa Pago and Domberay to increase economic growth, equitable development, and welfare in 10 regencies in Laa Pago and 11 regencies in Domberay - Identified Priority Project 23 Urban mass public transport systems in 6 metropolitan areas: Jakarta, Surabaya, Bandung, Medan, Semarang, and Makassar and reduce potential economic losses due to congestion in the metropolitan areas - Identified Priority Project 27 Coastal security in 5 urban centers along the northern coast of Java to Overcome tidal floods in Jakarta, Semarang, Pekalongan, Demak, and Cirebon
<ul style="list-style-type: none"> • Adoption of the Paris Agreement Rule Book (Katowice Package) into the national context to ensure effectiveness and efficiency in implementing the agreement and reflected in the recently adopted Long-Term Strategy on Low Carbon and Climate Resilient Development 2050 (LTS-LCCR 2050). 	<ul style="list-style-type: none"> - The greenhouse gas (GHG) emission reduction is nearing the target of 26% reduction in 2020. The potential GHG emission reduction until 2018 was 22.59% from the accumulated baseline. - Because of sluggish structural transformation, Indonesia has not been able to resume the socio-economic transformation that had stopped due to the monetary crisis in 1997-1998. Indonesia's average economic growth declined from 6.0% in the 1990-2000 period to an average of 5.0% in the 2000- 2015 period.
<ul style="list-style-type: none"> • The long-term strategy outlines Indonesia's goal to reach peak national GHG emissions by 2030, with a net sink in the forestry and land use sectors, and to progress towards net-zero emissions by 2060 or sooner. <ul style="list-style-type: none"> ○ The strategy aims to reduce the country's potential GDP loss by 3.45 percent due to climate change in 2050 by enhancing resilience in four basic socioeconomic development needs: food, water, energy, and environmental health. 	<ul style="list-style-type: none"> - the management of food, agriculture, forestry, maritime affairs, marine affairs, fishery, water, and energy has been ineffective due to weak forward and backward linkages in agriculture and fishery, slow modernization of agriculture, and low access of farmers and fishers to productive resources such as high-quality inputs and financing. - The national industry has also not been able to utilize existing resources (i.e. food, agriculture, forestry, maritime affairs, marine affairs, fishery, water, and energy) in the best possible manner, leading to import dependency. About 71.0% of total imports are raw materials and intermediate or supporting materials for manufacturing. Various attempts have been made to reduce import dependency, but progress has not been significant. - The risk of water scarcity is also rising in other regions as a result of climate change. The percentage of area suffering from critical water shortages is expected to increase from 6% in 2000 to 9.6% by 2045. The water quality is also expected to deteriorate significantly.
<ul style="list-style-type: none"> • Indonesia is leaning on the forestry and land use sector and the energy sector to contribute the most to the emissions reduction target, with the former 	<ul style="list-style-type: none"> - Although the rate of deforestation of primary forests has been reduced significantly through a moratorium on forest clearance since 2011, the reduction in the primary forest cover still occurs in certain locations

Commitments to COP UNFCCC, updated and submitted July 2021	Status as of July 2022 <i>Source: RPJMN 2020-2024 historical and accomplishment data</i>
<p>accounting for 24.1 percent of the figure—equal to 692 MtCO_{2e}—and the latter accounting for 15.5 percent (446 MtCO_{2e}). The government aims to have the forestry sector surpass carbon neutrality to become a net carbon sink by 2030.</p>	<ul style="list-style-type: none"> - Although the deforestation rate has decreased significantly compared to before 2000, forest cover is expected to decline from 50% of Indonesia's total land area (188 million ha) in 2017 to around 38% by 2045. - The total area of peatlands that has been restored in licensed cultivation areas and/or concessions (Cultivation Rights and Business Permits for the Utilization of Forest Products) has only reached 143,448 ha from the target of 1,784,353 ha for 2020 (8%); while the area of peatlands that has been successfully restored in non-permit areas has only reached 682,694 ha from the target of 892,248 ha for 2020 (77%). - Policy direction in the RPJMN 2020-2024 emphasizes the integration of development by considering spatial approaches based on good, accurate and complete evidence of data; information and knowledge; national development scenarios; and clear location sites according to spatial planning and environmental carrying capacity. - the recovery performance of 15 critical watersheds and 15 priority lakes, and the management of swamp and peat areas remain low. - applying a policy framework to reduce vulnerability and increase resilience, which become a convergence in adaption to climate change and disaster risk reduction, the Disaster Risk Index (IRBI) score for the national growth centers In Indonesia has been successfully reduced.
<ul style="list-style-type: none"> • Indonesia has earmarked around 4.1 percent of the state budget for emissions reduction efforts 	<ul style="list-style-type: none"> - Funding for development is prioritized for meeting the basic needs of citizens by implementing minimum service standards and boosting investment that provides high leverage for national development - Indonesia's tax revenue to GDP (or tax ratio) has been low - limited fiscal capacity to finance large and increasingly diverse development needs - a funding strategy is needed to optimize the utilization of all available funding capacities to achieve development goals. - Based on the 2017 program monitoring and evaluation, there are 31 ministries/institutions involved in disaster management with a total budget of Rp 54.670 trillion. This budget is mostly used for pre-disaster preparedness, which amounted to Rp 32.370 trillion, emergency response at Rp 11.975 trillion, and post-disaster management at only Rp 9.33 trillion. Not only at the national level, the lack of budget allocation for postdisaster recovery also occurs at the provincial and regency/city levels. - government needs to encourage more funding from sources that come from both the public and private sector through innovative financing schemes, including government-to-business cooperation schemes, among others. - Climate Change Trust Fund (ICCTF; Bappenas, 2009b) aims to be a showcase of alternative financing for climate change mitigation and adaptation programs. ICCTF is a key instrument of the GOI in achieving its mitigation and adaptation targets, supporting both RAN/RAD-GRK as well as RAN-API implementation. ICCTF is linked to national budget, roadmap and Mid-term plan.
<ul style="list-style-type: none"> • Presentation of Biennial Update Report (BUR) updates on national greenhouse gas inventories, including a national inventory report and information on mitigation actions, needs and supports received. 	<ul style="list-style-type: none"> - Indonesia submits its third Biennial Update Report (3rd BUR) in 2021.

Attachment 5. Country Systems and SECAP 2021 Legal Framework

Indonesia Country System by SECAP Environmental Standard

Year	Policy	Salient Features
ES 1: Biodiversity Conservation		
1990	Law No. 5/1990	Conservation of Living Natural Resources and their Ecosystems
1994	Law No. 5 of 1994	Ratification of the United Nations Convention on Biodiversity
1999	Government Regulation No. 7 of 1999	MOEF Guidelines on Preservation of Flora and Fauna Species
1999	Law No. 41/1999 concerning Forestry	Includes conservation-oriented policies. It divides forests into three categories: Conservation Forests, Protection Forests, and Production Forests. It also empowers the Ministry of Forestry to determine and manage Indonesia's <i>Kawasan Hutan</i> (National Forest Estate);
2000	Government Regulation No. 82 of 2000	MOA and MOEF Guidelines on Animal Quarantine
2007	Law No. 26 of 2007 on Spatial Planning	The law assigns responsibility for spatial planning to the regions, and aims to ensure that land allocations to infrastructure, industry, green open areas, cultivation and sustainable agricultural land, and forest areas are in line with national level priorities. Spatial planning regulations delineate protected areas for protection and cultivation areas for development, and the central government has authority to regulate, empower and supervise national spatial plan, and facilitate cooperation among the provinces.
2008	Minister of Forestry Regulation No. P.48/Menhut-II/2008	Guidelines for Managing Conflicts between Humans and Wild Animals
2009	Minister of Environment Regulation No. 29/2009	Guidelines for Biodiversity Conservation at the Regional Level According to national regulation, mangroves are one of the primary natural ecosystems which have significant role in human and natural well-being. The role includes natural protection services such as water management and hydrology, climate, erosion control sedimentation, abrasion, floods & landslides, deterrent potential pests and diseases.
2013	Law No. 18/2013 on the Prevention and Eradication of Forest Degradation	Strengthens law enforcement by providing additional legal certainty and defining the penalties for those engaged in forest degradation. It clearly defines which activities are banned, with respect to individuals and organized groups that conduct logging activities, as well as organizations involved in the illegal timber trade and officials engaged in the falsification of permits.
2016	Minister of Forestry Regulation No. P.94/MENLHK/SETJEN/KUM.1/12/2016	Guidance in controlling invasive species that can have negative impacts on biodiversity and health.
2016	Minister of Marine Affairs and Fisheries Regulation No. 24/PERMEN-KP/2016	Procedures for Rehabilitation of Coastal Areas and Small Islands; According to national regulation, mangroves are one of the primary natural ecosystems which have significant role in human and natural well-being. The role includes natural protection services such as water management and hydrology, climate, erosion control sedimentation, abrasion, floods & landslides, deterrent potential pests and diseases.
2018	Minister of Environment and Forestry Regulation No. P.106/Menlhk/Setjen/Kum. 1/12/2018 concerning the Second Amendment to the Minister of Environment and Forestry Regulation No. P.20/Menlhk/ Setjen/Kum.1/6/2018	Guidance on Type of Protected Animals and Plants. There are 137 mammals, 557 birds, 1 amphibian, 37 reptiles, 20 Aves, 26 insects, 1 crustacean, 5 mollusks, 3 Xiphosura, and 117 plants on this regulation with protected status
2020	Government Regulation No. 26 of 2020	Guidance on Forest Rehabilitation and Reclamation. On the regulation explained about common pattern, criteria, standard, and procedures on forest rehabilitation and reclamation.
ES 2: Resource efficiency and pollution prevention		
1999	Government Regulation No. 41/1999	Control of Air Pollution - specifies ambient air quality standards and emissions standards, as well as noise level standards.
2001	Government Regulation No. 82/2001	Water Quality Management and Water Pollution Control; Water quality standards by activity and utilization are described
2004	Law No. 7/2004	Water Resources
2007	Law 30/2007 Regarding Energy	The Law promotes national energy efficiency. There are a series of measures proposed to achieve this. First is the creation of an inventory of energy resources. Then, energy stocks resources should be increased. Furthermore, the energy supply should be diversified, with a simultaneous promotion of energy conservation. The Law also addresses the distribution network,

Year	Policy	Salient Features
		with the goal of improving the quality of storage and transmission.
2008	Law No. 18/2008	Solid Waste Management, includes the guideline to undertake solid, domestic, non-B3 waste handling and management.
2009	Law No. 32/2009	MOEF Guidelines on Environmental Protection and Management
2011	Presidential Regulation No. 61/2011	National Action Plan to Reduce Green House Gas Emission (RAN-GRK)
2012	Government Regulation No. 81/2012	Management of Household Waste and Waste
2014	Minister of the Environment Regulation No. 5/2014	Wastewater Standards - stipulates the limit or level of pollutants and/or amount of pollutants in wastewater that is discharged by businesses and/or development activities.
2014	Government Regulation No. 101/2014	Hazardous Waste Management, Annex I of the regulation acknowledges waste containing asbestos materials as hazardous waste.
2019	Presidential Regulation 55/2019 on electric vehicles	Enable battery-powered electric vehicles to be made and deployed in Indonesia. It includes two, three and four wheelers. It sets up incentives for local manufacturers, with minimum rates of local components, and aims at expanding the charging infrastructure. The regulation defines and details a fiscal and non-fiscal scheme of incentives for the sector, and determines the electricity supply rates to be applied. MEMR Regulation no 13/2020 on the Provision of Electric Charging Infrastructure for Battery Electric Vehicle was adopted to implement decision 55/2019.
ES 3: Cultural heritage		
1931	Monument - ten Ordonantie (238 Stb. MO in 1931)	Tangible Heritage includes Movable Heritage, Immovable Heritage, Sites
1992	Law No. 5 on Benda Cagar Budaya (BCB) - Items of Cultural Property	The definition of cultural property items in the law has indeed included a single object or group and then followed by the phrase 'must have at least 50 years of age'.
1992	Law No. 5/1992	The definition of cultural property items in the law has indeed included a single object or group and then followed by the phrase 'must have at least 50 years of age'.
2007	Presidential Decree No. 78/2007	Ratification of Convention for The Safeguarding of The Intangible Cultural Heritage
2010	Law No. 11/2010	To protect and organise the cultural heritage in Indonesia
2017	Law No. 5/2017	Advancement of Culture
ES 4: On Indigenous Peoples		
1945	Second Amendment to the 1945 Indonesian Constitution, 2000 (<i>Perubahan kedua Undang-undang Dasar 1945</i>)	State recognition and respect of customary law societies with their traditional rights and cultural identity and traditional community rights
1960	The Basic Agrarian Law No. 5/1960 (<i>Undang-Undang Pokok Agraria tahun 1960, UUPA</i>)	Agrarian law which applies to land, water and space is customary law, in so far as this does not conflict with national and state interests
1999	Act No. 39 of 1999 on Human Rights	Explicit recognition and protection of indigenous peoples and their cultural identity; property rights and acquisition of property rights are relevant in the protection of indigenous peoples' rights.
1999	Law 41/1999 on forestry	Lists five conditions, on the basis of which the government will recognize customary community: (i) in the people's daily life, it still is a communal society (<i>paguyuban</i>); (ii) the community has adat institutions and adat leaders; (iii) the community has clear boundaries; (iv) the community has well-functioning customary law institutions, particularly an adat judicial system; and (v) the community still collects forest products for its subsistence.
2001	People's Consultative Assembly Decree No.9/2001 on Agrarian Reform and Natural Resource Management (TAP MPR No.IX Tahun 2001 tentang Pembaruan Agraria dan Pengelolaan Sumber Daya Alam)	Implementation of agrarian reform and natural resource management based on the following principles: (b) "respecting and honouring human rights"; (j) "recognizing, respecting, and protecting the rights of the customary law societies and the diversity of the national culture with respect to agrarian resources/natural resources".
2007	Act No. 27/2007 on Coastal and Small Islands Management	Recognizes the rights of indigenous peoples to manage coastal and small islands and recognizes indigenous knowledge as an important aspect in the protection of the coastal areas and small islands.

Year	Policy	Salient Features
2010	Constitutional Court Decision 55/PUU-VIII/2010 Judicial Review for Plantation Law	Considers the community's protest including blockage was no longer as a criminal act, but as a method to express feelings of injustice. Protest against unfair investment considered as a way of expressing rights.
2012	Constitutional Court Ruling 35/PUU-X/2012	<p>Revocation of several articles in Act No 41/1999 on Forestry that define customary forest as apart of state forest:</p> <ul style="list-style-type: none"> • Forest areas consist of state forests, customary forests, and private forests. The Constitutional Court Ruling restricted the definition of state forest to forests located on lands that are not burdened with any land rights. Customary forest is considered a land with <i>adat</i>/customary rights. • Customary forests are private forests belong to the <i>masyarakat adat</i> (indigenous peoples). The right is equal to other land rights that are mentioned in the Basic Agrarian Law. • Indigenous communities are recognized as legal subjects that bear rights and obligations. This was affirmed in the consideration of Constitutional Court judges when they issued the ruling, which is as follows: "...In the Constitution [article 18 B para 2 of Indonesian Constitution 1945 –ed.], there is one important and fundamental matter concerning the traffic of legal relations. The important and fundamental matter is legal customary groups being recognized and respected constitutionally as---right bearers who are also subject to obligations. Therefore, legal customary groups are legal subjects... (see paragraph [3.12.1] of Constitutional Court Ruling Number 35 /PUU-X/2012). • The implications of being recognized as a legal subject are as follows: (1) the indigenous peoples are able to take certain legal actions with regards to customary forests under their control, for example to conduct transactions of forest products, enter into a joint forest management scheme with a third party and invite a third party to improve forest management capacity, among others. (2) indigenous peoples are able to determine and make decisions in an autonomous manner regarding further arrangements for the management of their customary forests. These arrangements must take into consideration the function that has been determined in the forestry and spatial plans, for example whether it has a conservation or protection function
2014	Law No. 1/2014 amending Law No. 27/2007 on the Management of Coastal Areas and Isles	Regulates the authority of <i>Masyarakat Adat</i> in utilizing the space and resources of coastal waters and small island waters in the area of customary law communities by customary law communities.
2014	Act No 6/2014 on Village	<p>Provisions of recognition to customary village or <i>desa adat</i> are provided.</p> <ul style="list-style-type: none"> • Recognizing the inherited rights (<i>hak asal usul</i>) as rights that are inherent to historical existence of the community and still recognized as part of the village or community system of governance including indigenous community organizations, indigenous institutions and laws, village land banks, and agreements regarding the life of the village community. • The customary village or <i>adat</i> village has seven areas of authority, including the authority to regulate and take care of communal (<i>ulayat</i>) or customary territory. Communal (<i>ulayat</i>) or customary territory" is the territory of the <i>masyarakat hukum adat</i>. • Some indigenous villages have been formally recognized by the government.
2014	Law No. 23/2014 on Local Government	Defines <i>Masyarakat Adat</i> as a group of people who have long settled in certain geographical areas of Indonesia and have collective ties to ancestral origins, strong relationships with land, territory, natural resources, customary government institutions, and customary law in its customary territory in accordance with the provisions of the legislation.
2014	Law No. 39/2014 on Plantations	States that <i>Masyarakat Hukum Adat</i> are customary rights holders, including rights to land.
2014	Regulation of the Minister of Home Affairs No. 52 of 2014. Guidelines for	Recognition is subject to eligibility standards and formal recognition from provincial or district governments.

Year	Policy	Salient Features
	Recognition and Protection of Indigenous Peoples	
2015	Regulation of the Minister of Agrarian Affairs and Spatial Planning/Head of National Land Agency No. 9 of 2015	Procedures to Establish Communal Right on Indigenous Peoples' Land in Certain Area
2015	Regulation of the Minister of Environment and Forestry No. 32 of 2015	Titled Forest
2016	Regulation of the Supreme Court No. 1 of 2016	Mediation Procedure at Court
2016	Regulation on Procedures for Determining Communal Rights to Land of Customary Law Community and Communities Located in Certain Areas (10/2016)	Regulates the stages and procedures for applicants wanting to obtain recognition of communal rights to land inside a plantation or forest area.
2017	Regulation of the Minister of Environment and Forestry Number P.34/MENLHK/SETJEN/KUM.1/5/2017 concerning Recognition and Protection of Local Wisdom in the Management of Natural Resources and the Environment	Some of the FPIC concepts are specifically adopted in this legislation. The aspect of free is not included in this definition.
2017	Presidential Regulation No. 88 of 2017	Settlement of Land Tenure in Forest Area
2018	Minister of Environment and Forestry Regulation Number P.26/MENLHK/SETJEN/KUM.1/7/2018 concerning Guidelines for Preparation and Assessment and Examination of Environmental Documents in the Implementation of Electronically Integrated Business Licensing Services	This law acknowledges the fact of being informed, which entails involving indigenous peoples in the implementation of public announcements and consultations.
2018	Minister of Environment and Forestry Regulation No. P.2/MENLHK/SETJEN/KUM.1/1/2018 concerning Access to Genetic Resources of Wild Species and Profit Sharing from their Utilisation	In this regulation, PIC (Prior informed consent) has been defined
2019	Minister of Environment and Forestry Regulation (Permen LHK) concerning Customary Forests and Customary Forest Rights (21/2019)	This regulation provides as a guide for Customary Law Communities who have had their status recognized to register their forest as customary forest.
2020	The Law on Job Creation (11/2020), Article 29 on amendments to Article 17	The law defines the procedures and penalties for awarding plantation business permits, particularly on property owned by Customary Law Communities. Business licenses must be approved by the relevant Customary Law Communities before they can be issued. The legislation mandates that both the government and private sector implement the FPIC principle in plantation business permits.
2020	The Law on Job Creation (11/2020), Article 31 on amendments to Article 22	If government and corporations want to use their lands, they must engage with Customary Law Communities and reach an agreement with locals. If the process is not followed, there are administrative penalties for the actors.
2021	Regulation of the Minister of Environment and Forestry Number 7 of 2021 concerning Forestry Planning, Changes in the Designation of Forest Areas and Changes in the Functions of Forest Areas, and Land Use of Forest Areas	The concept of informed participation is used when the community and stakeholders are involved in public consultation activities.
2021	Minister of Environment and Forestry Regulation Number 9 of 2021 concerning Social Forestry Management	This clause has incorporated the features of informed consent. This law covers numerous stages of forestry partnerships, as well as the preparation of agreements between forest use licence holders or forest area use approval holders and community groups, including FPIC protocol
ES 5: Labour and working conditions		
1945	Constitution of the Republic of Indonesia Article 281(2)	Freedom from and protection against discriminatory treatment on any basis
1970	Law No. 1/1970	Occupational Safety and Health
1978	Presidential Decree of 1978	Establishment of State Ministry of Women's Empowerment and Child Protection (SMWC) geared toward women empowerment and child protection. Their role is to make policies and provide technical assistance to other ministries, and report regularly the implementation status to the President.

Year	Policy	Salient Features
1980	Minister of Manpower and Transmigration Regulation No. 1/1980	OHS Management in Construction outline requirements for workplace safety
1984	Law No. 7 of 1984 ratifying the Convention on the Elimination of All Forms of Discrimination against Women with	Ratifies the UN treaty, Convention on the Elimination of All Forms of Discrimination against Women, that prevents gender-based discrimination against women and ensures equal rights and opportunities.
1999	Penal Code of Indonesia	Sections under Crimes against Decency protects women and children from sexual violence and abuse
1999	Law No. 39/1999 on Human Rights	Ensure equality and freedom from discrimination.
2000	Presidential Instruction No. 9 of 2000 on Gender Mainstreaming in National Development	To reduce the gap between Indonesian women and men in accessing and obtaining development benefits and increase participation in and control over the development process
2002	Law Number 23/2002	Child Protection
2002	Presidential Instruction Number 87/2002	National Plan of Action on the Elimination of Commercial Sexual Exploitation of Children
2002	Presidential Decree Number 88/2002	National Plan of Action on Elimination of Trafficking in Women and Children
2003	Law No. 13/2003	Manpower; provides the primary rules for establishing an employment relationship, employment terms and conditions including working hours and over time arrangements, and employment termination. The Law sheds protection against various forms of discrimination based on sex, ethnicity, race, religion, skin color, or political orientation.
2003	Law no. 12/2003	General Election in which each political party participating in a general election should consider at least 30% of women representation in the nomination of its members of national, provincial and local representative council
2004	Law No.23/2004	Elimination of Domestic Violence stipulating the definition, punishment, and protection and support for victims.
2007	Police Chief Regulation No. Pol 10 of 2007 on Organization and Work of the Woman and Children Service Police Units	Woman and Child Service Units (UPPA) handle all cases of violence against women and children. UPPA's scope is district level and above.
2008	Joint Regulation for Increasing Breastfeeding in the Workplace No. 48/MEN.PP/XII/2008, PER. 27/MEN/XII/2008 dan 1177/MENKES/PB/XII/2008	Joint Regulation among the Minister of Women Empowerment, Minister of Labor, and the Minister of Health to promote and protect working mothers to breastfeed and pump milk at the workplace
2011	Law No. 24 of 2011	The National Social Security (BPJS), includes stipulating the obligation of employers to cover their workers with work accident insurance (<i>BPJS Ketenagakerjaan</i>)
2018	Ministry of Manpower Regulation No. 5/2018	Occupational Health and Safety Standards for Workers and Work Environments
2020	Minister of Public Works and Housing Instructions No. 02/IN/M/2020	Protocol for Preventing the Spread of Corona Virus Disease 2019 (COVID-19) In Construction Services
2021	Law No. 11/ 2021	Job Creation
ES 6: Community health and safety		
2007 / 2008	Law No. 24/2007 and Regulation No. 21/2008 on Disaster Management	Aims to provide protection for communities against disaster threats, and guarantees well-planned, integrated, coordinated and comprehensive disaster management. Any development activity running a high risk of disaster is required to conduct a disaster risk analysis.
2002 / 2005	Law No. 28/2002 and Regulation No. 36/2005 Concerning Buildings	Regulates the requirements for fully functional buildings applicable to both public and private facilities—requiring consideration of technical aspects of buildings such as functionality, reliability, safety, health, comfort, ease of use, balance, and harmonization with surroundings.
2009	Law No. 32/2009 Concerning Environmental Protection and Management	Requires that potential risks and impacts of the project on community health, and relevant mitigation measures, are covered in environmental impact assessments.
2009	Law No. 22/2009 Concerning Road Traffic and Government regulation No. 32/2011 Concerning Management and Engineering, Impacts Analysis, and Traffic Needs Management	Requires that projects with potential disturbance to security, safety, order, and flow of road traffic conduct a traffic impact assessment in the form of ANDALALIN (<i>Analisis Dampak Lalu Lintas—Traffic Impact Analysis</i> —separate and complementary to the AMDAL or UKL-UPL document).

Year	Policy	Salient Features
2016	Law No. 7/2016	Protection and Empowerment of Fishermen, Aquaculture Farmers, and Salt Farmers
ES 7: Physical and economic resettlement		
1960	Basic Agrarian Law No. 5 on 1960	ATR/BPN on Agrarian Laws
2006	Presidential Regulation No. 65 of 2006	ATR/BPN Amendment of Presidential Regulation No. 36 of 2005 concerning Land Acquisition for Development in the Public Interest
2007	Regulation of the Head of National Land Agency of the Republic of Indonesia No. 3 of 2007	Provisions for the Implementation of Presidential Regulation No. 36 of 2005 concerning Land Acquisition for Development in the Public Interest as amended by Presidential Regulation No. 65 of 2006 concerning Amendment of Presidential Regulation No.36 of 2005
2012	Law No. 2 Tahun 2012	ATR/BPN Guidelines on Land Acquisition for Development in Public Interest
2012	Presidential Regulation No. 71 of 2012	ATR/BPN IRR: The Implementation of Land Acquisition for Development in the Public Interest
	Joint Ministerial Regulation of the MoHA, MoEF, MoPW and Head the National Land Agency	Procedures to Settle Land Ownership Conflict in Forest Area from MoHA, MoEF, MoPW and National Land Agency
2018	Presidential Regulation No. 62/2018	Social Impact Handling in Land Acquisition Process
2018	Indonesia Valuation Standard 204, Assessment of Land Acquisition for Development for the Public Interest.	Preparation Committee for Indonesia Valuation Standard 2018.
ES 8: Financial intermediaries and direct investments		
1992	Law No. 7 of 1992	Banking – The law explained about banking in Indonesia aims to support the implementation of national development in order to improve equity, economic growth, and national stability towards improving the welfare of the people at large.
1998	Law No. 10 of 1998 (Banking Law)	Concerning about amendment to law no 7/1992 about banking
2004 / 2009	Law No. 24 of 2004 concerning Deposit Insurance Corporation as amended by Law No 7 of 2009	The liquidation of banks in Indonesia is handled by LPS in co-ordination with the FSA and Bank Indonesia as well as the Committee of Financial System Stability (<i>Komite Stabilitas Sistem Keuangan</i>) (KSSK).
2005	MPWH Ministerial Regulation No.05/Permen/M/2005	Aims to provide mortgage for fixed and non-fixed low- income people by either subsidizing individual for housing improvement, mortgage interest rate buy down through KPRS Bersubsidi, or subsidy for development or housing improvement using KPRS Micro Subsidy;
2008	Law No. 21 of 2008	Sharia Banking aims to support the implementation of national development in order to improve justice, togetherness, and equitable distribution of people's welfare. Sharia Banking in conducting its business activities is based on Sharia Principles, economic democracy, and the principle of prudence.
2010 / 2013	Anti-Money Laundering (AML) / Combating the Financing of Terrorism (CFT)	addressed key deficiencies, including by criminalizing money laundering (ML) and terrorist financing (TF) in line with the revised Financial Action Task Force (FATF) standard, and extending AML/CFT requirements to money value transfers services (including remittance service providers)
2011	Law No. 21 of 2011 (OJK Law)	Authority to supervise and regulate the Indonesian banking industry (other than monetary policy) was transferred to the Financial Services Authority (FSA). The FSA is responsible for regulating and supervising banks and banking institutions, and bank solvency and prudential aspects
2013	Law no. 1 of 2013) – in effect from 8 January 2015	microfinance institution is a financial institution that is specifically established to provide business development services and community development, either through loans or by financing micro enterprises, to members and the public, the management of deposits, as well as the provision of consulting services for business development, not only profit-oriented but also socially-oriented enterprises". According to the law, MFIs in Indonesia include two types of microfinance, namely: (1) Cooperatives and limited liability companies; and (2) other non-bank financial institutions that are governed by the Ministry of Law and Human Rights. Focussed on consolidating and adding greater regulatory oversight of MFIs.
2014	Law 6/2014 on Villages	Halted the transfer of grants from the central government to the Savings and Loans for Women (<i>Simpan Pinjam Perempuan /SPP</i>); new budgeting system was applied, which made fund

Year	Policy	Salient Features
		allocation for any programmes heavily dependent on the decision-making of local authorities.
2014	OJK Regulation No. 19/POJK.03/2014 dated 18 November 2014	Branchless banks regulations aimed to rapidly expand the reach of banks to the micro-segment
2014	Government Regulation No. 11 of 2014	Authorises FSA to collect: Fees for licensing, approval, registration, legalisation and review of corporate acts, and annual fees for regulation, supervision, examination and research.
2015	FSA Regulation No 42/POJK.03/2015 on Liquidity Coverage Ratio Requirement for Commercial Banks	Under the Regulation, a commercial bank must continuously maintain a Liquidation Coverage Ratio (LCR) of at least 100%, either individually or consolidated (with its subsidiaries)
2016	2016 Prevention and Resolution of Financial System Crisis Law (PPKSK Law)	Framework for crisis management and resolution and safety nets was bolstered; formally established the Financial System Stability Committee (KSSK). Clarifies the responsibilities of the agencies involved in crisis management and widens the resolution tool kit
2016	Regulation POJK No. 77/POJK.01/2016 on Information Technology-based Lending	Regulation to support the growth of fintech P2P lending platforms, as new financing alternatives for communities that have yet to enjoy optimal services from incumbent financial service institutions.
2016	FSA Regulation No. 11/POJK.03/2016, as amended by FSA Regulation No. 34/POJK.03/2016	FSA sets the Minimum Capital Adequacy of Commercial Banks (Capital Adequacy Regulation).
2016	FSA Regulation No. 55/POJK.03/2016	FSA sets out the corporate governance rules for banks, and requires all commercial banks to implement good corporate governance principles, including minimum requirements for directors, commissioners, and other specific internal governance matters
2016	FSA Regulation No 56/POJK.03/2016	For a commercial bank, Share Ownership in a Commercial Bank (Bank Share Ownership Regulation) is set with maximum shareholdings
2017	Bank Indonesia Regulation No. 19/10/PBI/2017 on fintech companies	Regulation to support the fintech ecosystem and, in particular, companies in payments businesses. Fintech providers are obliged to register at BI and will be tested in the regulatory sandbox for around a year before they may apply for license.
2017	Bank Indonesia Regulation No. 19/12/PBI/2017	Regulation concerning the provision of financial technology.
2017	Bank Indonesia Regulation No. 19/14/PADG/2017	Regulation to establish a regulatory sandbox for financial technology
2017	Bank Indonesia Regulation No. 20/6/PBI/2018 on E-money	Regulation on the development of e-money business models and enhance the institutional capacity of e-money issuers, including their capital and ownership composition. Sets a maximum 49% foreign ownership cap for non-bank institutions acting as e-money issuers and requires the majority of the Board of Directors for each non-bank institution providing e-money to be domiciled in Indonesia.
2017 / 2019	FSA Regulation No. 12/POJK.01/2017, as amended by FSA Regulation No. 23/POJK.01/2019	Implementation of an Anti-Money Laundering and Terrorism Financing Prevention Programme in the Financial Services Sector: before accepting a customer, a bank must carry out a customer due diligence or enhanced due diligence. This requirement is also applicable if the bank is planning to enter into a transaction (including lending activities) with a value of more than IDR100 million or the equivalent.
2018	Regulation POJK No.13/POJK.02/2018 on Digital Financial Innovation in the Financial Services Sector	Regulation covering all types of fintech based on a principles-based approach aimed at promoting responsibility and digital finance innovation. Covers the adoption of security systems and good governance and promotes compliance with rules related to customer protection, anti-money laundering and combating the finance of terrorism.
2018	Regulation POJK No.12/POJK.03/2018 on the Implementation of Digital Services by Commercial Banks	Regulation on the use of information technology for digital banking.
2018	Regulation POJK No.37/POJK.04/2018 on equity crowd funding	Regulate to support equity crowdfunding.
2018	Regulation POJK No. 13/2018 on digital financial innovation	Regulation of transaction settlements, capital accumulation, investment management, fund collection and distribution, insurance, market support, other digital financial support, and other financial service activities

Year	Policy	Salient Features
2018	FSA Regulation No. 62-POJK.03-2020	FSA sets the required capital of a rural bank as determined by its location
2018	FSA Regulation No. 18/POJK.07/2018	Consumer Complaint Services in the Financial Services Sector (Consumer Regulation) covers complaint retrieval, handling and settlement. Financial services companies, including banks, must publish brief procedures for complaints handling and complaints received to consumers and/or the public in their annual report, website and/or other official media.
2018 / 2019	FSA Regulation No. 32/POJK.03/2018, as amended by FSA Regulation No. 38/POJK.03/2019	Provides Maximum Limit of Credit Extension and Provision of Large Funds for Commercial Banks.
2019	FSA Regulation No. 31/POJK.03/2019 on the Leverage Ratio Requirement for Commercial Banks	Under the Regulation, a commercial bank must maintain a leverage ratio between core capital and total exposure of at least 3% at any time
2020	Law No. 11 of 2020	On Job Creation; revoked Law No. 10 of 1998 (Banking Law).
2021	FSA Regulation No. 12/POJK.3/2021 on Commercial Banks	procedure to apply for a banking license is set out
ES 9: Climate change		
2007	Law 30/2007 Regarding Energy	This comprehensive energy legislation stresses the importance of sustainable development, environmental preservation and energy resilience in national energy management. In terms of supply-side policies, it requires that more attention should be given to new and renewable energy development and that incentives should be developed for energy providers to do so. It includes a target to increase the share of renewables from 4.3% in 2005 to 15% by 2025.
2006	Presidential Regulation 5/2006 concerning National Energy Policy	To direct efforts to the creation of sufficiency of domestic energy supply. It aims to optimise the energy mix in Indonesia; reducing the dependency on fossil fuels and increasing the use of renewables. It set out a comprehensive series of targets
2006	Presidential Instruction 1/2006 on Biofuel Development	The Instruction issues forest utilisation permits for biofuel plants in critical or abandoned forest/land. It further promotes biofuel use, and seeks to replace fossil fuels as an alternative for transportation.
2008	Regulation 46/2008 National Council on Climate Change	The Regulation established the National Council on Climate Change to co-ordinate management of climate change and develops Indonesia's negotiating position in international climate change forums. The Council focuses on: (i) Formulating climate change strategies, (ii) Developing a carbon trading mechanism, (iii) Implementing climate change strategies, and (iv) Co-ordinating adaptation, mitigation, technology and funding.
2008	Presidential Instruction 2/2008 – Regulation on Energy and Water Efficiency	Sets out instructions to Ministers, Governors and Mayors to implement energy and water efficiency in government offices. It optimises national policy on energy and water efficiency through establishment of the National Taskforce for Energy and Water Efficiency
2008	Minister of Forestry Regulation P.68/Menhut-II/2008 on Implementation of Demonstration Activities Reducing Carbon Emissions from Deforestation and Forest Degradation	This regulation sets out the rules that REDD+ demonstration activities should adhere to/. It is therefore fundamental enabling legislation for the development of REDD+ in Indonesia.
2008	Presidential Regulation on the National Council for Climate Change	Establishes the NCCC to co-ordinate climate change policy-making and strengthen Indonesia's position in international forums. The Council is composed of 17 Ministers and chaired by the President. The NCCC is to be assisted by the following Working Units: Adaptation, Mitigation, Transfer-of-Technology, Funding, Post-Kyoto 2012, and Forestry and Land Use Conversion. The adaptation programme focuses on agriculture, disaster risk reduction, data dissemination and establishes an integrated development plan to improve climate-resilience.
2008	Presidential Regulation No 46/2008	Established the National Council of Climate Change to coordinate climate action directly under the authority of the Presidency. Later replaced by the Directorate General of Climate Change that is placed within the Ministry of Environment and Forestry.
2008	Presidential Instruction 2/2008 Regulation on Energy and Water Efficiency	Sets out instructions to Ministers, Governors and Mayors to implement energy and water efficiency in government offices. It optimises national policy on energy and water efficiency through establishment of the National Taskforce for Energy and Water Efficiency.

Year	Policy	Salient Features
2009	Law 32/2009 Environmental Protection and Management	This law formally recognises that decreasing environmental quality is a serious problem for Indonesia, and that climate change presents further systemic threats. It seeks to ensure that development is underpinned with the principle of sustainably and environmentally sound development principles.
2009	Law 31/2009 Concerning Meteorology, Climatology and Geophysics	Sets out the need to develop GHG inventory for climate change policy development.
2009	P. 30/Menhut-II/2009 On the Implementation of REDD+ Activities	Sets out the regulations for the implementation of REDD+ in Indonesia, including previously unresolved questions over which land classes could be used to develop REDD+ activities.
2009	Presidential Regulation 70/2009 Concerning Energy Conservation	Implementing legislation on energy conservation with regard to the Energy Law mandating the drafting and adoption of a new National Energy Conservation Master Plan, the Rencana Induk Konservasi Energi Nasional (RIKEN) to be updated every five years, or annually if required. Current RIKEN includes the target of reducing energy intensity by 1% per year until 2025. It specifies the mandatory assignment of an energy manager, to implement energy auditing, and energy conservation programme for users of final energy of more than 6,000 tonnes of oil equivalent. In addition the regulation introduces voluntary energy efficiency standards and energy labelling. The regulation also seeks to develop and implement a series of incentives for improved energy management. These include tax exemption and fiscal incentives on imports of energy saving equipment and appliances, and special low interest rates on investments in energy conservation. To reduce non-compliance, the regulation seeks to provide disincentives. These include written notices to comply, public announcements of non-compliance, fines and reductions of energy supply.
2010	Ministerial Regulation 15/2010 Re. 10,000 MW Crash Programme	Intended to accelerate the development of geothermal power. The regulation specifies that Indonesia should generate 3,967 MW of geothermal power by the year 2014.
2011	President Regulation 71/2011 on the Implementation of a National Greenhouse Gases Inventory	The regulation is a component of the RAN-GDK GHG emissions reductions plan. The purpose of the bill is to establish a GHG inventory administration guideline and an administration to co-ordinate that inventory. Furthermore the legislation should lead to a system to provide regular information on the level, status and trend of GHG emission change and absorption. This will include national and sub-national carbon stock as well as GHG emission reduction information.
2011	Presidential Instruction 10/2011 on Forest Moratorium (Development of REDD+ schemes including Indicative Moratorium maps)	This instruction is part of Indonesia's commitments under the agreements in the Letter of Intent signed with the Kingdom of Norway in May 2011. The Instruction is intended to facilitate Indonesia's participation in internationally financed REDD+ activities.
2011	Presidential Decree No 61/2011	National Action Plan to reduce GHG emissions (RAN-GRK) targets of 26% by 2020 on an unconditional basis and 41% on a conditional basis, compared to a business-as-usual scenario and with mitigation measures in 5 key sectors: forestry, peatland, waste, energy and transport, agriculture and industry. The Provinces are expected to make their own action plans within one year, and have these formalised within a governor's decree.
2012	Ministerial Regulation 01/2012 Accelerating Development of Geothermal Energy Supply (revised Ministerial Regulation 15/2010)	This is a revision of the Ministerial Regulation 15/2010, which is intended to accelerate the development of Indonesia's Geothermal energy.
2013	Decree 62/2013 Regarding a Managing Agency for the Reduction of Emission (sic) from Deforestation and Degradation of Forest and Peat lands	The Managing Agency will be in charge of developing a national strategy to: (i) develop a national strategy to implement REDD+ in the country, (ii) form and develop REDD+ safeguards, (iii) develop standards and methodologies to measure GHG emissions, and (iv) co-ordinate law enforcement with regards to implementation of REDD+ programmes, projects or activities
2013	Presidential Instruction 6/2013 on Extension of the Forest Moratorium	This extends Presidential Instruction No. 10/2011 on Forest Moratorium (Development of REDD+ schemes including Indicative Moratorium maps).
2014	Law 21/2014 New Geothermal Law	The regulations set out all the requirements and obligations for businesses seeking to establish themselves in this sector, including the coordination with the different levels of

Year	Policy	Salient Features
		government, and the requirements to adhere to environmental quality and conservation legislation.
2015	Presidential Regulation No 16/2015 and No 18/2015	Merged the Ministry of Environment, Ministry of Forestry, National Council on Climate Change and the BPREDD+ into the Ministry of Environment and created the Directorate of Climate Change to deal with climate change and forest and land fires in Indonesia
2016	Indonesian Law No 16/2016	The key law related to Indonesia's NDC has higher authority than Presidential Regulation of Ministerial Regulation.
2016	<u>Government Regulation 57/2016, amending regulation 71/2014 concerning protection and management of peat ecosystems</u>	This Government Regulation, issued under Law 32/2009 on Environmental Protection and Management, makes provision for the protection and management of peatland ecosystems and sets out rules and regulations for monitoring and compliance.
2017	Ministerial Regulation P73/Menlhk/Setjen/Kum/1/12/2017	Provides guidelines for the management and reporting of the national GHG inventory
2017	Ministerial Regulation P72/Menlhk/Setjen/Kum/1/12/2017	Regulations outlining the measuring, reporting and verification of climate mitigation and adaptation measures as well as support.
2017	Ministerial Regulation P71/Menlhk/Setjen/Kum/1/12/2017	Regulations establishing a national registry, in the form of a web platform, to provide information and data on Indonesia's mitigation and adaptation activities.
2017	Ministerial Regulation P679/Menlhk/Setjen/Kum/1/12/2017	Establishes a Steering Committee and Technical Team to monitor the progress on implementing Indonesia's NDC
2020	Presidential Regulation No 18/2020	Outlines the government's development priorities and strategies until 2024 for all sectors.
2021	Law No. 7 of 2021	Harmonisation of Tax Regulations (<i>Harmonisasi Peraturan Perpajakan/HPP</i>) Bill
2021	President Regulation No. 98 of 2021	'Implementation of Carbon Economic Value to Achieve Nationally Determined Contribution Targets and Control over Greenhouse Gas Emissions in Relation to National Development' (Regulation No. 98)

Other Indonesian Laws/Regulations Impinging on SECAP Environmental Standards

Year	Policy	Salient Features
On Environmental and Social Impact Assessment and Management		
2008	Regulation of the Minister of Public Work No. 10/PRT/M/2008	Establishment of Jenis Types of Business Plans and/or Activities that Require Environmental Management and Monitoring Efforts (UKL-UPL) document
2009	Law No. 32 of 2009	MOEF Guidelines on Environmental Protection and Management
2012	Regulation of the Minister of Environment No. 5 of 2012	MOEF Guidelines on Types of Business Plans and/or Activities that Require EIA (AMDAL)
2012	Regulation of the Minister of Environment No. 16 of 2012	MOEF Guidelines for the Preparation of Environmental Documents
2012	Minister of Environment Regulation No. 17/2012	Community Involvement in the AMDAL and Environmental Permit Process
2012	Government Regulation No. 27 of 2012	MOEF Guidelines on Environmental Permits
2016	Government Regulation No. 46 of 2016	MOHA Procedure for Implementation of Strategic Environmental Assessment
2017	Regulation of the Minister of Environment and Forestry No. 69 of 2017	MOEF Implementation of Government Regulation No. 46 of 2016 concerning Procedure for Implementation of Strategic Environmental Assessment
2020	The Environmental Fund Director Regulation, Perdirut BPD LH No. 8/ 2020 on Management of Risks	Risk management framework, which includes assessment of environmental and social safeguards risks and requirements to develop technical manuals
2021	Regulation of the Minister of Environment and Forestry of the Republic of Indonesia Number 4 Year 2021	MOEF Guidelines About List of Businesses and/or Activities that Must Have Analysis of Environmental Impacts, Environmental Management Effort and Environmental Monitoring Effort or Statement of Ability for Environmental Management and Monitoring
2021	Government Regulation of the Republic of Indonesia Number 22 Year 2021	MOEF Guidelines About Implementation of Environmental Protection and Management
On Pest Control		
1973	Government Regulation No. 7 of 1973	MOA Supervision of Circulation, Storage and Use of Pesticides

Year	Policy	Salient Features
1992	Law No. 12 of 1992	MOA Guidelines on Plant Cultivation System
1992	Law No. 23 of 1992	MOH Guidelines on Health and Pesticide Use
1995	Government Regulation No. 6 of 1995	MOA and MOEF Guidelines on Plant Protection
1999	Law No. 8 of 1999	MOC Guidelines on Consumer Protection
2009	Law No. 32 of 2009	MOEF Guidelines on Environmental Protection and Management
2011	Regulation of the Minister of Agriculture No.24/Permentan/ SR.140/4/2011	MOA Guidelines on Terms and Procedures for Pesticide Registration
	Guidance of the Minister of Agriculture	MOA Guidance on Integrated Pest Management
On Human Rights and Social Welfare		
1999	Law No. 39 of 1999	Ministry of Law and Human Rights on Human Rights
2005	Law No. 11 of 2005	MEC on Ratification of the International Covenant on Economic, Social and Cultural Rights (ESRS)
2009	Law No. 11 of 2009	Ministry of Social Welfare Guidance on Social Welfare
On Stakeholder Engagement, Conflict Resolution, and Grievances		
1999	Law No. 41 of 1999	MOEF Guidelines on Community Participation on Forestry Projects
2001	Decree of the Minister of Forestry No. 32/Kpts-II/2001	MOEF Guidelines on Community Participation and Criteria and Standards for Forest Area Gazettement
2004	Presidential Regulation No. 44 of 2004	MOEF Guidelines on Forestry Planning
2008	Presidential Regulation No. 3 of 2008	MOEF on Forest Arrangement and Preparation of Forest Management Plan, and Forest Utilization
2008	Law No. 14 of 2008	Secretary of State on Public Information Disclosure
2009	Law No. 32 of 2009	MOEF on Community Participation on Environmental Protection and Management
2010	Minister of Environment Regulation No. 9/2010	Guidelines for Handling Community Grievances Caused by Environmental Pollution and Degradation
2011	Regulation of the Minister of Forestry No. P.7/Menhut-II/2011	Secretary of State on Public Information Services in the Ministry of Forestry
2011	Law No. 10 of 2004 in conjunction with Law No. 12 of 2011	Secretary of State on the Formulation of Legislation with Community Participation
2012	Law No. 7 of 2012	Ministry of Law and Human Rights Guidelines on Social Conflict Management
2012	Minister of Environment Regulation No. 17/2012	Guidelines for Public Participation in Environmental Impact Assessment and the Environmental Permit Process
2016	Regulation of the Supreme Court No. 1 of 2016	Supreme Court Guidance on Mediation Procedure at Court
2015 / 16	Regulation of the Minister of Environment and Forestry No. P84/MenLHK-Setjen/2015 in conjunction with Regulation of the DG-Social Forestry and Environmental Partnership (PSKL) No. 4/PSKL/ SET/ PSKL.1/4/2016 in conjunction with Regulation of the DG-Social Forestry and Environmental Partnership (PSKL) No. 6/2016	MLHR and MOEF Guidelines on: Management of Tenurial Conflict in Forest Area Guidelines for Mediation of Social and Tenurial Conflict in Forest Area Guidelines for Assessment of Tenurial Conflict in Forest Area
2016	Law No. 8 of 2016	Inclusion of people with disabilities
2017	Presidential Regulation No. 88 of 2017	MLHR and MOEF Guidelines on the Settlement of Land Tenure in Forest Area
2018	Law No. 14/2018	Public Information Transparency, which guarantees the rights of citizens on public policy decisions and fosters public participation in such decision-making.

Indonesia has ratified the following international core instruments on sustainable development, climate change, and human rights.¹²⁰ Although Indonesia does not recognize the concept of indigenous peoples as reflected in the UNDRIP, Indonesia remains a supporter of the Declaration,

¹²⁰ Indonesia's sustainable development, climate change and human rights treaty obligations. 2010. Down To Earth International Campaign for Ecological Justice in Indonesia. web: <http://dte.gn.apc.org>

and continues to be of the view that UNDRIP is instrumental for the promotion and protection of human rights of peoples to whom the Declaration applies to.¹²¹ Indonesia was one of the 144 countries who voted for the UNDRIP on September 13, 2007, during its 61st regular session of the General Assembly. While the UNDRIP is not legally-binding a document, it carries moral force.

The country also ratified all fundamental international labor conventions including: C029 Forced Labor Convention; C087 Freedom of Association and Protection of the Right to Organize Convention; C100 Equal Remuneration Convention; C105 Abolition of Forced Labor Convention; C111 Discrimination (Employment and Occupation) Convention; C138 Minimum Age Convention; C182 Worst Forms of Child Labor Convention, UN CRC, UN CRC Optional Protocol on Armed Conflict, UN CRC Optional Protocol on the Sale of Children, and Child Prostitution and Child Pornography and Palermo Protocol on Trafficking in Persons.

Other international agreements and instruments are listed in the below table:

International instruments observed by Indonesia

International Instrument	Details
Convention on Biological Diversity	<ul style="list-style-type: none"> • Entered into force: 29 Dec 1993 • Ratified by Indonesia: 23 Aug 1994 • Indonesia's Law: Act No. 5 of 1994 on the ratification of the UNCBD 01 Aug 1994
Cartagena Protocol on Biosafety of the UNCBD	<ul style="list-style-type: none"> • Ratified by Indonesia: 03 Mar 2005 • Act No. 21 of 2004 on the ratification of the Cartagena Protocol on Biosafety to the CBD, 16 Aug 2004
RAMSAR Convention on Wetlands	<ul style="list-style-type: none"> • Ratified by Indonesia 08 August 1992 • Presidential Decree No. 48 of 1991 on the Ratification of the RAMSAR Convention 19 Oct 1991
UN Framework Convention on Climate Change	<ul style="list-style-type: none"> • Entered into force: 21 Mar 1994 • Ratified by Indonesia: 23 Aug 1994 • Act No. 6 of 1994 on the ratification of the UNFCCC, 01 August 1994
Kyoto Protocol	<ul style="list-style-type: none"> • Adopted by Indonesia on 11 Dec 1997 • Entered into force: 16 Feb 2005 • Ratified by Indonesia: 03 Dec 2004 • Act No. 17 of 2004 on the ratification of the Kyoto Protocol to the UNFCCC, 28 July 2004
Vienna Convention for the Protection of the Ozone Layer	<ul style="list-style-type: none"> • Entered into force: 22 Sept 1988 • Presidential Decree No. 23 of 1992 on the ratification of the Vienna Convention for the Protection of the Ozone Layer and the Montreal Protocol on Substances that Deplete the Ozone Layer as adjusted and amended by the 2nd Meeting by the Parties, London June 1999 • Ratified by Indonesia: 26 June 1992
Montreal Protocol on Substances that Deplete the Ozone Layer	<ul style="list-style-type: none"> • Entered into force: 01 Jan 1989 • Ratified by Indonesia: 26 June 1992 • Presidential Decree No. 23 of 1992 on the ratification of the Vienna Convention for the Protection of the Ozone Layer and the Montreal Protocol on Substances that Deplete the Ozone Layer as adjusted and amended by the 2nd Meeting by the Parties, London June 1999
<ul style="list-style-type: none"> • Copenhagen Amendment on 10 December 1988 • Montreal and Beijing Amendment on 26 January 2006 	
UNESCO Convention Concerning the Protection of the World Cultural and Natural Heritage (World Heritage Convention)	<ul style="list-style-type: none"> • Adopted 16 Nov 1992 • Ratified by Indonesia: 06 July 1989
Rio Declaration on Environment and Development	June 1992
Declaration on the Right to Development	Adopted by General Assembly Resolution 41/128 of 4 Dec 1986
International Covenant on Civil and Political Rights (2006),	Ratified 23 Feb 2006
Convention on the Elimination of All Forms of Discrimination against Women (CEDAW)	<ul style="list-style-type: none"> • Signed 23 Oct 1985 • Ratified by Indonesia in 13 Sept 1984 • Submitted four periodic reports to the CEDAW Committee setting out its progress in implementing the treaty.
Convention on the Rights of the Child	<ul style="list-style-type: none"> • Signed 26 Jan 1990

¹²¹ Statement by the Delegation of the Republic of Indonesia at the Interactive Discussion with the Special Rapporteur on Indigenous Peoples 48th Session of the United Nations Human Rights Council 27 September 2021.

International Instrument	Details
	<ul style="list-style-type: none"> • Ratified 05 Sep 1990
International Convention on the Elimination of All Forms of Racial Discrimination (1999)	Ratified 25 Jun 1999
International Covenant on Economic, Social and Cultural Rights (2006).	Ratified 23rd Feb 2006
International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families	<ul style="list-style-type: none"> • Signed 26 Jan 1990 • Ratified 05 Sep 1990
Convention on the Rights of Persons with Disabilities	<ul style="list-style-type: none"> • Signed 30 Mar 2007 • Ratified 30 Nov 2011

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Agreement at completion point

CSPE Republic of Indonesia

Agreement at Completion Point

A. Introduction

1. This is the third country strategy and programme evaluation (CSPE) in the Republic of Indonesia conducted by IFAD's Independent Office of Evaluation (IOE). The main objectives of the CSPE were to: (i) assess the results and performance of the IFAD-financed strategy and programme in Indonesia; and (ii) generate findings and recommendations for the future partnership between IFAD and the Government of Indonesia for enhanced development effectiveness and rural transformation. The evaluation particularly takes into account the specific circumstances of lending to a middle-income country (MIC) and the expectations that Government has of such loans.
2. The CSPE covered the period from 2013 to 2021. It assessed the results and performance of IFAD support to Indonesia including: the 2014/2015 Interim Country Strategy, the 2016 Country Strategic Opportunities Programme (COSOP), nine investment projects and a sample of fourteen grants. The CSPE also assessed the performance of the partnership between the Government and IFAD.
3. This agreement at completion point (ACP) contains recommendations based on the evaluation findings and conclusions presented in the CSPE report, as well as proposed follow-up actions as agreed by IFAD and the Government. The ACP is signed by the Government of Indonesia (represented by Assistant of Minister for Macro Economy and International Finance) and IFAD Management (represented by the Associate Vice President of the Programme Management Department). The signed ACP is an integral part of the CSPE report in which the evaluation findings are presented in detail, and will be submitted to the IFAD Executive Board as an annex to the new COSOP for Indonesia. The implementation of the recommendations agreed upon will be tracked through the President's Report on the Implementation Status of Evaluation Recommendations and Management Actions, which is presented to the IFAD Executive Board on an annual basis by the Fund's Management.

B. Recommendations and proposed follow-up actions.

4. **Recommendation 1. Base the new COSOP on a long-term strategic vision that drives cohesive programming that meets Government's evolving needs as a MIC.** Coherence can be achieved with a sharper geographic focus, interlinking projects and purposeful sequencing as well as integration of grants into the programme. Greater attention also needs to be given to external coherence and particularly on how the programme adds value, complements the work of others and avoids duplication. The programme should concentrate on a few key strategic areas fully aligned with the RPJMN 2020-2024 where IFAD's international expertise is critical in order to unify effort. Narrowing the scope will ensure that resources can be better targeted, for example, on Eastern Indonesia and on private sector/value chains, with special emphasis on generating decent sustainable work for poor families and widening the diversity of private sector partners.

Proposed follow up. The Government of Indonesia and IFAD agree that the new COSOP, to be designed in 2022 and submitted to IFAD Executive Board in December 2022, should provide a long-term strategic vision for the joint Indonesia-IFAD work. This vision will be developed during the COSOP consultation

and design process, in order to bring together the Government's, IFAD's and other relevant partners' visions and priorities, within the framework of the National Mid-Term Development Plan (RPJMN) 2020-2024. During the COSOP design, the Government and IFAD will take into account the evaluation recommendations on sharpening the geographic focus, providing higher priority to Eastern Indonesia, strengthening value chains in partnership with private sector actors for the benefit of rural population and smallholder farmers, and promoting sustainable work for poor rural families. Furthermore, partnership with other international development partners and co-financiers will be sought.

Responsible partners: IFAD and the Government of Indonesia

Timeline: December 2022

5. **Recommendation 2. Develop project designs suited to the capacity of implementing agencies, the needs of targeted districts, and project duration.** Projects should be less complex and include components to strengthen the capacities of the implementing agencies and implementing partners if necessary. Explore how project staff can be part of the design through use of retroactive financing or project preparation facilities. Project designs should provide sufficient time and resources to set up the management and the financial systems at start up.

Proposed follow up. IFAD foresees two new projects to be approved in the period 2022-2024 corresponding to IFAD12 cycle, one of them under design and included in the Government pipeline, and the second one on initial discussion stages with line ministries. The Government of Indonesia and IFAD agree to undertake a thorough assessment of the institutional capacities of the implementing agencies for these and future projects, and to incorporate institutional strengthening activities as needed, in response to the findings of the institutional capacities assessment. The Government and IFAD also agree to design more simple projects, bearing in mind, however, that a number of stakeholders are involved in their design and implementation, such as province and district level governments who bring to the discussion their own priorities and expectations.

Responsible partners: IFAD, BAPPENAS and line ministries in their role of project executing agencies.

Timeline: 2022 onwards

6. **Recommendation 3. Strengthen Project Management Units to support a more integrated programmatic approach.** IFAD and Government should engage in dialogue over alternative programme management arrangements including the potential for a single programme management unit. The lead ministry could manage this with full-time personnel who are trained in all aspects of project management and committed for the full project duration. This PMU will need to have the authority and responsibility to co-ordinate with other directorates, ministries and all financing partners.

Proposed follow up. The Government of Indonesia and IFAD agree on the importance of strengthening Project Management Units for greater project effectiveness and impact. However, it does not seem feasible to set-up a single programme management unit to implement all IFAD-supported projects, basically because they are currently implemented by three different ministries (Agriculture, Villages, and Environment and Forestry), that follow different supervision lines

and require diverse technical skills; furthermore, in the future IFAD could partner also with other ministries. In this context, and in line with the evaluation recommendation, the Government and IFAD will start a dialogue on the possibility to set-up project service units that could provide support to all projects within the same Ministry, to perform the financial management, procurement and monitoring and evaluation, and Knowledge Management functions; these units would be staffed with full-time specialists for each area.

Furthermore, following previous discussions on the matter, the Government commits to appoint full-time staff in key managerial and technical positions, such as the Project Manager and component managers for each project and component.

Responsible partners: IFAD, BAPPENAS and relevant line ministries

Timeline: 2022 onwards

7. **Recommendation 4. Prioritise knowledge management through a country programme wide strategy, which engages partners, promotes policy dialogue and stimulates regionally and internationally recognized technical capacity.** Design knowledge management for better transfer of lessons learned between projects and develop timely knowledge products that are useful and appropriate for different audiences, including for sharing internationally. Fully integrate knowledge generation and management into programme implementation with an adequately budgeted KM system so that all implementation staff including at the local level assume ownership and responsibility for this key intent. Knowledge sharing also should be facilitated among development partners and government by supporting the creation of an inter-sectoral policy forum related to the food system approach, building on the RBA collaboration and strategy, which can contribute to sustainability and scaling up.

Proposed follow up. The Government and IFAD agree that high priority should be given to knowledge management, and also agree to jointly develop and implement a knowledge management strategy that should be embedded into IFAD-supported projects and count with specific budget from each of them. This strategy would aim at systematizing the learnings from project implementation, generating knowledge products based on these learnings, disseminating them and informing policy discussions. It will be discussed with other development partners, mainly with those co-financing IFAD-supported projects, the possibility to involve them in this strategy. In alignment with recommendation 3, a full time Knowledge Management officer for IFAD-supported projects will be appointed within the service unit in ministries with more than one project, and within the Project Management Unit of each project in the case of ministries implementing only one project.

Responsible partners: IFAD and the Government of Indonesia

Timeline: 2022 onwards

8. **Recommendation 5. Develop a practical M&E system that promotes innovation and enables effective management.** Priority must be given to developing simple, relevant, focused M&E tools for farmers to use themselves that can be aggregated for project purposes. More emphasis should be placed on metrics that encourage innovative practice and less emphasis on targets and outreach. Based on these metrics, develop a more effective means of demonstrating achievements of innovations for scaling-up that includes both

qualitative and quantitative methods. Consider splitting MIS from M&E of innovation, which are staffed and managed separately.

Proposed follow up. The Government and IFAD agree on the necessity to strengthen the project Monitoring & Evaluation systems, in order to support the Government on its accountability duties, generate evidence of projects' impact, serve as project management tools and improve the projects reporting capacity to the Government and to IFAD. IFAD and the executing agencies of ongoing and future projects will prioritize this area in order to strengthen the existing M&E systems and to make them more effective, agile and focused on few key indicators. Furthermore, as discussed under recommendation 3 above on "Strengthen Project Management Units", it will be explored the possibility to set-up service units that could provide M&E services to all projects within the same ministry.

Responsible partners: IFAD and line ministries

Timeline: 2022 onwards

Signatures:

For the Government of Indonesia:



Wempi Saputra
Assistant of Minister for Macro Economy
and International Finance
Ministry of Finance

For IFAD:



Donal Brown
Associate Vice President
Programme Management Department

COSOP preparation process

CSPE. A Country Strategy and Programme Evaluation (CSPE) was conducted in 2021 and finalized in 2022 by IFAD's Independent Office of Evaluation. The main objectives of the CSPE were to assess the results and performance of the IFAD-financed strategy and program in Indonesia; and generate findings and recommendations for the future partnership between IFAD and the Government of Indonesia for enhanced development effectiveness and rural transformation. The CSPE assessed the results and performance of country strategies, lending portfolio and non-lending activities conducted since 2013. The signed Agreement at Completion Point is presented in Appendix V.

COSOP Completion Review. The COSOP Completion Review (attached) was an opportunity to assess the COSOP 2016-2022 achievements, identify challenges, draw lessons learnt and provide recommendations. A Social, Environmental and Climate Assessment Procedure Assessment (SECAP) was also prepared in 2022 and is presented in Appendix IV.

COSOP preparation. The design process of the new COSOP was launched in June 2022 with a meeting of the Country Delivery Team (CDT). The meeting also included the participation of a senior international consultant who took the lead in preparing the COSOP first draft under the guidance of the CDT and the Indonesia Country Team, and of a group of national and international consultants regularly contributing to IFAD program development and supervision. This first CDT meeting identified broad priorities and provided orientations for the consultation of in-country stakeholders.

Between June 27 and July 8, 2022, a number of bilateral in-depth consultation meetings took place with key government counterparts and other partners in Jakarta, including development partners and project teams to identify lessons, discuss priorities and explore collaboration opportunities. The following table presents the list of stakeholders consulted during these bilateral consultation meetings.

Government of Indonesia <ul style="list-style-type: none"> • Ministry of National Development Planning • Ministry of Finance • Ministry of Agriculture • Ministry of Environment and Forestry • Ministry of Village, Development of Disadvantaged Regions and Transmigration • Ministry of Home Affairs • Ministry of Cooperatives and SMEs • TNP2K (National Poverty Reduction Team) 	International Financial Institutions <ul style="list-style-type: none"> • Asian Development Bank • Islamic Development Bank
	United Nations <ul style="list-style-type: none"> • UN Resident Coordinator • Food and Agricultural Organization • World Food Programme
	International development organizations <ul style="list-style-type: none"> • Embassy of the Netherlands in Indonesia, international cooperation desk • Embassy of the United Kingdom in Indonesia international cooperation desk • GiZ • SNV Netherlands Development Organization

The CDT was again convened on July 14 2022 to discuss key elements emerging from the consultation meetings mentioned above, and from discussions within the ICO and with IFAD consultants. In this meeting the CDT provided more specific orientations for drafting the COSOP.

After finalizing the first draft COSOP, a new round of consultations took place between 15 and 23 August, consisting on three workshops where the ICO presented the draft COSOP to and it was discussed with:

- a. Government counterparts at national, province and district level. This workshop was co-chaired by the of Assistant Minister for Macroeconomy and International Finance of the Ministry of Finance, who is the IFAD Governor, the Deputy Minister for Development Funding Affairs of the Ministry of Planning/BAPPENAS, and IFAD Country Director. This event counted with the participation of 250 persons, of which 60 in person and 190 connected remotely. The event counted with the participation of the ministries of Finance, Planning, Agriculture, Environment and Forestry, Villages, and Home Affairs, and several province and district governments.
- b. International development organizations, where participated representatives of 16 international organizations and governments, namely Asian Development Bank, Islamic Development Bank, World Bank, British Embassy, GIZ, Danish Office of Cooperation, USAID, AFD, Norwegian Embassy, Korean Eximbank, ASEAN Secretariat, WFP, UNDP, UN-Women, UNODC and Office of the UN Resident Coordinator.
- c. Farmers' organizations, NGOs and private sector, with participation of nine entities.

The result of this process is the COSOP submitted here, which fairly reflects the most relevant elements raised by the institutions and organizations participating in the consultation process mentioned above.

Strategic partnerships

<i>Partnering objectives</i>	<i>Partners/networks/platforms</i>	<i>Partnership results and outcomes</i>	<i>Justification for partnership</i>	<i>Monitoring and reporting (to be completed for CRR and CCR)</i>
Engaging in policy and influencing development agendas	Asian Development Bank and Islamic Development Bank	MoA expands from exclusive focus on production to also supporting market linkages and business development support	ADB and IsDB provide leverage to promote market-oriented approaches through the projects that co-finance along with IFAD	
	Rome-based agencies	Government, RBAs and other partners adopt a Sustainable Food Systems approach to improve the operation of the food systems in the country	2021-2025 RBA Strategic Joint Plan	
	Youth associations at national and local level	Youth needs and aspirations are reflected in policy framework	Part of YESS activities on policy engagement	
Leveraging co-financing	Asian Development Bank	IPDMIP: USD 600 million HDDAP (pipeline): USD 85 million	Complementary financing focusing on infrastructure, while IFAD centers on empowering target groups and building capacities	
	Islamic Development Bank	Uplands: USD 70 million		
Enabling coordinated country-led processes	RBA	Collaborative initiative on transforming food systems	2021-2025 RBA Strategic Joint Plan	
Developing and brokering knowledge and innovation	OJK	Target groups in MoA-implemented projects and TEKAD have access to financial services	OJK is national agency responsible for promoting financial inclusion	
	UN Women (under exploration)	Projects improve capacity to support women empowerment	Women empowerment was identified by the CSPE as a nector needing improvement	
	UNDP (under exploration)	TA to IARD for linking village to district planning	UNDP has piloted methodology with potential for scaling up	
	Netherlands/UK (under exploration)	Projects improve capacity to promote market linkages and business partnerships	Like-minded development partners with recognized experience in those	
Strengthening private sector engagement	Netherlands/UK (under exploration)			

<i>Partnering objectives</i>	<i>Partners/networks/platforms</i>	<i>Partnership results and outcomes</i>	<i>Justification for partnership</i>	<i>Monitoring and reporting (to be completed for CRR and CCR)</i>
		Projects improve capacity to promote market linkages and business partnerships	areas that can be scaled up Like-minded development partners with recognized experience in those areas	
Enhancing visibility	Bappenas	Joint organizations of knowledge sharing and policy events	As per 2018 Letter of Intent signed with Bappenas, contingent on available staffing at ICO	

South-South and Triangular Cooperation (SSTC) strategy

A. Introduction

Indonesia has shared its knowledge and experience with developing countries since the 1950s. The Indonesian Technical Cooperation Program (ITCP) was established in 1981. It has promoted SSTC activities with more than 90 countries and more than 4,000 participants from Asia, the Pacific, Africa and Latin America, financed from the national budget or by multipartite arrangements. In 2010, the Indonesian Government created the National Coordination Team for South-South and Triangular Cooperation, which is responsible for supporting, coordinating, monitoring and evaluating SSTC programs.

IFAD sees SSTC as an integral part of its business model and of its country programming process. The IFAD's Strategic Framework 2016-2025 therefore assigns a new, stronger importance to SSTC, and plans to expand its SSTC activities in terms of both knowledge-based cooperation and investment promotion.

B. Opportunities for rural development investment promotion and technical exchanges

Transboundary haze pollution. The reduction of transboundary haze pollution and its impacts in Southeast Asia offers the first, concrete opportunity to develop SSTC in the IFAD program in Indonesia. Every year, land clearance using fire by smallholder farmers, and medium and large-scale plantations in Southeast Asia creates a thick blanket of haze covering up to 3-5 million km² of the region. This phenomenon has been increasing in intensity over the last ten years, resulting in dramatic socio-economic and environmental costs in the region.

Building on the IFAD-Global Environment Facility (GEF) supported ASEAN Peatland Forests Project (APFP 2009-2014), IFAD designed a regional grant to strengthen existing coordination mechanisms of the Association of Southeast Asian Nations (ASEAN) for a more harmonised response to transboundary haze pollution and for promoting sustainable forest management and peatland conservation. The Measurable Action for Haze Free Sustainable Land Management in Southeast Asia (MAHFSA) project (2019-2024), which is implemented by the ASEAN, in partnership with the Center for International Forestry Research (CIFOR) and the Global Environment Centre (GEC). MAHFSA is the first project that actively supports SSTC among ASEAN countries to address transboundary haze pollution. MAHFSA will systematize data and information management and operationalise a flexible regional coordination platform for building capacity, harmonising programmes and projects, coordinating activities of stakeholders engaged in combating haze, and channelling multiple sources of finance to address the haze challenge. The regional coordination platform will also promote the dissemination of best practice, improve fire and haze prevention and support evidence-based policy dialogue, drawing on data collected through a harmonised data management system that extends from local to regional.

Furthermore, MAHFSA offers an opportunity to develop SSTC activities building on the achievements of GEF/IFAD co-financed projects promoting the conservation of peatland ecosystems in Indonesia, which are executed by the Ministry of Environment and Forestry (MoEF). The ongoing Integrated Management of Peatland Landscapes in Indonesia Project (IMPLI) sits on MAHFSA Project Steering Committee and the same is expected from the Strengthened Systems for Community-based Conservation of Forests and Peatland Landscapes in Indonesia (CoPLI) now being design.

Value adding and marketing. Furthermore, Uplands is expected to benefit from the IsDB's Reverse Linkage initiative. Reverse Linkage is a South-South and Triangular Cooperation mechanism whereby IsDB member countries serve among themselves as the primary and forefront agents in the provision of expertise, knowledge, technology and

solutions. Through this mechanism, the member countries address specific development constraints in a mutually beneficial, results-oriented and program-based arrangement. To facilitate this exchange, the IsDB provides a grant, which forms part of Uplands budget, while the provider and recipient countries are required to contribute to the activity budget both, in cash and in kind.

Uplands executing agency (Ministry of Agriculture) will be linked with a Centre of Excellence in another of the common member countries of IFAD and IsDB (e.g. Malaysia), so that technical expertise or technology transfer can be supported for the benefit of the project. It is anticipated that the CoE would augment the efforts to improve the post-harvest and downstream value-addition activities, or contribute to improving the marketing and trading linkages of some of the project commodities.

Youth inclusion. There is also good potential for promoting technical exchanges in the field of youth inclusion, building on successful innovations and achievements promoted by YESS with regard to linking education and training to jobs in the agriculture sector, apprenticeship, youth entrepreneurship and access to services, and youth mobilization through digital tools. The project has a strong knowledge management component that could pave the way for SSTC exchanges.

SSTC engagement rationale

In 2018, IFAD signed a Letter of Intent (LoI) with Bappenas that laid the ground for further cooperation in supporting GoI's national development planning agenda and priorities concerning knowledge management, policy engagement and SSTC. The parties declared their intent to generate, disseminate and use knowledge, engage in policy dialogues and promote SSTC for sustainable and inclusive rural transformation.

Partnerships and initiatives

MAHFSA. The online ASEAN Haze Portal has recently been inaugurated as a collaborative platform for regional multi-stakeholder engagement, knowledge and information sharing on peatland and haze. The project is now working out a program for sharing priority knowledge products building on Indonesia's extensive experience. This includes a pilot for Cambodia and Laos to adapt Indonesia's information system for monitoring peatlands and fire prevention (SIPEG). Lessons learnt from the pilot will support the design of a broader SSTC program, building on a multi-stakeholder forum that will identify priority areas. IMPLI and CoPLI are expected to contribute to the development of SSTC activities, under the guidance of MAHFSA.

Youth inclusion. The development of SSTC activities building on YESS achievement would have to rely on a partnership between MoA/YESS, the National Coordination Team for South-South and Triangular Cooperation and Bappenas, building on available knowledge products.

Conclusion

MAHFSA program of work already includes a stepwise process for promoting SSTC. IFAD will further ensure that IMPLI and CoPLI are engaged in this process, and will systematically review progress and provide further guidance during MAHFSA, IMPLI and CoPLI implementation support missions.

With regard to YESS, the first step will be the production of knowledge products, followed by an exploration of interest with the National Coordination Team for South-South and Triangular Cooperation and Bappenas. The forthcoming YESS exploration will provide orientations in this respect.

Country at a glance

Country Portfolio Summary

Region	Asia & the Pacific	Member of Country Groups :	
Country	Indonesia	Least Developed country	No
Current Financing Terms	Ordinary	Low-income, food deficit	No
Ranking all Countries	3	HIPC DI Eligible	No
Ranking within region	3		

Country Indicator	Value
Agriculture, value added (% of GDP)	13.14
GNI per capita, Atlas method (current US\$)	3 540.00
Human development index (HDI) value	0.69
Population, total	263 991 379.00
Rural population	119 696 331.00

Key Dates

Last RB-COSOP Approved AVP/PMD	05 Jul 2016
First Project Approved	06 May 1980
Last Project Approved	11 Dec 2019

IFAD Interventions

	<u>IFAD Approved</u> <u>USD ('000)</u>
Financial Closure	409 854
Available for Disbursement	282 544

Total IFAD commitment	692,398
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IFAD Interventions Summary

Project Number	Financing Instrument ID	Currency	Approved Amount	Disbursed	Loan/Grant Status	Project Status	Board Approval	Cooperating Institution
1100000035	1000002231	XDR	20 800 000	99	Fully Repaid	Closed	06 May 1980	WB
1100000074	1000002627	XDR	30 050 000	79	Closed	Closed	08 Sep 1981	ADB
1100000094	1000002649	XDR	21 800 000	100	Fully Repaid	Closed	31 Mar 1982	WB
1100000171	1000002033	XDR	11 600 000	81	Fully Repaid	Closed	05 Sep 1985	WB

Project Number	Financing Instrument ID	Currency	Approved Amount	Disbursed	Loan/Grant Status	Project Status	Board Approval	Cooperating Institution
1100000215	1000002082	XDR	10 600 000	94	Fully Repaid	Closed	03 Dec 1987	UNOPS
1100000255	1000002126	XDR	15 400 000	79	Fully Repaid	Closed	19 Apr 1990	ADB
1100000301	1000002178	XDR	14 450 000	31	Fully Repaid	Closed	14 Apr 1992	ADB
1100000350	1000002232	XDR	18 450 000	59	Fully Repaid	Closed	19 Apr 1994	UNOPS
1100000485	1000002282	XDR	12 050 000	45	Closed	Closed	06 Dec 1995	UNOPS
1100001024	1000002351	XDR	18 250 000	17	Fully Repaid	Closed	04 Dec 1997	ADB
1100001112	1000002441	XDR	17 500 000	100	Closed	Closed	04 May 2000	IFAD
1100001258	1000000492	XDR	340 000	57	Closed	Closed	02 Dec 2004	IFAD
1100001258	1000002559	XDR	22 650 000	60	Closed	Closed	02 Dec 2004	IFAD
1100001341	1000003179	XDR	246 800	85	Closed	Closed	11 Sep 2008	IFAD
1100001341	1000003176	XDR	42 033 300	99	Closed	Closed	11 Sep 2008	IFAD
1100001509	1000004015	XDR	675 000	93	Closed	Closed	11 May 2011	IFAD
1100001509	1000004014	XDR	30 300 000	96	Closed	Closed	11 May 2011	IFAD
1100001621	1000004349	XDR	15 870 000	74	Closed	Closed	21 Sep 2012	IFAD
1100001621	1000004352	XDR	1 186 000	83	Closed	Closed	21 Sep 2012	IFAD
1100001706	2000001446	EUR	1 410 000	97	Disbursable	Disbursable	17 Dec 2015	IFAD
1100001706	2000001445	EUR	93 150 000	31	Disbursable	Disbursable	17 Dec 2015	IFAD
2000001181	2000001959	USD	1 000 000	99	Disbursable	Disbursable	14 Sep 2017	IFAD
2000001181	2000001960	USD	39 885 000	51	Disbursable	Disbursable	14 Sep 2017	IFAD
2000001202	2000002604	USD	55 300 000	37	Disbursable	Disbursable	14 Dec 2018	IFAD
2000001202	2000002603	USD	2 000 000	35	Disbursable	Disbursable	14 Dec 2018	IFAD
2000002234	2000003230	EUR	44 850 000	13	Disbursable	Disbursable	11 Dec 2019	IFAD
2000002562	2000003164	EUR	1 360 000	19	Disbursable	Disbursable	30 Oct 2019	IFAD
2000002562	2000003165	EUR	29 800 000	27	Disbursable	Disbursable	30 Oct 2019	IFAD

Projects in Pipeline
Current Phase**IFAD Proposed Financing**
USD ('000)

Concept Approved

40 000

Pending

40 000

Total
80,000

Financial management issues summary

Country	Indonesia	
IFAD Portfolio	8 projects (1 project is closing in next 9 months)	
Date of this note	27 July 2022	
Lending Terms	PBAS cycle: IFAD 12 Ordinary terms PBAS available allocation: USD 58.2 million BRAM resources allocation (indicative): USD 60.0 million The country is currently classified as an LMIC. Should GNI increase for IFAD13, the country may no longer be eligible for PBAS.	
Risk Assessment Profile	Overall Portfolio Risk	Medium
	Comments	Low utilization is related with on-granting mechanisms and modest staff capacity in the implementing agencies and provincial level responsible for budget preparation and verification of the documentation.

A. Inherent Risks (TI, PEFA relevant extracts)

TI. The 2021 CPI score for Indonesia ranked it 96th out of 180 countries as compared to the 2020 score where it was 102nd over 180. The 2021 CPI score is 38, an increase of 1 point from the 37 points in 2020.

The RSP rating increased to 4.10 compared to 4 in 2020.

PEFA 2017: Indonesia established a strong legal and regulatory framework aligned with most international standards on PFM, however effectiveness of the PFM systems in place and the monitoring of performance could still be strengthened. The average PEFA performance scores were slightly below B, broadly consistent with good international practices. PFM in Indonesia has important strengths, associated with the development of instruments that have allowed prudent fiscal management and control of budget execution. The roll-out of the financial management information system (FMIS), with the implementation of strict cash consolidation management rules, a well-defined treasury management system at the central government level, consistency between the accounting and budgetary classifications, and the convergence of national accounting with international accounting standards for the public sector, created a solid platform for automation/ integration of PFM processes for the improved quality of financial reporting and oversight. There were still some weaknesses related to the strategic allocation of resources, the accountability of budget implementation and the efficient delivery of public services and reform efforts that were being made but not yet realised at the time of the assessment. Indonesia's PFM is well structured, supported by strong and reliable systems with required functions in place: internal controls, accounting and reporting procedures, internal and external audit system, centralization of cash balances and a sound reporting system with strengthened accountability and transparency.¹²² The World Bank has supported Indonesia's public financial management reform through Multi-Donor Trust Fund, or PFM MDTF, financed by the Government of Canada, the Government of Switzerland, and the European Union.

IMF: As per the IMF 2022 Article IV Consultation with Indonesia, GDP growth is projected at 5.4 percent for 2022 and 6.0 percent in 2023 and commended the authorities for maintaining macro-economic and financial stability, despite the severe impact of the COVID-19 pandemic.

¹²² <https://pefa.org/sites/default/files/ID-May18-PFM-PR-Public%20with%20PEFA%20Check.pdf>

B. FM Risks & Performance

Project 123	Financing instrument	FLX Status (2)	Lending Terms	Curr ency	Amount (million)	%Disb ursed	Completi on date
IPDMIP	200000144500	DSBL	ORDINARY TERMS EUR	EUR	93.15	30.9	30/03/2023
IPDMIP	200000144600	DSBL	LOAN COMPONENT GRANTS	EUR	1.41	97.02	30/03/2023
Indonesia a SMPEI GEF5	200000095600	DSBL	ECD GRANTS	USD	4.77	93.05	31/12/2022
IMPLI GEF6	200000095700	DSBL	ECD GRANTS	USD	4.9	15.32	29/09/2025
READSI	200000195900	DSBL	LOAN COMPONENT GRANTS	USD	1,0	99.43	30/03/2023
READSI	200000196000	DSBL	ORDINARY TERMS USD	USD	39.89	50.78	30/03/2023
YESS	200000260300	DSBL	LOAN COMPONENT GRANTS	USD	2,0	35	29/06/2025
YESS	200000260400	DSBL	ORDINARY TERMS USD	USD	55.3	37.07	29/06/2025
UPLAND s Project	200000323000	DSBL	ORDINARY VARIABLE SPREAD	EUR	44.85	13.03	31/12/2024
TEKAD	200000316400	DSBL	LOAN COMPONENT GRANTS	EUR	1.36	19.26	31/12/2025
TEKAD	200000316500	DSBL	ORDINARY VARIABLE SPREAD	EUR	29.8	27.35	31/12/2025
RESOLV E	200000321900	DSBL	SUPPLEMENTA RY FUNDS GRANTS	USD	0.24	93.06	23/02/2023

Project	Project FM risk rating	Performance Score: Quality of Financial Management	Performance Score: Quality & Timeliness of Audit	Performance Score: Disbursement Rate	Performance Score: Counterpart funds
IPDMIP	High	Moderately Unsatisfactory	Mod. satisfactory	Unsatisfactory	Moderately Unsatisfactory
Indonesia SMPEI GEF5	Substantial	Moderately Unsatisfactory	Mod. satisfactory	Moderately Unsatisfactory	Moderately Satisfactory
IMPLI GEF6	Moderate	Not Specified	Not Specified	Not Specified	Not Specified
READSI	Substantial	Moderately Satisfactory	Mod. satisfactory	Moderately Unsatisfactory	Moderately Unsatisfactory
YESS	Moderate	Moderately Satisfactory	Mod. satisfactory	Unsatisfactory	Moderately Unsatisfactory

¹²³ HDDAP concept note was approved in May 2022, IFAD BRAM financing is USD 40,0 million and ADB will lead the project with loan of USD 85,0 million, the total project financing is USD 147,0 million. There is also another project (CoPLI) in the pipeline.

UPLANDs Project	Moderate	Moderately Satisfactory	Mod. satisfactory	Unsatisfactory	Moderately Unsatisfactory
TEKAD	Substantial	Moderately Unsatisfactory	Mod. satisfactory	Moderately Unsatisfactory	Unsatisfactory
RESOLVE	Substantial	Not Specified	Mod. unsatisfactory	Not Specified	Not Specified

C. Audit Reports

Timeliness and quality of audit by the SAI (BPK) and Supervision Finance Agency (BPKP) is more or less satisfactory for almost all Indonesia projects (READSI and YESS provided their reports on time on 30 Jun 2022). Other projects (TEKAD, UPLANDs, SMPEI and RESOLVE) requested extension by 30 July 2022).

Most ineligible expenditures were captured by BPK and BPKP during their annual audit reviews mainly relating to financing of overpayment, tax, not sufficient documentation or mismanagement. For most of these, refunds have been made to the State Treasury by third parties, however follow-up by the projects' PMUs for subsequent refund of these to their Project DAs was delayed either in view of staff capacity or absences due to Covid.

D. Supervision Missions

Overall for the lower disbursement ratings, project implementation levels at province and district levels suffered from the budget re-focus to Covid 19 related sectors, that led to slow progress under on-granting mechanisms due to local government budget availability reductions. In the case of TEKAD, restructuring of the Directorate General of MOV and change of personnel at provincial Satker hindered the budgeting and implementation process, whereas for two projects implementation was affected due to delays in procurement of key activities, on top of lower budget allocation or late budget revisions that negatively affected the project's implementation pace. As a result of the latest supervision mission, TEKAD becomes a factual problem project and upcoming MTR mission in September 2022 may give clearer picture of what kind of restricting would be required for this project.

Recent MTR mission for READSI resulted in recommendation of project extension by 2 years with some activities reallocation.

YESS, IPDMIP, UPLANDS and SMPEI supervision missions are to be conducted in Autumn 2022.

E.

In view of lessons learnt on the ongoing country portfolio, further mitigation measures related to delayed implementation causes may need to be focused on for procurement aspects and budget availability at local government level. In particular, it is important to carefully select implementing agencies that have sufficient capacity to implement projects (Ministry of Village implementing TEKAD project is an illustration of an ill prepared institution for such a task), another point is use of the on-granting mechanism that should be accompanied with more awareness throughout the provincial governments as well as capacity building support them in local budget priorities formulation that can be aligned with project financing.

To date, the portfolio is characterized by low implementation progress caused often by lack of counterpart funds, changes in project staff and long delays in refund of ineligibles, albeit relatively small. Mitigation factors should be built in for new projects to avoid these issues in the future.

It would be relevant to mention the income status of the country as this may have an impact on future lending terms eligibility.