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Investing in rural people

Republic of Indonesia

Youth Entrepreneurship and Employment
Support Services Programme

Negotiated financing agreement

Executive Board — 125th Session
Rome, 12-14 December 2018

For: Information

Negotiated financing agreement: "Youth Entrepreneurship and Employment Support Services Programme"

(Negotiations concluded on 4 December 2018)

Loan No: _____

Grant No: _____

Youth Entrepreneurship and Employment Support Services Programme (the
"Programme" or "YESS")

Republic of Indonesia (the "Borrower/Recipient")

and

The International Fund for Agricultural Development ("IFAD")

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

hereby agree as follows:

Section A

1. The following documents collectively form this Agreement: this document, the Programme Description and Implementation Arrangements (Schedule 1), the Allocation Table (Schedule 2) and the General Conditions.
2. The IFAD General Conditions for Agricultural Development Financing dated 29 April 2009, amended as of April 2014, and as may be amended hereafter from time to time (the "General Conditions") are annexed to this Agreement, and all provisions thereof shall apply to this Agreement. For the purposes of this Agreement the terms defined in the General Conditions shall have the meanings set forth therein.
3. IFAD shall provide a Loan and a Grant to the Borrower/Recipient (the "Financing"), which the Borrower/Recipient shall use to implement the Programme in accordance with the terms and conditions of this Agreement.

Section B

1.
 - A. The amount of the Loan is Fifty Five Million Three Hundred Thousand United States Dollars (USD 55 300 000).
 - B. The amount of the Grant is Two Million United States Dollars (USD 2 000 000).
2. The Loan is granted on ordinary terms and shall have a rate of interest per annum equivalent to one hundred per cent (100 per cent) of the variable reference interest rate, as determined annually by the Executive Board, and a maturity period of eighteen (18) years, including a grace period of six (6) years.
3. The Loan Service Payment Currency shall be the United States Dollars (USD).

4. The first day of the applicable Fiscal Year shall be 1 January.
5. Payments of principal and interest shall be payable on each 1st of March and 1st of September.
6. There shall be two separate Designated Accounts denominated in USD, one for the Loan and the other for the Grant, opened and maintained by the Ministry of Finance (MoF) at the Bank of Indonesia (BI).
7. The Borrower/Recipient shall provide counterpart financing for the Programme in the approximate amount of Twelve Million Ninety Thousand United States Dollars (USD 12 090 000), for the Programme in the form of taxes on Programme expenditure, staffing and other in kind contribution.

Section C

1. The Lead Programme Agency shall be the Ministry of Agriculture (MoA) through the Agency of Agricultural Extension and Human Resource Development (AAEHRD).
2. Along with the MoA, the bodies and entities described in Part II, paragraphs 8-14 of Schedule 1 are designated as additional Programme Parties.
3. A Mid-Term Review will be conducted at the end of the third year of Programme implementation and as specified in Section 8.03 (b) and (c) of the General Conditions; however, the Parties may agree on a different date for the Mid-Term Review of the implementation of the Programme.
4. The Programme Completion Date shall be the sixth (6th) anniversary of the date of entry into force of this Agreement and the Financing Closing Date will be established as specified in the General Conditions.

Section D

The Financing will be administered and the Programme supervised by IFAD.

Section E

1. The following is designated as an additional ground for suspension of the right of the Borrower/Recipient to request withdrawals from the Loan and Grant:
 - (a) Any transfer of key staff in the NPMU that has not been communicated to IFAD; and
 - (b) The Programme Implementation Manual (PIM) or any provision thereof, has been waived, suspended, terminated, amended or modified without the prior agreement of IFAD, and IFAD, after consultation with the Borrower/Recipient, has determined that such waiver, suspension, termination, amendment or modification has had, or is likely to have, a material adverse effect on the Programme, and the Borrower/Recipient has not taken any measures to remedy the situation.
2. The following are designated as additional general conditions precedent to withdrawal from loan and grant:
 - (a) The NPMU , as defined in part II, paragraphs 9-11 of Schedule 1, shall have been created and key staff in the NPMU shall have been nominated to the satisfaction of IFAD;

- (b) The Designated Accounts shall have been duly opened and the names of the authorized signatories shall have been submitted to IFAD;
- (c) The IFAD no objection to the PIM shall have been obtained.

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

For the Borrower/Recipient:

Attn: Director General of Budget
Financing and Risk Management

Ministry of Finance
Frans Seda Building, 2nd Floor
Jalan Dr. Wahidin Raya No.1
Jakarta 10710, Indonesia

For Correspondence:

Attn: Director of Loans and Grants

Frans Seda Building, 6th Floor
Jalan Dr. Wahidin Raya No.1
Jakarta 10710, Indonesia
Tel: (62-21) 3458289, 3865330
Fax: (62-21) 3812859

For Disbursements and Payments:

Attn: Director of Evaluation,
Accounting and Settlements

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

For IFAD:

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

This Agreement, dated _____, has been prepared in the English language in two (2) original copies, one (1) for IFAD and one (1) for the Borrower/Recipient.

REPUBLIC OF INDONESIA

Luky Alfirman
Director General of Budget
Financing and Risk Management

INTERNATIONAL FUND FOR
AGRICULTURAL DEVELOPMENT

Gilbert F. Houngbo
President

Schedule 1

Programme Description and Implementation Arrangements

I. Programme Description

1. **Target Population.** The Programme shall benefit a total of approximately 220,000 direct beneficiaries. The main target group will include young rural people, including poor and vulnerable youth below the National Poverty Line as well as young people that remain vulnerable to poverty and are living on less than USD 3.1 a day. A further target group will include emerging youth, i.e. youth above the poverty line who are able to act as lead farmers and role models, but who remain vulnerable and at risk of poverty. The target group will include a broadly equal representation of women and will be inclusive of indigenous, disabled and remotely located young people.

2. **Programme Area.** The Programme intervention will focus most of its activities on four target provinces: West Java, East Java, South Kalimantan and South Sulawesi. A small set of activities, particularly related to policy and knowledge management work, will benefit rural youth nationally.

3. **Goal.** The goal of the Programme is that young men and women contribute to rural transformation and inclusive rural growth.

4. **Objectives.** The Programme development objective is that rural young men and women are engaged in the agri-based sector through employment and entrepreneurship.

5. **Components.** The Programme's interventions are clustered around four Components as follows:

Component 1: Rural youth transition to work. The expected outcome is that young people acquire work readiness skills that enable them to take advantage of employment and business opportunities, by: (i) assisting institutions of Technical and Vocational Education and Training (TVET) for agriculture to better prepare students and trainees to enter the labour market or to develop a business in the rural sector;¹ and (ii) complementing TVET institutions by developing certified apprenticeship programmes in the agriculture-based sector, targeting young people coming out of the education system.

As defined in the PIM, the component consists of two subcomponents which are: (i) Linking education and training to jobs, and (ii) Apprenticeship.

Component 2: Rural youth entrepreneurship. The expected outcome is that young small farmers, rural entrepreneurs and Small and Medium Enterprises (SMEs) access markets and services in the target value chains and subsectors, through facilitation of access by rural youth to business development and intermediation services suited to their specific needs, by partnering with district-based Business Development Service Providers (BDSP).

As defined in the PIM, the component consists of two subcomponents which are: (i) Capacity-building for BDS providers, and (ii) Services to young farmers and entrepreneurs.

¹ "Rural sector/economy" and/or "agriculture-based sector" are intended to cover the range of activities described in Section I.B, i.e. crop and livestock production, agribusiness, the environmental sector and rural services, and activities that can make rural life more appealing to young people.

Component 3: Investing for rural youth. The expected outcome is that young small farmers, rural entrepreneurs, and migrants and their families have access to sustainable and adequate financial products and services to finance their businesses by: providing financial education to the target group; extending capacity-building to financial institutions; and facilitating access to sustainable financial products for young farmers and entrepreneurs willing to start a business with no past experience.

As defined in the PIM, the component consists of two subcomponents which are: (i) Capacity-building for financial inclusion, and (ii) Access to Finance.

Component 4: Enabling environment for rural youth. The expected outcome is that an enabling policy and institutional/media environment facilitate youth engagement in the rural sector by: (i) bringing together relevant stakeholders in the target provinces to collectively promote youth employment and entrepreneurship; (ii) improving the image and social recognition of agriculture among young people; and (iii) promoting a favourable policy and institutional environment to facilitate inclusive youth engagement in the rural sector.

As defined in the PIM, the component consists of three subcomponents which are: (i) Partnership-building, (ii) Rural youth mobilization, and (iii) Policies for rural youth.

II. Implementation Arrangements

6. Implementation Period. The Programme will be implemented over six (6) years. A Mid-Term Review shall be carried out early in Programme Year 3 to assess performance and to support scaling up.

7. Approach. The implementation framework reflects the Programme's multi-sector nature and ensures that activities will build on existing organizations and initiatives in order to consolidate them, rather than creating new, project-based structures. This is aimed at supporting sustainability and ensuring that Programme innovations can be mainstreamed into the country's institutional framework, replicated and scaled up.

8. A Programme Steering Committee (PSC), as defined in the PIM, will include representatives of line Ministries, representatives of youth organizations, and other public and private stakeholders involved in YESS implementation, will provide overall guidance and oversight.

9. A National Programme Management Unit (NPMU) will be accountable for the performance of the implementation of activities funded by the Financing. The NPMU will be responsible for overall consolidation and coordination of financial management and reporting.

10. The NPMU will lead the preparation of an Annual Work Plan and Budget (AWPB) for the Financing and submit it to IFAD no objection.

11. While the NPMU has overall responsibility for activities funded by the Financing, Components 1, 2 and 3 have specific implementation arrangements drawing on resources of relevant agencies of the Borrower/Recipient. The roles and responsibilities of the Programme Parties will be detailed in (i) a Memorandum of Understanding (MoU) to be entered into among said Programme Parties and (ii) the PIM.

12. A Provincial Programme Implementation Unit (PPIU) will be established in every target province to support the implementation of Programme activities at the provincial level, carry out overall coordination throughout the province, provide technical assistance to BDSP-based district units and ensure knowledge management across the region. The PPIUs will also provide support on programme administration functions, such as financial reporting, M&E and planning.

13. A District Programme Implementation Unit (DPIU) will be established in every target district, which will be responsible for facilitating access to services for young entrepreneurs and farmers, for increasing BDSP outreach and inclusiveness of YESS target groups and mainstreaming successful approaches into BDSP regular operations. DPIUs will be also responsible for financial management, planning and reporting related to activities in their respective district.

14. In addition to the bodies described above, the following entities are designated as additional Programme Parties, including, but not limited to:

- The MoM will be associated in the piloting and subsequent scaling up of a certified apprenticeship programme in the agriculture sector in the four target provinces, against an MoU to be established with MoA (Component 1);
- The MoCSME will be associated to the implementation of activities to be executed at district level under the overall responsibility of PLUTs and/or other BDSPs (Component 2), through a MoU signed with MoA.

15. The NPMU shall prepare a draft PIM. The draft PIM shall cover, at a minimum, the following aspects: (i) institutional coordination and day-to-day execution of the Programme; (ii) Programme budgeting, accounting, financial management, procurement, disbursement monitoring and evaluation, reporting and other related procedures; (iii) detailed description of the Programme Sub-components and implementation arrangements thereof; (iv) detailed breakdown of the Programme counterpart financing; (v) complaints settlement mechanism and (vi) such other administrative, technical and organizational arrangements and procedures as may be required for the Programme.

16. The Lead Programme Agency shall forward the draft PIM to the PSC for comments and to IFAD for no objection. The NPMU shall adopt the PIM, substantially in the form approved by IFAD, and promptly provide copies thereof to IFAD. The Borrower shall carry out the Programme in accordance with the PIM and shall not amend, abrogate, waive or permit to be amended, abrogated, or waived, the PIM, or any provision therein, without the prior written consent of IFAD.

Schedule 2

Allocation Table

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

Category	Loan Amount Allocated (expressed in USD)	Grant Amount Allocated (expressed in USD)	Percentage net of tax, Government and other co-financier contribution
I. Consultancies	5 264 000	448 000	100%
II. Grants and Subsidies	13 840 000	-	100%
III. Goods, Services & Inputs	17 232 000	920 000	100%
IV. Trainings	8 872 000	632 000	100%
V. Salaries and Allowances	5 112 000	-	100%
VI. Operating Costs	4 980 000	-	100%
Unallocated		-	
Total	55 300 000	2 000 000	

(b) The terms used in the Table above may include but not limited to the following:

- (i) Consultancies includes international and national technical assistances, advisory services, preparation of business models, team consultants, studies, and platform development (apps and e-platform);
- (ii) Grants and Subsidies includes competitive grant and apprenticeships;
- (iii) Goods, services and inputs includes equipment, policy studies, module development, evaluation and study for scaling up Trainings includes awareness raising campaigns, trainings, supporting Programme workshop and dissemination activities (including start up, validation and policy workshops), capacity building (including for BDSPs, Financial Service providers and network), exchange visits and participation in international conferences;
- (iv) Salaries and Allowances includes cost of facilitation, mentoring and support services;
- (v) Operating costs includes administrative cost and travel allowances related to Programme activities.

2. Start-up Costs. Withdrawals from the Loan account in respect of expenditures for start-up costs incurred associated with setting up the Programme, before the satisfaction of the general conditions precedent to withdrawal, but after the entry into force of the Agreement, shall not exceed an aggregate amount equivalent to USD 500 000. Any unused balance of the start-up advance will be considered as part of the initial advance under the authorized allocation.