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**Republic of Indonesia**  
**Country strategic opportunities programme**  
**Addendum**  
**Management response to Member States' comments**

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Document: EB 2022/137/R.20/Add.2

Agenda: 12(a)(i)(a)

Date: 1 February 2023

Distribution: Public

Original: English

**FOR: INFORMATION**

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Comments from the United Kingdom	Management response
<p>The United Kingdom welcomes IFAD's new country strategy, with a detailed analysis of the issues the agriculture sector faces in Indonesia, and a progressive approach to managing food and nutrition security through the lens of food systems. While the narrative was relevant, we found that the pathways could have been clearer - as there was no overall graphic framework or theory of change.</p>	<p>The theory of change is that (i) rural women and men small-scale producers can establish livelihoods that generate stable incomes and assets, preserve natural resources and contribute to improving food security and nutrition. This will be achieved by empowering them to produce and market diversified, profitable and resilient products (SO1), and enabling institutions and organizations from village to national level to deliver quality services that respond to their needs (SO2).</p> <p style="text-align: center;"><b>Figure 1 – COSOP Theory of Change</b></p>

Comments from the United Kingdom	Management response
	<div style="text-align: center;"> <p><b>INDONESIA 2020-2024 MEDIUM-TERM NATIONAL DEVELOPMENT PLAN</b> Increase food availability, food access and food consumption quality</p> <p><b>GOAL</b> <b>IFAD's OVERALL GOAL IN INDONESIA</b> <b>Inclusive transformation of food systems, that enable rural women and men to achieve remunerative, sustainable and resilient livelihoods and improve food and nutrition security</b></p> <p><b>STRATEGIC OBJECTIVES</b></p> <div style="display: flex; justify-content: space-around;"> <div style="border: 1px solid black; padding: 5px; width: 45%;">Rural small-scale women and men producers generate increased income from diversified and resilient production meeting the demand of profitable local markets</div> <div style="border: 1px solid black; padding: 5px; width: 45%;">Institutions and organizations from village to national level have the capacities to respond to the needs of small-scale women and men producers</div> </div> <p><b>OUTCOMES</b></p> <div style="display: flex; justify-content: space-between;"> <div style="border: 1px solid black; padding: 5px; width: 15%;">Increased food production through climate-resilient and sustainable infrastructure and practices</div> <div style="border: 1px solid black; padding: 5px; width: 15%;">Lucrative market linkages and higher share of value added in food-based products</div> <div style="border: 1px solid black; padding: 5px; width: 15%;">Improved household diet diversity and access to food</div> <div style="border: 1px solid black; padding: 5px; width: 15%;">Young women and men with employment or on/off farm business in agri-based sector</div> <div style="border: 1px solid black; padding: 5px; width: 15%;">Inclusive and effective business-oriented producers' organizations</div> <div style="border: 1px solid black; padding: 5px; width: 15%;">Inclusive and demand-driven local governments</div> <div style="border: 1px solid black; padding: 5px; width: 15%;">Timely delivery by PMUs of project activities</div> </div> <p><b>KEY INTERVENTIONS</b></p> <div style="display: flex; justify-content: space-between;"> <div style="border: 1px solid black; padding: 5px; width: 20%;"> <p><b>LOANS AND GRANTS</b></p> <ul style="list-style-type: none"> <li>. Current loan portfolio with focus on inclusive value chains in varied landscapes, youth in agriculture, village economic development + 2 pipeline projects (horticulture and local development)</li> <li>. GEF portfolio: 1 ongoing/1 pipeline projects on peatland management</li> <li>. Further pipeline development to support upscaling; top ups or co-financing with IFIs</li> </ul> </div> <div style="border: 1px solid black; padding: 5px; width: 20%;"> <p><b>POLICY ENGAGEMENT</b></p> <ul style="list-style-type: none"> <li>. Built into project design</li> <li>. Focus on: Youth participation in food systems transformation</li> <li>. Village economic development</li> <li>. Sustainable management of natural resources</li> </ul> </div> <div style="border: 1px solid black; padding: 5px; width: 20%;"> <p><b>STRATEGIC PARTNERSHIPS</b></p> <ul style="list-style-type: none"> <li>. MoA, MoV, MOEF, [OJK, MoHA and MoCMSME]</li> <li>. BAPPENAS and MoF</li> <li>. Local governments</li> <li>. Agribusiness/ aqritech</li> <li>. Youth organizations</li> <li>. GEF, ADB and IsDB</li> <li>. RBAs and specialized UN agencies</li> <li>. Bilaterals</li> </ul> </div> <div style="border: 1px solid black; padding: 5px; width: 20%;"> <p><b>M&amp;E-KM-UPSCALING</b></p> <ul style="list-style-type: none"> <li>. M&amp;E systems documenting successes</li> <li>. KM strategy embedded in all projects</li> <li>. Scaling up through co-financing with IFIs, village fund, top-ups of successful projects</li> </ul> </div> </div> </div> <p style="font-size: small; margin-top: 10px;">Note: MoA: Ministry of Agriculture; MoV: Ministry of Villages, Disadvantaged Regions and Transmigration; MOEF: Ministry of Environment and Forestry; OJK: Indonesian Financial Services Authority; MoHA: Ministry of Home Affairs; MoCMSME: Ministry of Cooperatives and Small and Medium Enterprises; BAPPENAS: Ministry of National Development Planning; MoF: Ministry of Finance; GEF: Global Environment Facility; ADB: Asian Development Bank; IsDB: Islamic Development Bank; RBAs: Rome-based agencies.</p>

Comments from the United Kingdom	Management response
<p>Of course, the success of the COSOP will depend on the delivery route IFAD takes, and the programme's capacity to be flexible and adaptive. We encourage projects being developed through a market systems development model, engaging the private sector with an objective to transform and catalyse the food system. We would also reiterate the importance of leveraging finance and addressing market barriers for smallholder farmers - as implied in the strategy.</p>	<p>Agreed. The strategy has indicated that the IFAD programme in Indonesia will support the improvement of smallholders' skills, including financial literacy, strengthen their organizational skills and facilitate access to modern production technologies and to financial services. The programme will also introduce ways to invest in value addition, improving access to market and promoting partnership with the private sector.</p>
<p>We welcome innovation in agriculture but would encourage interventions with the financial sector, opening up innovative agri-finance products that can drive long-term development. That also applies to more general access to finance for smallholders and SMEs. We encourage the big picture, transformative interventions that create large amounts of foreign direct investment into the sector - so not just grants at the household level. Having MoF as the main partner and ADB as the co-financer should be a perfect fit for this type of thinking.</p>	<p>This is being considered under the new partnership with the Asian Development Bank (ADB), the Horticulture Development in Dryland Areas Project (HDDAP). HDDAP will invest in infrastructure (irrigation, connectivity, post-harvest and seed production facilities), improved quality planting materials, training and upskilling of extension staff, provide relevant and regular technical and facilitation support to farmers, facilitate access to finance, reducing post-harvest losses, and improve market access through enhanced post-harvest and processing (including public-private partnerships) and building linkages with other value chain stakeholders. This will strengthen the position of smallholder farmers along the value chains.</p>

Comments from the United Kingdom	Management response
<p>The milestones and outcomes are necessary but we would recommend a balanced approach to chasing results versus creating lasting change within the food system - they can often compete.</p>	<p>This milestone and outcome are very much linked to the pathways. Some/most/all of the results that the COSOP is targeting are expected to contribute to achieving lasting changes within the food system.</p>
<p>Finally, we note there is no mention of the new Environment Fund - led by the Ministry of Finance, but with a board composed of all the other ministries that IFAD will work with. This fund is nascent and also requires capacity support. Will IFAD engage with the fund? We would also encourage IFAD to engage with the World Bank regarding their due diligence on the fund.</p>	<p>IFAD is currently in discussion with the Ministry of Finance and exploring the possibility to be one of the executing partners. However, since this is still in the early stages, it was not included in the COSOP. We take note of the suggestion to engage with the World Bank regarding the due diligence of the fund.</p>