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

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<th>Comments from the United Kingdom</th>
<th>Management response</th>
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<td>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.</td>
<td>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).</td>
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**Figure 1 – COSOP Theory of Change**
Comments from the United Kingdom

Management response

**INDONESIA 2020-2024 MEDIUM-TERM NATIONAL DEVELOPMENT PLAN**

*Increase food availability, food access and food consumption quality*

**GOAL**

**IFAD’s OVERALL GOAL IN INDONESIA**

Inclusive transformation of food systems, that enable rural women and men to achieve remunerative, sustainable and resilient livelihoods and improve food and nutrition security

**STRATEGIC OBJECTIVES**

Rural small-scale women and men producers generate increased income from diversified and resilient production meeting the demand of profitable local markets

Institutions and organizations from village to national level have the capacities to respond to the needs of small-scale women and men producers

**OUTCOMES**

Increased product availability through diverse and resilient production systems and value chains

Sustainable development of rural areas and local economies

Increased participation and proportion of women in decision making, leadership and management

Phased rural transformation with synergy among rural business activity networks

Inclusive and effective social and community development initiatives

Indigenous and local innovation for local food systems

Time to deliver early social and productive activities

**KEY INITIATIVES**

**LOANS AND GRANTS**

Current loan portfolio with focus on inclusive cash grain and vegetable enterprises, youth in agriculture, women in agriculture, women in agriculture

1-2 percent projects (social inclusion and local development)

IFC works in 88 countries to support 4,500 projects on small-scale enterprises and social development

Further public development to support small-scale and micro enterprises

**POLICY ENGAGEMENT**

Build into project design

Youth participation in interventions and transformation (Village enterprise development)

Sustainable management of natural resources

**STRATEGIC PARTNERSHIPS**

- MOA, MOA/IFC, [OR] MOA/IFC (and IFC/AAIE)

- Youth organizations in Indonesia for youth empowerment

**N&E-EN-**

- HALE systems

- Monitoring outcomes

- Project design and implementation

- Downscaling through co-investment with IFC, village bank, share of successful projects

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<td>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.</td>
<td>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.</td>
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<td>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.</td>
<td>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.</td>
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<td>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.</td>
<td>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.</td>
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<td>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.</td>
<td>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 it in the COSOP. We take note of the suggestion to engage with the World Bank regarding the due diligence of the fund.</td>
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