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Enabling poor rural people
to overcome poverty

Republic of Indonesia

Country strategic opportunities programme

Executive Board — Ninety-fifth Session
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For: **Review**

Note to Executive Board Directors

This document is submitted for review by the Executive Board.

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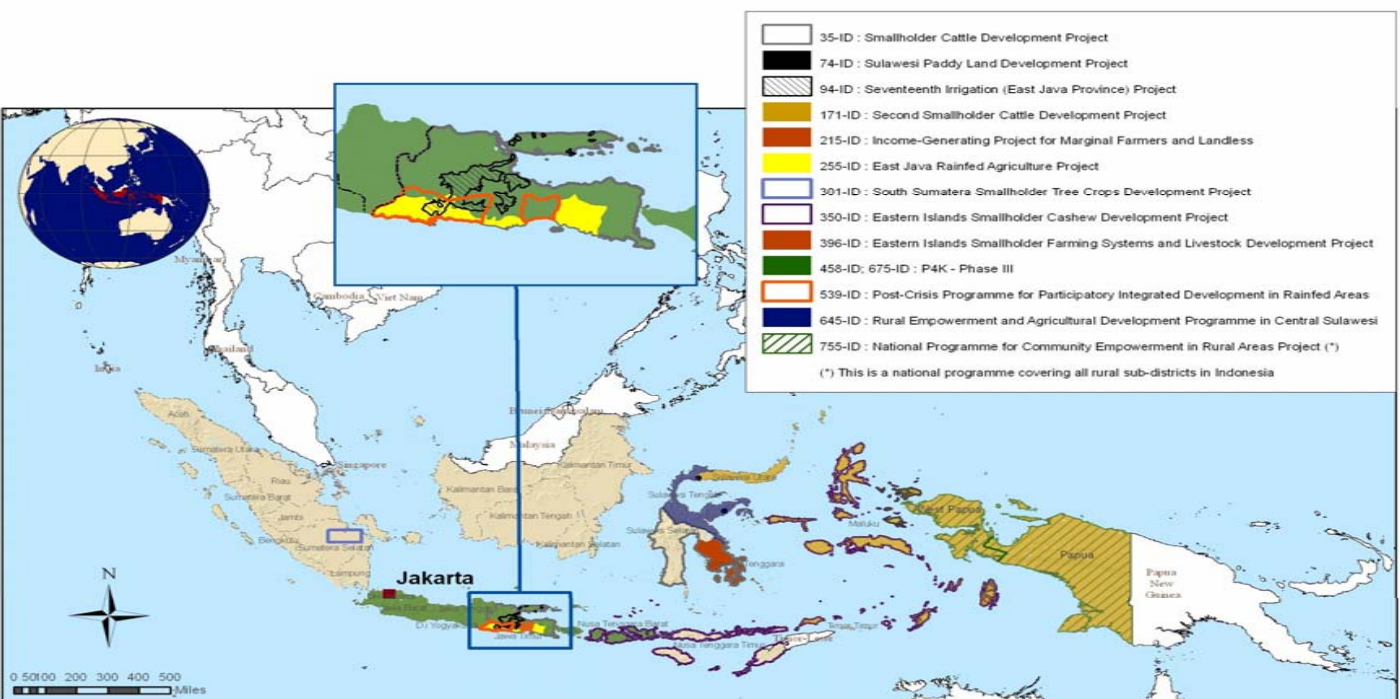
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Abbreviations and acronyms

AsDB	Asian Development Bank
BAPPENAS	National Development Planning Agency
COSOP	country strategic opportunities programme
EISCDP	Eastern Islands Smallholder Cashew Development Project
IFI	international financial institution
M&E	monitoring and evaluation
MDG	Millennium Development Goal
MOA	Ministry of Agriculture
MOF	Ministry of Finance
MTDP	Medium Term Development Plan
P4K/III	Income-Generating Project for Marginal Farmers and Landless – Phase III
PBAS	performance-based allocation system
PRSP	poverty reduction strategy paper
RIMS	Results and Impact Management System
SO	Strategic Objective
SSSTCDP	South Sumatera Smallholder Tree Crops Development Project
UNDAF	United Nations Development Assistance Framework

Map of IFAD operations in Indonesia



Source : IFAD
 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.

Summary of country strategy

1. **Introduction.** IFAD launched a review process in late 2007 to develop a new results-based country strategic opportunities programme (COSOP) for the Republic of Indonesia to cover the five-year period 2009-2013.
2. **Rural Poverty.** In 2007, 23.6 million Indonesians were living below the poverty line in rural areas, one million less than in 1996. The overall national poverty rate masks the large number of “near-poor” people who live just above the national poverty line and are vulnerable to poverty. While Indonesia is making good progress towards achieving the first Millennium Development Goal (MDG1), poverty reduction strategies need to focus on increasing the incomes of both poor people and near-poor people. With poverty increasingly concentrated among agricultural households, there is also a need to concentrate on raising the growth rate of the agricultural sector and increasing the incomes of the rural poor. In addition, more investment and development assistance needs to be targeted at the poorest regions of the country.
3. **IFAD’s comparative advantage** lies in its flexibility in addressing poverty issues specific to the local context and its targeted approach to rural poverty reduction through community empowerment and the economic development of smallholders, poor rural women and men, and other marginalized groups.
4. **Strategic objectives.** In order to support the Government in achieving its medium-term targets, long-term vision for rural poverty reduction and the MDG targets, IFAD’s goal in Indonesia is to empower poor rural women and men living in the areas targeted by IFAD interventions to increase their food security and incomes and reduce their poverty. IFAD’s future assistance to Indonesia will focus on developing smallholder agriculture with a view to reducing rural poverty, enhancing the competitiveness of smallholders and producers, boosting the growth of the rural economy and addressing the key determinants of poverty in the local context, taking into account opportunities for partnerships and synergies. To this effect, the COSOP’s strategic objectives are: (i) increase the access of rural poor people to productive assets, appropriate technology and support services to boost on- and off-farm productivity; (ii) enhance the access of rural poor people to infrastructure, input and output markets, and financial services; and (iii) build the capacity of rural poor people to engage in local policy and programming processes.
5. **Targeting strategy.** The target group for IFAD assistance will include: (i) poor rural households that have access to only small areas of land, lack other productive assets and have limited off-farm employment opportunities. This group is usually food-insecure and may be indebted; and (ii) ethnic minority communities and other marginalized groups. IFAD will target areas where: (i) the incidence of rural poverty is high and the status of the MDGs is most in need of improvement; (ii) there are large numbers of poor rural households; (iii) there are opportunities to improve agricultural productivity and develop strategic partnership with other agencies; and (iv) there are no major externally financed agricultural and rural development programmes ongoing. Investment projects under the new country programme will follow a spatial targeting approach, with a focus on the poor, the food-insecure and ethnic minority communities living in rainfed, upland and coastal areas and other marginalized areas in eastern Indonesia characterized by a high incidence of rural poverty.

Republic of Indonesia

Country strategic opportunities programme

I. Introduction

1. IFAD launched a review process in late 2007 to develop a new results-based country strategic opportunities programme (COSOP) for the Republic of Indonesia to cover the five-year period 2009-2013. The COSOP was prepared within a participatory and consultative process.

II. Country context

A. Economic, agricultural and rural poverty context

Country economic background

2. Indonesia's 1.86 million square kilometres of land extend over 17,000 islands, of which 6,000 are inhabited. Indonesia is the world's fourth most populous nation, with 222.2 million inhabitants in 2006. The population grew at 1.34 per cent per annum between 2000 and 2006. In 2005, 48 per cent of the population lived in urban areas. Indonesia's economy is well diversified and market-based, with a GNI per capita of US\$1,420 in 2006. Growth in GDP between 2003 and 2006 averaged around 6 per cent (5.7-6.6 per cent) per annum. The major engine of growth has recently been services and construction. In 2006, industry generated about 40 per cent of GDP; agriculture, 13 per cent and services, 47 per cent. Manufacturing dominates exports, with oil and gas accounting for 21 per cent in 2006. Total external debt was 55 per cent of GNI in 2005 compared with 113 per cent of GNP in 1999. The debt service payments declined from 30 per cent of exports of goods and services in 1999 to 22 per cent in 2004. International reserves represented about eight months of imports and foreign debt payments in 2003, with 7.4 months anticipated in 2008. Government had a budget deficit at 1.1 per cent of GDP in 2004. Annual inflation in December 2007 was 6.6 per cent. The outlook for the national economy is bright. Output is growing steadily, while private consumption is rising rapidly and is generating economic growth; the external account is sound, the exchange rate has stabilized and public-sector finances are improving. This outlook could be compromised by the following risks: ineffective action on structural reforms; insufficient investment in infrastructure; inability of regional governments to implement development programmes; and rising food prices, possibly leading to social unrest. Provincial and district governments are hampered in taking full advantage of the Government's decentralization policy primarily by their heavy reliance on central government grants, which account for 70 per cent of their total revenue, and by their operating expenditure, which constitutes an average of 60 per cent of total spending. When appropriate, an analysis could be undertaken of the preparedness and resilience of the Indonesian economy vis-à-vis the current global financial crisis, and the potential impact on the rural poor.

Agriculture and rural poverty

3. **Agricultural sector.** Although the Indonesian agricultural sector has continued to grow (at 3.5 per cent in 2007), its share in the overall economy declined from 41 per cent of GDP in 1970 to around 13 per cent of GDP in 2006. Yet agriculture remains the largest sector of the economy in terms of employment, accounting for 43 per cent in 2006, which reflects the relatively low labour productivity in the sector. The main change in the structure of the sector has been the reduction in the relative importance of food crops from 61 per cent of sector GDP in 1970 to 50 per cent in 2006, while the share of the fisheries and livestock subsectors has been on the increase. Estate crops accounted for 15 per cent and forestry for 7 per cent of sector GDP in 2006. Agricultural products (including rubber, palm oil, shrimps,

coffee, copra, cocoa and livestock) constituted 12 per cent of total exports in 2006. The largest land use category in 2005 was estate crops (oil palm, cocoa, rubber, etc.). These crops are cultivated on over 18.5 million hectares (25 per cent), partly as a result of the Government's crop diversification policy in the mid-1980s that extended the area devoted to growing estate crops by 10 million hectares (ha) between 1980 and 2000. Other major land use categories include lowland rice, cultivated on 7.9 million ha (11 per cent), of which 4.7 million ha benefit from some form of irrigation; dryland crops/horticulture, 10.8 million ha (14 per cent); and woodland and swamps, 13.6 million ha (18 per cent). Temporarily fallow land accounts for 11.3 million ha (15 per cent); shifting cultivation, 3.8 million ha (5 per cent); and meadows, 2.4 million ha (3 per cent).

4. Despite the significant decline in the contribution of agricultural value added to GDP and the relatively low productivity, agricultural value added per worker increased from about US\$450 in 1970 to over US\$700 in 2000 (1995 prices). However, nearly all the growth in productivity occurred between 1968 and 1992. By the mid-1990s, agricultural growth again relied almost entirely on bringing new land under cultivation. As little suitable new land exists for cultivation, in order to develop the rural economy, investments are urgently required to boost agricultural productivity and provide support in the areas of agricultural research, extension, rural infrastructure, education, health and markets.
5. Indonesia is highly vulnerable to the impact of climate change. It is likely that the country will be afflicted by prolonged droughts and more frequent extreme weather events, such as heavy rainfall leading to large-scale flooding. As an archipelago with more than 17,000 islands, Indonesia is also vulnerable to rising sea levels. These factors will affect agriculture, fisheries and forestry, reducing food security and damaging the livelihoods of the rural population, and in particular the rural poor. The Ministry of Environment has prepared a draft national plan of action for mitigation and adaptation to climate change. Priority interventions include improvements to watershed management, water control and drainage in the irrigated areas, disaster preparedness, coastal defences and promotion of integrated agriculture at household level. Other measures concern seed technology, agricultural practices and biogas production.
6. **Rural Poverty.** Indonesia ranked 47th out of 108 developing countries on the Human Poverty Index in the United Nations Development Programme's Human Development Report for 2007. In 2007, 23.6 million Indonesians lived below the poverty line in rural areas (i.e. 20 per cent of the rural population or 11 per cent of the total population),¹ 1 million less than in 1996. The overall national poverty rate masks a large number of "near-poor" people who live just above the national poverty line and are vulnerable to poverty. In 2004, around 29 per cent of the total population lived above the national poverty line but on less than US\$2 per day. Therefore, poverty reduction strategies should focus on increasing the incomes of both poor and near-poor groups.
7. Non-income poverty remains a serious problem despite recent improvements in the education and health sectors, with high rates of child malnutrition, maternal mortality and weak education outcomes as well as a lack of access to safe water and sanitation. The highest incidence of rural poverty is found in the eastern islands. Poor households are concentrated in the agricultural sector, where almost two thirds of poor households work. Households working in informal agriculture were found to be 2.1 times more likely to be poor than those working in other sectors. The poorest people in rural areas tend to be farm labourers working on other people's land, or smallholders operating extremely small plots (<0.5 ha). Income inequality is low with a Gini coefficient of 0.35 in 2005, and there is less inequality in rural areas and the agricultural sector than in urban areas.

¹ Making the New Indonesia Work for the Poor, World Bank, 2006.

8. In the 2007, Indonesia's value on the Gender Development Index (GDI) was 0.721 and it ranked 94th out of 157 countries. Women's participation in the labour force is high, but women earn less than men whether employed in the formal or informal sectors. Poor women are often physically overworked, having to collect water, in addition to working in the fields and looking after their household and small livestock management tasks. Poor woman-headed households have a higher risk of being affected by shocks than other types of households. Despite the importance of women in agricultural production, most of the government extension workers are men. Decision-making processes within families and communities often exclude women. Women hold 11 per cent of ministerial posts and 11 per cent of the seats in parliament.
9. Indonesia is making progress towards achieving the Millennium Development Goals (MDGs).² The MDG1 target – that of halving the proportion of people whose income is less than US\$1 per day – has already been met, with a reduction in the proportion of extreme poor from 20.6 per cent in 1990 to 7.5 per cent in 2006.³ Despite Indonesia's good progress in this respect, poverty reduction strategies still need to focus on increasing the incomes of both the poor and the near-poor. And with poverty increasingly concentrated among agricultural households, boosting the growth rate of the agricultural sector and improving the incomes of the rural will be of particular importance. In addition, more investment and development assistance need to be targeted at the poorest regions of the country.
10. The target reduction in the level of malnutrition among children under 5 from 35.5 per cent to 17.8 per cent should be achievable, although the decline in the incidence of malnutrition has stagnated in recent years at around 27-28 per cent. At all education levels, the existing ratio of female to male enrolment should enable Indonesia to meet the MDG3 target well before 2015. Similarly, the MDG target for the ratio of literate females to males is already close to parity, and therefore achievable. The targets for drinking water and sanitation should be achievable in the light of recent progress. Indonesia is unlikely to reach the MDG7 target of reversing the loss of environmental resources, as forest cover has been declining continuously since 1990.

B. Policy, strategy and institutional context

National institutional context

11. Indonesia's **decentralization programme** was initiated in 2001. The programme transferred considerable authority over public expenditure and service delivery to 484 elected local governments⁴ (33 provinces and 451 districts and municipalities), with the aim of improving the responsiveness of government services to the needs of the people. Following decentralization, the role of the central agencies has largely shifted from one of implementation towards one of creating the enabling legal and policy environment for local governments to take the lead in shaping and implementing their own development agenda. The Country Governance Assessment of Indonesia undertaken by the Asian Development Bank (AsDB) in 2004 found that people considered service delivery to have generally improved since decentralization. However, a number of challenges remain, including a lack of clarity in the legal framework for decentralization; a divergence between the standards set for public services and the resources that the Government has allocated to meeting them; high dependence of regional governments on central government funds; limited capacity of local governments, particularly in the area of service delivery; and lack of information on the part of local communities about development plans, budget allocations and their entitlements to social services. There are operational

² Summary Report, Millennium Development Goals, Indonesia, December 2007.

³ Using Indonesia's national poverty line and considering that 14.4 per cent of the rural population lived below the poverty line in 1990, the target for 2015 would be 7.2 per cent. However, there has been a change in methodology that makes comparison of pre-1996 figures with post-1996 figures problematic, hence this target is somewhat meaningless.

⁴ Papua, West Papua and Aceh have special status with greater degrees of autonomy.

and procedural constraints and bottlenecks in the transfer of loan and grant resources provided by international financial institutions (IFIs) from central government to regional governments.

12. The role of the National Development Planning Agency (BAPPENAS) is to formulate the country's short- and medium-term development strategy and programmes and coordinate external development assistance. The Ministry of Finance (MOF) is the Representative of the borrower and manages the channelling of foreign funds.⁵ The Coordinating Ministry of People's Welfare has a mandate to assist the President in coordinating sector ministries and agencies with regard to planning and formulating policies and synchronizing and supervising the implementation of policies related to people's welfare and poverty reduction. The Ministry of Agriculture (MOA) has a wide range of technical capabilities, but is not responsible for some key areas, e.g. forestry, fisheries and land administration. The **Ministry of Marine Affairs and Fisheries** and the **Ministry of Forestry** have a wide range of technical and administrative capabilities and are in the process of change with respect to their policy, regulatory, advisory, coordination and monitoring functions.
13. The Directorate General for Rural and Community Empowerment of the **Ministry of Home Affairs** has the mandate to empower rural people and their institutions with a view to improving their lives; and to coordinate local community empowerment programmes through local governments. The **Ministry of Foreign Affairs** is responsible for foreign policy matters and plays an important part in obtaining foreign loans and grants. The **Ministry for the Development of Disadvantaged Regions** formulates policy and coordinates and supports the development of poor and disadvantaged regions. The **Financial and Development Supervisory Board** operates as the internal government auditor, independent of other government agencies.
14. The **National Land Administration Agency** is responsible for administration of land ownership rights defined in the Basic Agrarian Law of 1960 and succeeding regulations and is responsible for issuing land titles. The main mandate of the Indonesian National Logistics Agency is to safeguard food security by stabilizing the price of rice and rice stock at the consumer and producer levels to ensure sufficient food supply in all regions in Indonesia.
15. **Provincial levels of government** coordinate regional planning for programme development, implementation and delivery and for monitoring and evaluation (M&E).
16. **Districts and subdistricts.** With decentralization, the authority of *kabupaten* (district) governments – the level below the province – now covers all aspects of government except defence, foreign affairs, monetary and fiscal policy, and forestry and religious affairs. *Kabupaten* governments are in tune with the local situation and issues but lack the capacity required for their new roles and local sources of revenue. They therefore depend on central government for most of their revenue. **Village administrations** have legal status and consist of a village head, a secretary, four section heads and a council. At present, village council members are appointed, rather than elected. Both the council members and the administration often lack the necessary knowledge, skills and training to undertake their tasks. Women are comparatively less involved in village administration.
17. A wide variety of informal organizations with no legal status also exist at the village level, which serve particular community needs. Government, NGO or donor-funded development projects often establish self-help or microfinance groups but these

⁵ In 2006, MOF introduced regulations (52/PMK.10/2006 and 53/PMK.10/2006) to govern the terms and conditions under which foreign loans are passed on to the *kabupatens*. PMK 52 governs the regulations for providing grants to the regions and PMK 53 deals with onlending to the regions. Regulation PP2/2006 describes the procedures for applying, evaluating, negotiating and channelling foreign loans, while the BAPPENAS decree 5/2006 provides the implementing guidelines.

commonly become dormant after project completion. **NGOs** are an important part of civil society in Indonesia. Most of the active NGOs operate from the provincial and *kabupaten* capitals and are reliant on donors for their funding.

National rural poverty reduction strategy

18. **The national poverty reduction strategy paper (PRSP)** recognizes poverty as a multidimensional phenomenon and the diagnosis acknowledges regional and urban/rural disparities and gender concerns. The PRSP aims to address issues not only for those who are already poor, but also for those who are vulnerable and at risk of becoming poor. The rights-based approach of the PRSP is mainstreamed into the **Medium-Term Development Plan (MTDP) 2004-2009**. The current poverty reduction strategy groups the Government's poverty reduction programmes into three clusters: (i) social safety net programmes (*bantuan sosial*); (ii) community empowerment (the Government's national poverty reduction programme [PNPM – Mandiri]); and (iii) strengthening of community self-reliance through microenterprise development. The MTDP has an economic growth target of 6-7 per cent per annum. Enhancing the prosperity of the Indonesian people is one of the three MTDP agendas. One overarching target of this agenda is to reduce the poverty headcount to 8.2 per cent of the population by 2009. The MTDP identified the key requirements for reducing the incidence of rural poverty as: (i) accelerated rural development and improved management of natural resources with a focus on providing productive and durable employment; (ii) improved rural infrastructure; (iii) increased participation of the poor in development and improved quality of life for women; (iv) greater opportunities for poor communities living in areas that have been left behind because of their remote location; and (v) provision of the appropriate social security systems to offer short-term assistance in times of adversity.
19. **Revitalization of agriculture** is a key element of the current MTDP's approach to poverty reduction and rural development. The target growth rate for the agricultural sector is 3.52 per cent per annum. Agricultural revitalization is aimed at creating employment opportunities, especially in rural areas; supporting sustainable economic growth; improving the links between the rural and urban areas; and increasing the rural sector's contribution to overall economic growth. The MTDP focuses on six areas in agricultural and rural development: building the capability of farmers and strengthening the supporting institutions; increasing agricultural diversification, improving food security and diversifying food consumption in ways that are environmentally sustainable; boosting the productivity, competitiveness and value added of agriculture and fishery products; using the forests to diversify economic activities and support food production; improving education and health, especially of women and children, and increasing the amount and quality of infrastructure in rural areas; and enhancing the participation of all elements of society in rural development activities, with greater equality between women and men in the planning, implementation, and monitoring and evaluation of development activities.
20. Indonesia has formulated a **Long-Term National Development Plan 2005-2025**, which has several key aims. The first is equitable development, that is to ensure that greater attention is given to the disadvantaged, including poor communities and those living in remote areas and disaster-prone areas. Second, the plan aims at maintaining national food security and self-reliance based on local diversified food resources, by developing domestic production capacity with the support of appropriate institutions to ensure that adequate food is available at the household level – in terms of quantity, quality and safety – and at affordable prices. Third, the plan aims to develop rural areas by: (i) promoting labour-intensive agro-industries; (ii) increasing human resource capacity; (iii) developing an infrastructure network; (iv) enhancing access to information and markets, financial services, employment

opportunities and technology; and (v) putting in place appropriate price intervention and trade policies to promote agricultural products.

21. **2020 Vision and agricultural sector policy.** The agricultural and rural development strategy developed by MOA has the following priority areas: (i) human resource development and entrepreneurship; (ii) social capital; (iii) agricultural productivity; (iv) agribusiness, farming systems and rural industrial clusters; (v) growth and productivity in the rural non-farm economy; (vi) natural resource management; and (vii) empowerment of communities living in forested areas. Two key areas identified in the 2020 Vision are the empowerment of rural women and youth and the recognition of *adat* (traditional communal) rights in relation to natural resources management.
22. **Land tenure.** The Government recognizes that a modern, effective and efficient land tenure system is a prerequisite for growth in the agricultural sector. BAPPENAS has developed a national land policy framework that considers access to land as a human rights issue and includes *adat* land rights as part of the policy development agenda. The draft **national borrowing strategy** has identified the need for government borrowing as around 31-32 per cent of GDP in 2009. The Government's financing gap indicates the need for Indonesian rupiah (IDR) 10-15 trillion (or US\$11 billion – US\$16 billion) of foreign funds in 2009. The draft borrowing strategy identifies the following as the priorities for financing by foreign loans: (i) poverty reduction; (ii) investments for job creation and exports; (iii) infrastructure; (iv) rehabilitation of agriculture, fisheries and forestry; (v) health and education; and (vi) legal, anti-corruption and bureaucratic reforms. The priorities for the use of international loans in the agricultural sector are to: (i) boost agricultural production and productivity by improving animal and plant health systems (including quarantine), agricultural research and development, and the agricultural education and extension system; (ii) increase the quality and quantity of agricultural facilities/infrastructure, e.g. farm roads and irrigation systems; (iii) support the development and production of biogasoline; and (iv) improve the systems for ensuring agricultural standards.

Harmonization and alignment

23. IFAD's assistance has followed harmonized systems, structures and procedures for project planning, financing and implementation. IFAD is a non-resident member of the United Nations Country Team, a member of a working group on food security together with the Food and Agriculture Organization of the United Nations (FAO) and the World Food Programme (WFP) and a member of the thematic working group on environment, alongside other bilateral and multilateral agencies. Future IFAD assistance will be integrated within the United Nations Development Assistance Framework (UNDAF).

III. Lessons from IFAD's experience in the country

A. Past results, impact and performance

24. As of the end of September 2008, IFAD had provided the equivalent of SDR 168.62 million or US\$257.33 million for 13 projects in Indonesia, of which 10 are closed and three ongoing. IFAD has also funded a number of country and regional grants to support investment projects in the country. The following summarizes the main results and impact of the country programme as identified by the country programme evaluation undertaken in 2003.
 - By aiming to help smallholders, the landless, women and other marginalized group, the portfolio is highly relevant. The projects have been consistent with Indonesia's development priorities.
 - Much of the effectiveness of the IFAD-financed projects is due to the successful formation of self-help groups.

- In terms of institutional development, there has been a noticeable impact at the grass-roots level, in particular by promoting the participation of NGOs in project activities and contributing to the development of self-help groups. However, there is a need to ensure that these groups can sustain themselves by creating ways for them to grow into more advanced institutions.
- IFAD-financed projects were found to be comparatively cost-efficient.
- Self-help groups have been an effective way of enhancing the role of women.
- IFAD had not engaged in policy dialogue with the Government, other United Nations organizations, IFIs or external development agencies on issues of significance to rural development and poverty reduction in Indonesia. IFAD had not been making the case for the potentially major reduction in rural poverty that can be achieved through rapid rural and agricultural development.
- None of the IFAD-supported projects were judged to be highly effective; this was mainly because of poor project design and a failure to ensure that the technologies to be promoted were appropriate for the chosen location.
- A better balance needs to be found between the income and non-income aspects of rural poverty reduction in IFAD operations.
- The design of most of projects did not include strategies to ensure the sustainability of interventions.
- Supervision needs to be more supportive and participatory, and should help overcome difficulties with financial management, procurement and M&E.
- The current challenge is to work with the newly decentralized administrations of the Government, which require new institutional solutions. Strong measures are necessary to address corruption.
- The Government has noted that for many years IFAD's partnerships with MOF, BAPPENAS, and MOA and its agencies have been productive and that working arrangements have generally been effective.
- NGOs have provided a new dimension to project implementation and have made a useful contribution. However, national and district administrations are still defining the best ways to collaborate with NGOs.

B. Lessons learned

25. The lessons learned during the last COSOP period can be summarized as follows.

Economic growth is fundamental to reducing the incidence of rural poverty and the vulnerability to falling into poverty of the 29 per cent of the population that now live above the poverty line, but on less than US\$2 per day. Non-income poverty is also a serious problem and the delivery of social services and provision of infrastructure will continue to be fundamental in this regard. **Project design** needs to give greater emphasis to raising farm and non-farm productivity. Empowering the poor should not be treated as an end in itself, but as a means to help reduce the incidence of rural poverty. Project design should: (i) support the move from subsistence agriculture towards a market-based system; (ii) promote the development of markets, value chains and agroprocessing; (iii) treat gender mainstreaming as a cross-cutting issue; (iv) understand the perspectives of the beneficiaries; and (v) find new and workable approaches for raising incomes and

economically empowering the poor, and for realizing the potential of the informal non-farm sector.

26. Experience has also shown the importance of **institution-building** as a prerequisite for the sustainability of community groups and organizations. Similarly, savings **mobilization** for lending within self-help groups is a key stepping stone before groups and individuals access credit from microfinance institutions and the formal banking sector. **Adequate implementation support** from the Government and IFAD is essential for improving country programme performance, including support for financial management, procurement, M&E, corruption prevention and knowledge management. **Engagement in evidence-based policymaking** should have a high priority in future IFAD operations, based on improved knowledge management from field operations, policy analysis and advocacy. IFAD should more proactively explore **strategic partnership** arrangements with other major external development agencies, such as linkages with the UNDAF and cofinancing of joint programmes. In the short and medium term, there are operational and procedural constraints and bottlenecks in the **transfer of loan and grant resources** provided by IFIs from central government to regional governments. Therefore, IFAD should finance central government projects/programmes through central government ministries, while making feasible institutional and implementation arrangements to encourage central government agencies to delegate responsibility and accountability to regional governments for delivering services in agriculture and rural development and for implementing decentralized poverty reduction programmes. **Synergy and complementarity** should be built between the investment projects financed by IFAD loans and the technical assistance and policy programmes supported by IFAD global and regional grants. The grant-supported programmes should generate lessons to inform and support directly the new country programme, in order to improve the coherence and impact of the entire country programme.

IV. IFAD country strategic framework

A. IFAD's comparative advantage at the country level

27. IFAD's comparative advantage stems from: (i) its flexibility in addressing poverty issues specific to the local context; (ii) its targeting of the poorer sections of the rural population and their organizations, with a focus on women and ethnic minorities; (iii) its targeting of rainfed, upland, coastal and other marginalized areas where external development assistance is most urgently needed to address the high incidence of rural poverty; (iv) its approach to empowering poor communities by establishing self-help affinity groups and building their capacity to make their own decisions in managing their resources, establishing their development priorities and negotiating services from other sources; (v) its use of community empowerment as an entry point – following the promotion and adoption of appropriate new agricultural technology – for improving the productivity of agricultural and non-farm activities and the incomes of the rural poor, and its focus on linking groups of poor households with public and private service providers and rural financial services; (vi) its alignment of the country programme with the Government's poverty reduction programmes and priorities, which has ensured government ownership of the IFAD country programme; (vii) the relative low cost of IFAD loans in comparison with other IFIs; (viii) its strong partnerships with BAPPENAS, MOF, MOA and other key government agencies with a mandate in rural poverty reduction; (ix) its understanding of the importance of working within the Government's structures and systems to avoid possible pitfalls and to achieve joint accountability for results and impact; and (x) its solid partnerships with other development agencies.
28. Recent evidence of the strong partnership between the Government and IFAD is the joint preparation of this COSOP and the pipeline project proposals, which ensures government ownership of the country programme and consistency of the programme with the Government's policies and priorities, providing a solid basis for

the successful implementation of the country programme. The significant experience and lessons gathered by IFAD in its country operations over the past three decades will help the Government and IFAD work closely together in facing new challenges and exploring innovative approaches to rural poverty reduction in Indonesia's emerging development environment. IFAD can play a significant role in showing how participatory community-based agriculture and rural development reduce rural poverty. By building on evidence from project experience, IFAD could also substantially improve its contribution to pro-poor policy change and institutional development. However, effecting such a contribution would have operational implications in terms of country presence, country programme management, supervision and implementation support, partnership-building, knowledge management, and policy analysis and dissemination. If IFAD is to wield pro-poor policy and institutional influence and play an effective role in helping the Government address rural poverty, it must be able to mobilize partnerships with the relevant government institutions and development agencies to address the key determinants of rural poverty and to analyse and disseminate lessons learned from the field operations.

B. Strategic objectives

29. In order to support the Government in achieving its medium-term targets, long-term vision for rural poverty reduction and the MDG targets, the goal of IFAD's interventions in Indonesia is to empower the poor rural women and men living in the target areas of IFAD's operations to enhance their food security, increase their incomes and reduce their poverty. IFAD's future assistance to Indonesia will focus on developing smallholder agriculture to enhance the competitiveness of smallholders and producers and the growth of the rural economy and to address the key determinants of rural poverty in the local context, taking into account opportunities for partnerships and synergies. To this effect, the COSOP strategic objectives are: (a) increase the access of rural poor people to productive assets, appropriate technology and production support services to boost on-farm and off-farm productivity; (b) enhance the access of rural poor people to infrastructure, input and output markets, and financial services; and (c) build the capacity of rural poor people to engage in local policy and programming processes. The country programme will help to reduce the vulnerability of smallholders to external shocks associated with climate change and climatic variability, natural disasters, and global markets. Special attention will also be paid to the needs of ethnic minority communities and to advocacy for indigenous peoples.
30. **Strategic objective 1: Increase the access of rural poor people to productive assets, appropriate technology and production support services to boost on- and off-farm productivity.** This objective will be achieved by assisting smallholders in obtaining secure access to individual or communal (*adat*) land; promoting pro-poor, low-cost technical change using local and appropriate knowledge; intensifying and diversifying agricultural and food production and sources of income; improving on-farm water management; building skills for non-farm employment generation; and improving productive service delivery by private and public providers, with a focus at the village level, by using temporary village agents and embedding agricultural extension expertise and animal health services into village organizations.
31. **Strategic objective 2: Enhance the access of rural poor people to infrastructure, input and output markets, and financial services.** This objective will be achieved by: supporting key small-scale, community-based rural infrastructure at the village level and other public goods that can improve the livelihoods and agricultural production of the rural poor; building linkages with markets and the private sector, and promoting value chain development, post-harvest management, agroprocessing and small rural enterprises; and promoting access by the rural poor to financial services, establishing group revolving funds to

help build up the members' financial assets for investment or emergency purposes, and helping to link these groups to microfinance institutions and the formal banking sector.

32. **Strategic objective 3: Build the capacity of rural poor people to engage in local policy and programming processes.** Achieving this objective will involve two sets of activities: (i) social development and empowerment of rural poor women and men as an essential entry point to enable the poor and near-poor to participate more effectively in the development process and to manage their own social and economic development; and (ii) formation and capacity-building of self-help groups, other affinity groups and community-based organizations and subsequently linking these groups to form apex organizations to enable them to become rural institutions that are viable in terms of ownership, accountability and sustainability.
33. Strengthened capacity of central and local government for evidence-based policymaking in favour of the rural poor will be an institutional objective of the country programme. IFAD will therefore provide relevant institutional support to the Government and other stakeholders, in collaboration with development agencies, to promote policy and institutional changes that will benefit the rural poor. Such support should enable public institutions to make informed policies for rural poverty reduction that reflect the perspectives and priorities of the rural poor and contribute more effectively to in-country policy dialogue with the Government and other development agencies.
34. Where required, partnerships will be developed with like-minded partners to engage in investments in the areas of rural infrastructure; community-based sustainable use of forests, including non-timber forest products; and conservation and rehabilitation of rivers, water resources and their catchments areas, and land and fisheries resources, including common property resources.
35. The country programme will continue to support **gender mainstreaming** as a cross-cutting issue to enhance the role of women as agents of change and bring about a gradual transformation of gender relations in the process of social and economic development. Key challenges lie in enabling more women to become leaders and take a more active part in decision-making at all levels and in increasing women's involvement – and that of the rural poor population in general – in planning and decision-making processes. Another major focus will be the need to improve women's well-being, ease their workload and provide them with the skills and vocational training necessary to enhance their economic status within their families and communities.
36. A **sustainability strategy** will be built into the design of new investment projects at entry, entailing economic and social empowerment of the rural poor and their organizations to develop sustainable livelihoods, and the mobilization of government resources to replicate or scale up successfully piloted approaches for rural poverty reduction and agricultural and rural development.
37. The response of the new country programme to **climate change** will include: (i) mainstreaming climate change mitigation and adaptation measures into the country programme and operations of individual projects; (ii) supporting the rural poor and smallholders to develop farming systems and change agricultural practices in response to the different opportunities and constraints resulting from climate change and providing assistance to reduce the vulnerability of the rural poor and their ecosystems to the impact of climate change; (iii) supporting the rural poor and smallholders to enable them to play a major role in mitigating climate change through sustainable management of land, forests and other natural resources; (iv) promoting local capacity-building and knowledge generation/dissemination for climate change mitigation and adaptation and disaster preparedness; and (v) advocating the Government to acknowledge and remunerate the rural poor and smallholders for providing environmental services that benefit all.

38. The response of the new country programme to **rising food and commodity prices** will include, in the short term: (i) joint assessment by the Government and external development agencies of the impact of food price increases and food shortages in severely affected areas; (ii) reprogramming of resources to target assistance at the vulnerable and food-insecure population and provision of agricultural inputs to smallholders to increase food production; and (iii) greater support to rice/food bank programmes for vulnerable and poor people. Medium- and longer-term measures will be: (i) advocating the Government to develop macroeconomic instruments to increase investment in agriculture and food production; (ii) increasing investment in agricultural productivity, food production and income diversification; (iii) increasing investment in irrigation of a second rice/food crop, extending the area of irrigated land and the area allocated to agricultural production; (iv) supporting facilities and techniques for reduction of post-harvest losses; (v) stepping up investment in agricultural infrastructure; (vi) promoting fuller private-sector participation in agricultural development and a critical role for the private sector in the trade of food and supply of agricultural inputs; and (vii) supporting the Government in developing appropriate long-term social protection policies and systems for crisis response and emergency safety net interventions. The need to increase **biofuel** and food production will be addressed by: (i) increasing investment in agricultural and food production; (ii) enabling rural poor people and smallholders to access the necessary technologies, training and basic infrastructure; (iii) improving efficiency of land use and planning for food and biofuel production, e.g. allocating marginal land for biofuel production rather than prime land to avoid the food-versus-fuel competition; (iv) promoting secure land tenure for smallholders; (v) promoting fair trade arrangements and policies to allow for more equitable sharing of profits between the producers and large corporate enterprises; and (vi) assisting the Government in developing and implementing pro-poor policies for smallholder participation in food and biofuel production and marketing. In response to the threat posed by **Avian Influenza** in the country, IFAD will follow the United Nations System Consolidated Action Plan for Avian and Human Influenza developed by the United Nations organizations in Indonesia.
39. In conclusion, the above strategic objectives are consistent with the Government's policies, strategies and priorities (including the Long-Term National Development Plan 2005-2025, the 2020 Vision for Agriculture, the PRSP, the MTDP, the MDG targets for poverty reduction and the recently published borrowing strategy of the Government) and the IFAD Strategic Framework 2007-2010. Given the different time horizons of the current MTDP and the new COSOP, the strategic objectives are aligned with the longer-term government strategic frameworks of the long-term development plan and MDG targets.

C. Opportunities for innovation

40. There are two types of opportunity for innovation and/or replication in Indonesia. The first involves replicating some initiatives that have been successfully piloted in the design and implementation of IFAD-supported projects, for instance:
- (i) approaches for the formation, development and support of self-help groups and other affinity groups, such as the Foundation for Sustainable Rural Development;
 - (ii) the targeting of women through self-help groups; and (iii) an approach to commercial seed production.
- The second opportunity relates to developing further initiatives and innovations, for example: (i) improving public and private service provision at the village level by using temporary village agents of change and integrating agricultural extension expertise into the village organizations; (ii) integrating smallholders into the commercial agriculture sector; and (iii) innovative modalities of collaboration with the private sector.

D. Targeting strategy

41. The target group for IFAD assistance will include: (i) poor rural households that have access to only small areas of land, lack other productive assets and have limited off-farm employment opportunities. This group is usually food-insecure and may be indebted; and (ii) ethnic minority communities and other marginalized groups. Based on a poverty analysis, IFAD assistance will target areas where: (i) the incidence of rural poverty is high and the status of the MDGs is most in need of improvement; (ii) there are large numbers of poor rural households; (iii) there are opportunities to improve agricultural productivity and develop strategic partnerships with other agencies; and (iv) no major externally financed agricultural and rural development programmes are under way. As agreed with the Government, the investment projects under the new country programme should follow a spatial targeting approach, with a focus on the poor, the food-insecure and ethnic minority communities in rainfed, upland, coastal and other marginalized areas in eastern Indonesia, characterized by a high incidence of rural poverty.

E. Policy linkages

42. The policy linkages associated with the strategic objectives include:
- (i) strengthening the capacity of local institutions to engage in evidenced-based policymaking in favour of the rural poor and to promote pro-poor policy changes;
 - (ii) advocating for the allocation of more resources to agricultural and rural development; and
 - (iii) working closely with the Government and other development agencies to develop feasible interventions to strengthen areas identified as weak by the sector policy and institutional assessment of the rural development sector framework of the performance-based allocation system (PBAS). Specifically, these pertain to access to land, water for agriculture, agricultural research and extension services, and agricultural input and produce markets; and the issues of accountability, transparency and corruption in rural areas.

V. Programme management

A. COSOP management

43. The COSOP's results management framework will use PRSP, MTDP, MDG and project-specific indicators to assess outcomes and progress in terms of achieving the strategic objectives. The arrangements for monitoring COSOP implementation will involve: (i) establishment of baseline and quantitative targets for the outcomes and milestones of each of the three strategic objectives in the results management framework; (ii) analysis of the data from project M&E and the Results and Impact Management System (RIMS) reports. IFAD will seek to improve the reliability and timeliness of the project M&E data and the performance of project M&E systems, including the RIMS indicators; (iii) analysis of the data from the country programme issue sheets, the project status reports and the data from the PBAS narrative summary and scores; (iv) analysis of the data included in the project mid-term and completion impact surveys; (v) review and analysis of the data included in other internal and external reviews (e.g. MTDP and MDG progress reports) or from evaluations of individual projects or the country programme; (vi) improvement of links between project logical frameworks, the COSOP results management framework and the national monitoring systems. Each year, members of the Country Programme Management Team (CPMT) and representatives of the key government ministries, project management teams, project beneficiaries, cooperating institutions, selected external development agencies, NGOs and civil society organizations will review COSOP implementation progress – including the client survey results – during a country programme performance review meeting in Indonesia. The conclusions of the annual review will contribute to an annual COSOP implementation progress report based on the results management framework and its associated indicators. The mid-term review of the COSOP will be carried out in 2010/2011 and the COSOP completion review in 2013. During the mid-term review,

IFAD will seek to align the COSOP priorities with emerging government policies and priorities and the new UNDAF.

B. Country programme management

44. The CPMT will be accountable for the management and implementation of the country programme and will work closely with all stakeholders to monitor and improve the programme performance and resolve any emerging issues and risks faced by the programme or by individual projects. There will be annual country programme performance reviews to identify constraints on programme implementation, share experiences and lessons learned among projects and make recommendations on policy and operational issues. Synergy will be built among ongoing and new investment projects, project supervision and implementation support activities, and the technical assistance and policy programmes supported by IFAD global and regional grants. The aim is to achieve the strategic objectives and improve the coherence and impact of the entire country programme.
45. The mid-term reviews of projects already under way will ensure that these projects are aligned with the new strategic objectives. Close involvement of IFAD in the supervision and implementation of the country programme and the individual projects, and gradual establishment of an IFAD country presence should provide opportunities for IFAD to work more effectively with the Government, project management teams and cofinanciers. In this way, operational and policy issues arising from project implementation will be addressed in a more timely fashion; performance of the country programme and individual projects will improve; learning and knowledge management will increase; policy discussions with the Government and development agencies will be facilitated; partnerships with other agencies and civil society organizations will be strengthened; and the overall impact on poverty reduction will increase. In the short and medium term, IFAD will finance priority national programmes for rural poverty reduction through central ministries, in view of the constraints on channelling foreign loans from central to local government. In the meanwhile, institutional and implementation arrangements will be made to encourage central government agencies to delegate responsibility and accountability to regional governments to deliver services to the poor in agriculture and rural development and implement decentralized poverty reduction programmes.
46. Working with local governments to strengthen their capacity and systems will be a priority. More intensive supervision and implementation support will be provided to improve the performance of the country programme and individual projects at risk, particularly in areas needing improvement such as delays in effectiveness of loans and grants, provision of the Government's counterpart funds, channelling and flow of funds, financial management, audit compliance, procurement, and the effective operation of M&E and RIMS. IFAD and the Government will cooperate closely to implement innovative initiatives and preventive measures to reduce the risk of corruption in the country programme.

C. Partnerships

47. IFAD will continue to develop strategic partnerships with community-based organizations, government agencies, external development agencies, farmers' organizations, NGOs, the private sector and civil society organizations to ensure continuous improvement in country programme performance, enhanced impact on rural poverty reduction and achievement of the strategic objectives. MOF will act as the representative of the borrower and will be responsible for financial regulations, procedures and fund flows, and as such will be a key IFAD partner. IFAD will continue to work closely with BAPPENAS for planning, policy guidance and coordination at the national level and also with regional governments. IFAD will collaborate with other key government agencies, such as MOA and the Ministry of Home Affairs, the regional governments and other relevant ministries in order to improve the effectiveness of the country programme. IFAD will build strategic

partnerships with other Rome-based United Nations agencies, i.e. FAO and WFP, in advocating for increased investment in agricultural development and rural poverty reduction. It will also work with other United Nations agencies within the framework of UNDAF and with bilateral and multilateral development agencies under the overall coordination of the Government. Opportunities for public-private partnership will be explored to support smallholder market-oriented agricultural development, market access and value chain development. The Government will continue to mobilize resources from other development agencies to support national priority programmes for rural poverty reduction and agricultural and rural development, as well as financial assistance from IFAD and other IFIs. The design of new projects will identify opportunities for partnership and collaboration. IFAD will participate in the in-country harmonization and alignment processes to ensure the sharing of experience and knowledge and its engagement in relevant policy discussions. The existing partnerships with international and local NGOs will continue to support the implementation of the country programme.

D. Knowledge management and communication

48. The following activities – which are aligned with the IFAD Strategy for Knowledge Management – are aimed at improving the arrangements in place for knowledge management and communication during the next COSOP period: (i) annual assessments of service providers by local communities will feed into the annual project planning process; (ii) policy analysis outputs and other relevant studies will inform the Government's policymaking; (iii) annual meetings will be held to review the performance of the country programme and of individual projects to share lessons and best practices among project staff, government counterpart agencies, cofinanciers and cooperating institutions; and (iv) the annual sector policy and institutional assessment of the rural development sector framework under the PBAS will be updated. Future project design will include explicitly stated approaches to knowledge management and innovation to support policy dialogue and institutions identified as strategically important during the COSOP period. Learning accumulated through NGO collaboration in IFAD-supported projects and exchanges among projects will contribute to the knowledge management process. The regional programme Knowledge Networking for Rural Development in Asia/Pacific Region (ENRAP) will support the country programme, provide other IFAD programmes with a means of accessing the knowledge generated by the new programme, and serve as a platform for communicating this knowledge to others.

E. PBAS financing framework

49. The PBAS will determine the amount of IFAD funding available for Indonesia during the COSOP period. The annual country allocation depends on an assessment of the sector framework for rural development, a project-at-risk (PAR) rating, the International Development Association Reallocation Index (IRAI) and the final country scores. After deducting the IFAD financing of US\$68.53 million for the National Programme for Community Empowerment in Rural Areas Project, approved in September 2008, the indicative total country allocation for Indonesia for the COSOP period (2009-2013) will be US\$100.00 million, depending on the performance of the country programme and resources available within IFAD. It is expected that IFAD will implement two to three new projects during the COSOP period in order to achieve the strategic objectives and expected impact of the country programme.

Table 1
PBAS calculation for COSOP year 1

<i>Indicator - COSOP Year 1</i>	<i>Rural sector scores</i>
A. (i) Policy and legal framework for rural organizations	3.80
(ii) Dialogue between government and rural organizations	4.25
B. (i) Improving access to land	3.00
(ii) Access to water for agriculture	3.57
(iii) Access to agricultural research and extension services	3.25
C. (i) Enabling conditions for rural financial services development	4.00
(ii) Investment climate for rural businesses	3.75
(iii) Access to agricultural input and produce markets	3.25
D. (i) Access to education in rural areas	4.33
(ii) Representation	4.50
E. (i) Allocation and management of public resources for rural development	3.83
(ii) Accountability, transparency and corruption in rural areas	3.67
Sum of combined scores	45.20
Average of combined scores	3.77
PAR ratings – 2007	6.0
IRAI ratings – 2006	3.68
Country score – 2008	14.516
Annual allocation in millions of United States dollars (2008)	22.409

Table 2
Relationship between performance indicators and country score

<i>Financing Scenario</i>	<i>PAR rating (+/-1)</i>	<i>Rural sector performance score (+/-0.3)</i>	<i>Percentage change in PBAS country score from base scenario</i>
Hypothetical low case	5	3.47	-20%
Base case	6	3.77	0%
Hypothetical high case	6	4.07	6%

F. Risks and risk management

Table 3

<i>Risk</i>	<i>Risk Management Measure</i>	<i>Indicator</i>
Smallholders and their organizations, the service providers (public- and private-sector and NGOs) and government institutions managing and coordinating project activities lack sufficient implementation capacity and are not sustainable at the end of projects.	<ul style="list-style-type: none"> Continue to provide training and technical assistance to build the institutional capacity of all these groups and organizations. Using temporary village change agents and embedding agricultural extension expertise into the village organizations; and integrating smallholders into the commercial agriculture sector. Improved capacity of these groups and organizations forms the foundation of their sustainability. 	<ul style="list-style-type: none"> Adequate provisions made in project design for project implementation. Intensive implementation support provided to improve execution.
Failure to improve the weak areas of performance in the Rural Development Sector Framework (e.g. access to water for agriculture); access to agricultural research and extension services; access to agricultural inputs and produce markets; and accountability, transparency and prevention of corruption in rural areas).	<ul style="list-style-type: none"> The new policy analysis and dialogue element in the programme, by working in partnership with other development agencies. Promote transparency and good local governance in all projects. 	<ul style="list-style-type: none"> Output from the policy dialogue with the Government and other development agencies. Anti-corruption legislation implemented.
Failure to implement the poverty reduction strategy and the agricultural sector policy.	<ul style="list-style-type: none"> Close monitoring of the implementation of the policy dialogue agenda under the results management framework. Engage proactively in follow up consultations with the government and other development agencies. 	<ul style="list-style-type: none"> Assessment of the performance of the COSOP in relation to policy issues.
Continuous food price hikes and associated potential social unrest.	<ul style="list-style-type: none"> Focus on productivity improvement and development of market-oriented agriculture for smallholders. 	<ul style="list-style-type: none"> Adequate provisions made in project design for project implementation.
Operational and procedural constraints and bottlenecks in the transfer of loan and grant resources from IFIs between central government and regional governments hindering the smooth delivery of the country programme and achievement of the strategic objectives.	<ul style="list-style-type: none"> Consider only supporting central government ministries in sector or subsector projects/programmes. 	<ul style="list-style-type: none"> Delivery of pipeline projects.
Working with central government programmes may result in insufficient involvement of and cooperation with Kabupaten (district) and Kecamatan (subdistrict) authorities.	<ul style="list-style-type: none"> Feasible institutional and implementation arrangements to encourage continued decentralization and delegation of responsibilities to regional government and local communities. 	<ul style="list-style-type: none"> Adequate provisions made in project design for project implementation.
The weak capacity of local governments to manage assets and improve service delivery to the poor.	<ul style="list-style-type: none"> Closer engagement with local governments. Publicize project successes. 	<ul style="list-style-type: none"> Adequate provisions made in project design for project implementation.

COSOP consultation process

1. The COSOP formulation and consultation included the following steps:
 - (a) **Planning and Approval of the COSOP Process:** An initial COSOP formulation plan was prepared in September 2007 with a timeline for the studies, activities and workshops and terms of reference and budget required.
 - (b) **Establishment of a Country Programme Management Team (CPMT):** A CPMT was established in November 2007, with a group of key stakeholders both within IFAD and at country level to provide guidance and feedback when required during the entire cycle of COSOP design and implementation.
 - (c) **Preparation of Draft COSOP:** In October 2007 – April 2008, with three in-country consultations with the government, including a gender sensitive Baseline Poverty Analysis was prepared.
 - (d) **Government Internal Review of the Draft COSOP:** In May 2008.
 - (e) **COSOP Design Mission and Consultation on the draft COSOP:** A Stakeholders Consultation Workshop on the Draft COSOP was organised by Bappenas on 11th June 2008 in Jakarta with participation of representatives from key Government agencies, external development partners and civil society organizations. An aide memoire was signed between the mission and the government; and the COSOP was revised in the light of the comments received.
 - (f) **In-house Reviews:** The Draft COSOP was reviewed within IFAD by a peer review, an OSC review and Quality Assurance Review in October 2008.
 - (g) **Endorsement of the COSOP by Government:** The revised COSOP was submitted to Government for its endorsement in October 2008.
 - (h) **Board Review.** The COSOP will be submitted to the Executive Board for review in December 2008.
2. **Government ownership:** Government took its own initiatives to prepare part of the country strategy, including:
 - An analysis of the government's policies and priorities for rural poverty reduction, agricultural and rural development.
 - Proposed priority sectors/sub-sectors for IFAD support in rural poverty reduction, agricultural and rural development.
 - An assessment of IFAD's value added in rural poverty reduction, agricultural and rural development.
 - Preparation of project proposals for possible IFAD financing during 2009-2013.
 - Detailed review of the draft country strategy.

Country economic background

Land area (km² thousand) 2005 1/	1 812	GNI per capita (US\$) 2005 1/	280
Total population (million) 2005 1/	220.56	GDP per capita growth (annual %) 2005 1/	4
Population density (people per km²) 2005 1/	122	Inflation, consumer prices (annual %) 2005 1/	10
Local currency	Rupiah (IDR)	Exchange rate: US\$1 = 9 300 IDR	
Social Indicators		Economic Indicators	
Population (average annual population growth rate) 1999-2005 1/	1.3	GDP (US\$ million) 2005 1/	87 217
Crude birth rate (per thousand people) 2005 1/	20	GDP growth (annual %) 1/	
Crude death rate (per thousand people) 2005 1/	7	2000	4.9
Infant mortality rate (per thousand live births) 2005 1/	28	2005	5.6
Life expectancy at birth (years) 2005 1/	68	Sectoral distribution of GDP 2005 1/	
Number of rural poor (million) (estimate) 1/	n/a	% agriculture	13
Poor as % of total rural population 1/	n/a	% industry	46
Total labour force (million) 2005 1/	107.21	% manufacturing	28
Female labour force as % of total 2005 1/	38	% services	41
Education		Consumption 2005 1/	
School enrolment, primary (% gross) 2005 1/	117 a/	General government final consumption expenditure (as % of GDP)	8
Adult illiteracy rate (% age 15 and above) 2005 1/	n/a	Household final consumption expenditure, etc. (as % of GDP)	65
Nutrition		Gross domestic savings (as % of GDP)	27
Daily calorie supply per capita	n/a	Balance of Payments (US\$ million)	
Malnutrition prevalence, height for age (% of children under 5) 2004 2/	29	Merchandise exports 2005 1/	86 226
Malnutrition prevalence, weight for age (% of children under 5) 2004 2/	28	Merchandise imports 2005 1/	69 498
Health		Balance of merchandise trade	16 728
Health expenditure, total (as % of GDP) 2005 1/	3 a/	Current account balances (US\$ million)	
Physicians (per thousand people)	0 a/	before official transfers 2005 1/	-1 527
Population using improved water sources (%) 2004 2/	77	after official transfers 2005 1/	929
Population with access to essential drugs (%) 2/	n/a		2
Population using adequate sanitation facilities (%) 2004 2/	55	Foreign direct investment, net 2005 1/	195
Agriculture and Food		Government Finance	
Food imports (% of merchandise imports) 2005 1/	8	Cash surplus/deficit (as % of GDP) 2005 1/	n/a
Fertilizer consumption (hundreds of grams per ha of arable land) 2005 1/	1 360 a/	Total expenditure (% of GDP) 2005 1/	n/a
Food production index (1999-01=100) 2005 1/	117 a/	Total external debt (US\$ million) 2005 1/	38 300
Cereal yield (kg per ha) 2005 1/	4 312	Present value of debt (as % of GNI) 2005 1/	55
Land Use		Total debt service (% of GNI) 2005 1/	6
Arable land as % of land area 2005 1/	13	Lending interest rate (%) 2005 1/	14
Forest area as % of total land area 2005 1/	49	Deposit interest rate (%) 2005 1/	8
Irrigated land as % of cropland 2005 1/	12 a/		

a/ Data are for years or periods other than those specified.

1/ World Bank, *World Development Indicators* database CD ROM 2007

2/ UNDP, *Human Development Report*, 2007-2008

COSOP results management framework

Country Strategy Alignment	Key Results for the COSOP ¹			Institutional/Policy Objectives
Long Term National Development Plan (2005-2025) , Millennium development goals, National Medium Term Development Plan (MTDP) 2004-2009 and Indonesian Agricultural development Programme (2005-2009)	Strategic Objectives (SO)	Outcomes which the COSOP seeks to influence	Milestone Indicators Showing Progress Towards SOs	Policy Dialogue Agenda
<ul style="list-style-type: none"> • Rural population living below the national poverty line reduced from 14.3 % in 1990 to 7.2 % in 2015. • Proportion of underweight children < 5 years of age (weight for age) reduced from 36% in 1992² to 18% in 2015. • Enhanced Agricultural Production and Productivity: Annual agricultural growth 2004-2009, 3.52% p.a. (MTDP). • Increasing access to information and markets (LTNDP). • Population with access to improved water source (from 38.2% in 1990 to 70% in 2015) and access to appropriate sanitation facilities (from 20% in 1990 to 65% in 2015). 	<p>SO1: To improve access to productive assets, appropriate technology and production support services by smallholders, ethnic minorities and other marginalized groups.</p>	<p>In sub-districts receiving IFAD assistance:</p> <ul style="list-style-type: none"> • Proportion of underweight children is below 20% by 2013. • 40% of smallholders report at least 25% increase in crop and livestock production. • Improved performance rating, with a target satisfaction rate of 70% for both men and women- for all service providers (private and public). • At least 80% of the persons trained, including 30% women, have adopted the recommended technologies. • 10% of the target group households assisted to obtain long-term security to their land. 	<ul style="list-style-type: none"> • At least 3 900 self-help and interest groups formed, by type of activity, with at least 80% of them still functional three years after formation. • At least 432,000 persons trained, by sub-sector and gender (with at least 50% of women trainees). • 800 temporary change agents (m/f) trained and operating in target villages. • At least 10% increase in the number of female extension agents. 	<ul style="list-style-type: none"> • Collaboration with IFIs and United Nations agencies ongoing. • Country led strategies focus on inclusive growth and pro-poor resource allocation and policy processes, • Government supports: (i) community approaches to the management of natural resources as well as livelihoods diversification, enhanced resilience to external shocks linked to climate change and global markets; (ii) provision for risk mitigation ; (iii) producers involvement in value chains development; (iv) improvements in the rural investment climate.
	<p>SO2 To improve access to infrastructure, inputs and outputs markets and financial services by smallholders, ethnic minorities and other marginalized groups.</p>	<p>In sub-districts receiving IFAD assistance:</p> <ul style="list-style-type: none"> • 60% of the rural population with access to safe drinking water and 55% with access to improved sanitation by 2013. • 50% of the target population having improved access to markets and marketing information systems. • Post harvest losses 	<ul style="list-style-type: none"> • At least 500 small scale village level rural infrastructure projects constructed and functional, by type. • 50% of the target population having improved access roads to markets. • At least 34,000 persons supported to develop off-farm, non-farm and on- 	<ul style="list-style-type: none"> • Partnerships to ensure access to land and infrastructure investments (e.g. irrigation and roads) and forest-based livelihoods. • Engaging the rural poor and their organizations in evidenced-based policy processes: poverty

¹ Based on a country programme approach, the proposed targets and milestones reflect combined impact from ongoing and prospective new projects. Baselines will be refined following COSOP review and during design of the new projects, as part of efforts to improve M&E systems. Targets and indicators will be refined when the pipeline projects are designed.

² Data are for 1992 not 1990 due to data unavailability.

Country Strategy Alignment	Key Results for the COSOP ¹			Institutional/Policy Objectives
Long Term National Development Plan (2005-2025) , Millennium development goals, National Medium Term Development Plan (MTDP) 2004-2009 and Indonesian Agricultural development Programme (2005-2009)	Strategic Objectives (SO)	Outcomes which the COSOP seeks to influence	Milestone Indicators Showing Progress Towards SOs	Policy Dialogue Agenda
		<p>reduced by 25% for the target population.</p> <ul style="list-style-type: none"> • At least 35% of the target group households with sustainable access to microfinance services and the formal banking sector. • At least 70% of smallholders report an increase in income from agriculture produce marketing. • At least 70% of the target group households reporting increased assets. • New jobs generated for at least 20% of the target group households. 	<p>farm micro-enterprises.</p> <ul style="list-style-type: none"> • At least 50% of the micro-enterprises created being profitable three years from establishment. 	<p>assessments and monitoring, priority setting for public action, policy dialogue, and tracking of results.</p>
<ul style="list-style-type: none"> • Narrowing gaps in development achievements between men and women as measured by the GDI and GEM indicators (MTDP). • Promote equitable regional development and rural economic growth that is pro-poor, socially inclusive and gender sensitive (LTNDP/MTDP). • Decreased violence against women and children (MTDP). • Mainstream gender in all activities. 	<p>SO3: To enhance the capacity of rural poor, especially ethnic minorities and marginalized groups, to engage in local pro-poor, gender-sensitive policy and programming processes.</p>	<ul style="list-style-type: none"> • Implementation of policies that support pro-poor growth in the rural economy and target resources to the poor, including women and ethnic minority groups. • 100% of the targeted villages with improved service delivery. • 100% of the targeted women groups with improved well being and reduced workload • At least 15% of groups with women leaders. • Gap between HDI and GDI reduced by 30%. 	<ul style="list-style-type: none"> • 75% of the target villages preparing Investment Plans in a participatory manner. • Gender training, analysis and impact monitoring in all project activities. • Policy mapping for baseline and initial scoping of required policy adjustments. 	<ul style="list-style-type: none"> • Channel for policy dialogue open between the government and development agencies. • Improved service delivery systems to support pro-growth in the rural economy based on experience and further analysis. • Strengthening capacity of central and local government for evidenced-based policy making in favour of rural poor.

Previous COSOP results management framework

	<i>Status at start</i>	<i>Status at completion</i>	<i>Lessons learned</i>
<p>A. National Strategy for Poverty Alleviation 1997/98:</p> <p>Confronted with an upsurge in poverty and great urgency the Government with massive external assistance, adopted three social safety-net packages:</p> <ul style="list-style-type: none"> • Labour-intensive community-based public works schemes. • Subsidies to control the price of nine basic commodities. • Large programmes to sustain education and health services. <p>Rural specific actions were:</p> <ul style="list-style-type: none"> • <i>P4K</i> micro-credit and institutional support (supported by IFAD since 1987) 	<p>Economy – 1999</p> <ul style="list-style-type: none"> • GNI per capita (Atlas method) US\$580 • Growth rate GDP 0.8% • Agricultural sector growth rate 2.7%. • Consumer price inflation 20.5% • Agriculture GDP contribution 17.2% • Agricultural employment 43% • Total external debt 113% of GNP <p>Poverty - 1999</p> <ul style="list-style-type: none"> • National 23.4% (48.0 million) • Rural areas 26.0% (32.3 million) • Urban areas 19.4% (15.6 million) • Maximum 54.8% Papua • Minimum 4.0% Jakarta • Gini coefficient national 0.317 <p>Human Development 1999 - Value and Ranking (UNDP HDR 2001)</p> <ul style="list-style-type: none"> • HPI-1: 21.3% , 38th out of 90 • HDI: 0.677, 102nd out of 162 • GDI: 0.671, 92nd out of 146 	<p>Economy – 2006¹ data</p> <ul style="list-style-type: none"> • GNI per capita (Atlas method) US\$1,420 • Growth rate: GDP 5.5% p.a. • Agricultural sector growth rate 3.0% p.a. • National inflation rate 6.6% • Agriculture GDP contribution 14 % • Agricultural employment 43% • External debt 49.7% of GNI <p>Poverty – 2004 (most recent data)²</p> <ul style="list-style-type: none"> • National 16.7% (36.2 million) • Rural areas 20.1% (24.8 million) • Urban areas 12.1% (11.4 million) • Maximum 38.7% Papua • Minimum 3.8% Jakarta • Gini coefficient national 0.348 <p>Human Development 2004 - Value and Ranking (UNDP HDR 2006)</p> <ul style="list-style-type: none"> • HPI-1: 18.5% , 41st out of 102 • HDI: 0.711, 108th out of 177 • GDI: 0.704, 81st out of 136 	<p>Economic growth has been, and will continue to be, fundamental to reducing:</p> <ul style="list-style-type: none"> • The incidence of rural poverty (the highest poverty rates are in Eastern Indonesia but the largest numbers of poor are in East and Central Java). • The disparities between the rural and urban areas and between the provinces. • The vulnerability of the 32% of the population that lives above the poverty line but on less than US\$2 per day to falling below the poverty line. <p>Non-income poverty is serious and the delivery of social services and provision of infrastructure is, and will be, fundamental to reducing poverty.</p> <p>Targeting public spending to the poor can assist in income and non-income poverty.</p>

¹ COSOP period was originally 1999-2002 but was not updated until 2007/08 and guided project design until 2006, hence 2006 is used as the end date; employment data August 2006.

² 2004 is the most recent year for which poverty and HDI data are both available.

<p>for 80,000 groups in 12 provinces.</p> <ul style="list-style-type: none"> • <i>IDT</i>, grants to 28,000 less developed villages for distribution to groups. • <i>PKK</i>, block grants to 4,200 <i>kecamatan</i>s mostly for revolving fund credit for village level economic projects. 			
COSOP Strategic Objective			
<p>Strategic Objective 1 Transform the vicious cycle of poverty into a virtuous process of development, in the most critical agricultural areas and for the most destitute segments of the rural population.</p>	<ul style="list-style-type: none"> • IFAD to focus on the rainfed areas (low land and upland) of the poorest provinces where poverty rates are higher than the national average, farmers are unable to achieve food self-sufficiency with their farming activities alone and where other agencies are less willing to work. • IFAD should also continue to focus on micro-credit, with a focus on promoting local capital formation as a key element of a strategy based on building the resilience of the poor. • New investments also to be directed to: (i) labour intensive community-managed rural infrastructure; (ii) development of small enterprises, identifying off-farm income generating operations; and (iii) building local institutions at grass-roots level, with enhanced collaboration with NGOs. • IFAD to expand the target group to include ethnic minority communities, often neglected by Government, landless urban migrants willing to resettle in rural areas, rural youth and alienated or voiceless poor. • IFAD to continue to test new ideas in the 	<ul style="list-style-type: none"> • The 2003 CPE found that the 1998 COSOP was satisfactory in terms of poverty targeting, emphasis on community development and local institution-building, but as well as the subsequent projects did not give the same and necessary emphasis as the Government on rural economic growth based on higher crop and livestock production and greater value added in the rural economy. • The CPE's performance ratings for the five projects that were operating at the start of the COSOP period varied and only EISCDP and P4K/III were assessed as likely to be sustainable. The projects were all assessed as being relevant. 	<ul style="list-style-type: none"> • The need to find new and workable solutions to raising incomes and empowering the poor and the importance of the informal non-farm sector. • The need to ensure a balance between investing in empowering the poor and raising farm and non-farm productivity. • The importance of institution building as the output of participatory processes and as a pre-requisite for the sustainability of community groups. • Savings mobilisation for lending within self-help groups is an important stepping stone before groups and individuals access credit from MFIs and the banking sector. • The need to: (i) support the move from subsistence agriculture towards a market based economy; and (ii) promote the development of markets and market-linkages/ value chain and agro-processing. • Farming systems are location specific

	field of rural poverty alleviation and to have a closer association with NGOs and involvement with the In-Country Resource Group.		and farmers need a range of options. <ul style="list-style-type: none"> The practical and strategic needs of women as a cross-cutting issue. Community participation in village infrastructure investment, O&M contributes to an enhanced sense of ownership and responsibility for the schemes or facilities.
C. IFAD Operations	<p>Five projects had closed and five were ongoing. Performance of the ongoing projects was assessed a by the CPR in July 1998 (see below).</p> <p>Following the 1997/98 financial crisis and depreciation of the IDR the CPR:</p> <ul style="list-style-type: none"> Estimated savings of US\$34 million of which US\$25 million was cancelled for use by new projects. Reallocated costs - East Java Rainfed Agriculture Project (EJRAP), EISCDP and EISFSLDP. Increased IFAD financing percentages for EISCDP, EISFSLDP and P4K/III. 	<ul style="list-style-type: none"> Five projects closed during the COSOP period: South Sumatera Smallholder Tree Crops Development Project (SSSTCDP), EJRAP, P4K/III (Pembinaan Peningkatan Pendapatan Petani Kecil), the Eastern Islands Smallholder Cashew Development Project (EISCDP), Eastern Islands Smallholder Farming Systems and Livestock Development Project (EISFLDP) (see below for findings of the 2003 CPE which assessed their performance). Ongoing projects are: PIDRA and READ (see below under portfolio performance for status). Awaiting appraisal: <i>PNPM</i>. East Kalimantan Local Communities Empowerment Programme (EKLCEP) became effective during the COSOP period was cancelled in 2006 without a disbursement of the IFAD loan because MOF would not transfer the IFAD loan funds to West Kutai <i>kabupaten</i> as a grant. In 2003 the CPE had assessed the project design as likely to lead to sustainability and gave the project a rating as overall satisfactory. 	<ul style="list-style-type: none"> To improve project effectiveness, impact and sustainability adequate implementation support is necessary.
D. IFAD Performance			
Policy Dialogue	<p>In dialogue with <i>BAPPENAS</i> and MOA and in coordination with World Bank, AsDB and In-Country Resource Group IFAD to focus on improving the efficiency of poverty reduction through:</p> <ul style="list-style-type: none"> A genuine decentralisation of project management. Association with civil society organizations for programme/ project implementation. Formation of co-operatives at the grass root level. 	<p>The CPE found that:</p> <ul style="list-style-type: none"> IFAD was not materially engaged in policy dialogue with the Government, or other external agencies on rural development and poverty reduction issues; and is a missed opportunity. IFAD alone may not have the capacity (lack of country presence, small lending programme and lack of analytical capacity) to gain credibility in dialogue and to contribute effectively to policy reform. <p>The new READ project has US\$0.5 million of grant funds to support these activities.</p>	<ul style="list-style-type: none"> Attention to knowledge generation, policy analysis, policy dialogue and advocacy based on the experience from field operations should have a high priority in the new COSOP IFAD needs to work with other agencies when engaging in analytical work and policy dialogue.
Partnerships	The COSOP envisaged the following new partnerships:	Partnerships envisaged by the COSOP have not been developed. However,	<ul style="list-style-type: none"> Grant financing is essential for the TA required for capacity building

	<ul style="list-style-type: none"> • Policy dialogue to be in coordination with World Bank and AsDB and through the In-Country Resource Group. • IFAD to explore partnership with WFP for labour intensive rural infrastructure construction using food-for-work. • Despite delays with nationally executed co-financed TA IFAD to continue its relationship with UNDP due to its coordinating role in respect of poverty reduction. • IFAD to promote a closer link with AusAID whose programme is geared to poverty reduction, NTT, NTB and micro-finance. • At a later stage IFAD to approach the Overseas Economic Cooperation Fund whose programme focuses on capital intensive infrastructure projects. • IFAD to associate with an international agro-forestry institution if a new project is developed in the forest areas of Kalimantan. 	<ul style="list-style-type: none"> • AsDB continued co-financing P4K/III and the CPR in 2006 noted that there was the possibility for renewed collaboration with AsDB following the end of P4K3. • IFAD is developing a partnership with the World Bank to co-finance <i>PNPM</i> activities, with an emphasis on Papua and West Papua. • IFAD collaborated with the UNDP, Papua Development Programme, in identifying proposals for <i>PNPM</i>. • There were discussions between PIDRA and WFP over future collaboration. 	<p>and implementation support.</p> <ul style="list-style-type: none"> • Co-financing/parallel financing arrangements complicate the process of project design and implementation e.g. MTR of P4K/III and run counter to the principal of having simple projects. • There is a need to establish and develop strategic partnerships with committed NGOs and community-based organizations with a good track record of working with the poor.
<p>Portfolio Performance</p>	<ul style="list-style-type: none"> • EJRAP introduced a replicable model for soil conservation accompanied by an integrated approach to food crop/cash crop/livestock development. The MTR recommended possible replication in other rainfed areas. • The performance of the SSSTCDP was unsatisfactory as farmers had lost confidence due to a failure of the coconut planting and subsequent attempts to rectify the situation. Early closure of the Loan was agreed. • The main component of EISCDP, cashew development seemed to be proceeding well, while little progress was reported with the social development components and had not been able to adopt a genuine participatory approach. The benefits of devaluation were not being passed on to the farmers because of Government's trade policies. 	<ul style="list-style-type: none"> • EJRAP: Relevance - Substantial Effectiveness - Modest Efficiency – Modest Impact on Institutional Development – Modest Impact on Women – Substantial Impact on Poverty – Modest Sustainability – Highly Unlikely Overall Project Outcome – Unsatisfactory These findings are in marked contrast to those of the assessment at the start of the COSOP. • SSSTCDP: Relevance - Substantial Effectiveness - Negligible Efficiency – Negligible Impact on Institutional Development – Modest Impact on Women – Negligible Impact on Poverty – Modest Sustainability – Highly Unlikely Overall Project Outcome – Unsatisfactory As agreed at the start of the COSOP period this project was 	<ul style="list-style-type: none"> • For co-financed projects IFAD should participate in all Review or Supervision Missions. • The two or more external financiers must undertake major review exercises e.g. MTR jointly to provide a consistent and comprehensive analysis and set of recommendations and to avoid over burdening project staff. • To be useful MTR reports must follow the standard format to be useful so as to avoid the type of MTR that IFAD prepared for P4K-Phase III. • The CPE analysis should include an assessment of the relative costs and benefits of the projects being evaluated. A crude cost per beneficiary comparison without any assessment of benefits is one sided

	<ul style="list-style-type: none"> • The activities of the EISFSLDP were having a positive impact on household incomes. Increasing activity of farmers groups and the active involvement of women were achieving social development. Coordination among different DGs was also a positive finding. Issues related to the decentralisation of project implementation to the <i>kabupatens</i> and the need for extra staff. • P4K/III was declared effective at the time of the CPR and followed P4K/II which closed in June 1998. The P4K approach was considered as one of IFAD's most effective poverty reduction project in Indonesia and Government was thinking of adopting the methodology for targeting and group formation for its poverty reduction programmes. 	<p>closed early due to the unsatisfactory performance.</p> <ul style="list-style-type: none"> • EISCDP: Relevance – High Effectiveness - Substantial Efficiency – Substantial Impact on Institutional Development – Modest Impact on Women – Negligible Impact on Poverty – Substantial Sustainability – Likely Overall Project Outcome –Satisfactory • EISFSLDP: Relevance – Substantial Effectiveness - Modest Efficiency – Modest Impact on Institutional Development – Modest Impact on Women – Negligible Impact on Poverty – Modest Sustainability – Unlikely Overall Project Outcome – Unsatisfactory • P4K/III: Relevance – High Effectiveness - Substantial Efficiency – Substantial Impact on Institutional Development – Modest Impact on Women – Substantial Impact on Poverty – Substantial Sustainability – Likely Overall Project Outcome –Satisfactory • PIDRA: The CPE in 2003 assessed the Overall Project Outcome as Unsatisfactory and Sustainability as Unlikely. In 2006, after the MTR, the CPR noted: .. <i>PIDRA is a good programme that performed very well in the first phase of its operation...</i> ... <i>the people in the targeted villages improved their food security and increased their incomes....</i> However, the MTR process associated with the Flexible Lending Mechanism resulted in an 18 month plus hiatus in IFAD funding and a reduced programme in 2005 and 2006. • READ 	<p>and can lead to misleading conclusions.</p> <ul style="list-style-type: none"> • The MTR process for PIDRA under the FLM was time consuming, complex and delayed implementation e.g. the need to embark on a new round of recruitment for NGOs. • IFAD loan funds for poverty reduction projects should be transferred to local governments as grants. • An in country annual portfolio review process is necessary and has just been introduced (2007). • IFAD requires an in country presence at a senior level to participate in policy dialogue. • Even on an exceptional basis IFAD should not submit projects for EB approval before the financing has been negotiated. • IFAD should take care when specifying disbursement conditions to avoid delaying unrelated activities. • IFAD should minimise the number of times it reviews documents (e.g. TOR for preparing an agreement, the draft and final agreements) to avoid delays as negligible value is added. • IFAD should minimise the number of subsidiary agreements, which are time consuming to prepare, translate and submit to IFAD for approval, to avoid implementation delays. • Where an institution or NGO is employed under a standard IFAD approved contract no separate implementation agreement should
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		<p>EB approval was in December 2004 without the loan having been negotiated Reformulated in 2006 with EB approval in December 2006 Not yet effective as of September 2008 so no results from implementation.</p>	<p>be required. Contracts should include all the provisions required.</p>
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Project Pipeline for the COSOP period

In order to achieve the agreed SOs and the expected impact of the country programme, it is proposed to take a programmatic approach to the development of the pipeline projects. It is expected that during the COSOP period, IFAD will process 2 to 3 projects with complementary objectives and similar components to support smallholder agricultural productivity improvement, while the scope, sub-sector focus, geographical target area, institutional arrangements, size of financing and processing schedule may vary, depending on the nature of the projects.

The following is the outline of the Project Concept Notes with a manual of options for these projects.

Smallholder Agriculture Productivity Improvement Programme in Eastern Indonesia (SAPIP)

Possible Geographical Area of Intervention:	Selected provinces to be identified in Eastern Indonesia.
Target Group:	The poor, food insecure and ethnic minority communities in rainfed, upland, coastal and other marginalised areas with high incidence of rural poverty.
Justification and Rationale:	As agreed with the government during the formulation of the COSOP, it was agreed that in line with the future strategic focus of the government in its agricultural development strategy and programmes, the new country programme will focus on smallholder agricultural development in Eastern Indonesia for rural poverty reduction and agricultural and rural development, in view of the mandate and experience of IFAD in this area. In the context of the recent changes in commodity supply and demand conditions, the new country programme will focus on improved agricultural productivity, increased food crop production, income diversification, enhancement of the competitiveness of agricultural smallholders and producers secure access to land for the rural poor and access to markets.
Proposed Key Programme Development Goal and Objective:	In line with the strategic objectives of the COSOP of 2009-2013, the proposed programme goal is: Rural poverty reduction in the programme target area. The proposed programme objective is: Improved agriculture productivity for smallholders and economic and social empowerment of the rural women and man in the target area to achieve enhanced food security and increased incomes by: (a) improving their access to productive assets, support services for on-farm and off-farm productivity improvement, infrastructure, markets and financial services; (b) building up their social capital and bargaining power; and (c) supporting Government's efforts in pro-poor, evidence-based policy making.
Ownership, Harmonisation and Alignment:	The programme proposal is fully in line with the strategic objectives of the COSOP of 2009-2013, which is owned by the government, and harmonised and aligned with the government Medium Term Development Plan 2004-2009, the Long Term National Development Plan 2005 – 2025 and 2020 Vision and Agricultural Sector Policy. The programme will contribute to the government strategic focus of agricultural development strategy, but would not be part of a SWAP arrangement as at present there is no SWAP ready for the agricultural sector in the country.
Components and Activities:	The detailed components and activities of the programme will be designed during programme design. The broad areas for interventions would include: <ul style="list-style-type: none"> • Improvement of access to productive assets, productive support services for on-farm and off-farm productivity improvement, infrastructure, markets and financial services. • Increase of food crop production, enhancement of the competitiveness of agricultural smallholders and producers through low cost technology transfer. • Intensification and diversification of agricultural production, sources of income and food consumption. • Improvement of management of productive assets and natural resources. • Improvement of the effectiveness of productive service delivery by private and public providers to respond to the priorities of the smallholders. • Increase of land available for food and agricultural cultivation and securing of land tenure

	<p>for the rural poor.</p> <ul style="list-style-type: none"> • Post harvest management, access to markets, small rural enterprise development and value chain development. • Improvement of skills for non-farm employment generation. • Support to community-based sustainable use of forests, including non-timber forest products. • Investment in key small-scale rural infrastructure at village level and other public goods that can improve the livelihoods and agricultural production of the rural poor. • Reduction of vulnerability of the smallholders to external shocks associated with climate change and variability, natural disasters and global markets, e.g. combating increasing weather insecurities and recurrent droughts. • Empowerment and social capital development of the rural poor and their organizations through formation and capacity building of community based affinity groups. • Enhancement of the role of women as agents of change and bring about a gradual transformation of gender relations in the process of social and economic development in the context of Indonesia. • Strengthening of the capacity of central and local government for evidenced-based policy making in favour of rural poor.
Proposed Programme Duration, Costs and Financing:	The programme duration would be about 6-7 years. IFAD loan of about US\$30.0-35.0 million; Government counterpart contribution of about US\$5.0-7.0 million; and beneficiary contribution of about US\$2.0 million in cash or in kind.
Organization and Management:	Central Government programme with the Food Security Agency of the Ministry of Agriculture acting as the Programme Lead Agency for design and implementation for the first SAPIP. The project designs will ensure to make feasible institutional and implementation arrangements to allow central government agencies to delegate responsibility and accountability to regional governments to deliver services to the poor in agriculture and rural development and implement decentralised poverty reduction programmes. Working with local governments to strengthen the effectiveness of their capacity and systems will be a priority. The executing agency for second and third project will depend on the nature of the project designs.
M&E Indicators:	<p>(a) The indicators for the M&E system:</p> <ul style="list-style-type: none"> • Proportion of underweight children is below 20% by 2013 • 40% of smallholders report at least 25% increase in crop and livestock production. • Improved performance rating, with a target satisfaction rate of 70% for both men and women- for all service providers (private and public). • At least 80% of the persons trained, including 30% women, have adopted the recommended technologies. • 10% of the target group households assisted to obtain long-term security to their land. • 60% of the rural population with access to safe drinking water and 55% with access to improved sanitation by 2013. • 50% of the target population having improved access to markets and marketing information systems. • Post harvest losses reduced by 25% for the target population. • At least 35% of the target group households with sustainable access to microfinance services. • At least 70% of smallholders report an increase in income from agriculture produce marketing. • At least 70% of the target group households reporting increased assets. • New jobs generated for at least 20% of the target group households. • Implementation of policies that support pro-poor growth in the rural economy and target resources to the poor, including women and ethnic minority groups. • 100% of the targeted villages with improved service delivery. • 100% of the targeted women groups with improved well being and reduced workload • At least 15% of groups with women leaders. • Gap between HDI and GDI reduced by 30%. <p>(b) The investment of programme will be aligned to achieve the proposed targets.</p>

	(c) Baseline survey will be undertaken in Programme Year 1. (d) The reporting system and procedures will be harmonised with the government systems.	
Risks and Risk Management:	Risk	Risk Management Measure
	Smallholders and their organizations, the service providers (public and private sector and NGOs) and government institutions managing and coordinating project activities lack sufficient implementation capacity and are not sustainable at the end of projects.	<ul style="list-style-type: none"> Continue to provide training and technical assistance to build the institutional capacity of all these groups and organizations. Using temporary village change agents and embedding agricultural extension expertise into the village organizations; and integrating smallholders with the commercial agriculture sector. Improved capacity of these groups and organizations are foundation of their sustainability.
	Failure to improve the weak areas of the performance in the Rural Development Sector Framework (e.g. access to water for agriculture namely; access to agricultural research and extension services; access to agricultural inputs and produce markets; and accountability, transparency and corruption in rural areas).	<ul style="list-style-type: none"> The new policy analysis and dialogue element in the programme, by working in partnership with other development agencies. Promote transparency and good local governance in all projects.
	Failure to implement the poverty reduction strategy and the agricultural sector policy.	<ul style="list-style-type: none"> Close monitoring of the implementation of the Results Management Framework policy dialogue agenda. Engage proactively in follow up consultations with the government and other development agencies.
	Continuous food price hikes and associated potential social unrest.	<ul style="list-style-type: none"> Focus on productivity improvement and development of market oriented agriculture for smallholders.
	Operational and procedural constraints and bottlenecks in the transfer of resources of loans and grants from IFIs from central government to regional governments hindering the smooth delivery of the country programme and achievement of the SOs.	<ul style="list-style-type: none"> To consider only supporting central government ministries in sector or sub-sector projects/programmes.
	Working with central government programmes may result in insufficient involvement of and cooperation with Kabupaten (district) and Kecamatan (sub-district) authorities.	<ul style="list-style-type: none"> Feasible institutional and implementation arrangements to encourage continued decentralisation and delegation of responsibilities to regional government and local communities.
	The weak capacity of local governments to manage assets and improve service delivery to the poor.	<ul style="list-style-type: none"> Closer engagement with local governments and through publicising project successes.
Programme Processing Schedules:	<p>First Project:</p> <ul style="list-style-type: none"> Government review of the programme proposal in third quarter of 2008. Socio-economic study in the third/fourth quarter of 2008 to identify technical, social and economic constraints and opportunities, mapping of land availability, land use planning for agriculture and selection of target provinces, districts and sub-districts as the potential programme area. Data from the WFP Food Security Atlas to be ready by end of December 2008. Design Mission in first/second quarter of 2009. Finalisation of project design in second/third quarter of 2009. Loan negotiations in fourth quarter of 2009. Submission of project for IFAD Executive Board approval in April 2010. Programme implementation in second quarter of 2010. <p>Second Project:</p> <ul style="list-style-type: none"> Socio-economic study in 2010 to identify technical, social and economic constraints and opportunities, mapping of land availability, land use planning for agriculture and selection of target provinces, districts and sub-districts as the potential programme area. 	

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| | <ul style="list-style-type: none">• Design Mission in first/second quarter of 2010.• Finalisation of project design in 2010.• Loan negotiations in early 2011.• Submission of project for IFAD Executive Board approval in April 2011.• Programme implementation in second quarter of 2011. <p>Third Project:</p> <ul style="list-style-type: none">• Socio-economic study in 2011 to identify technical, social and economic constraints and opportunities, mapping of land availability, land use planning for agriculture and selection of target provinces, districts and sub-districts as the potential programme area.• Design Mission in first/second quarter of 2011.• Finalisation of project design in 2012.• Loan negotiations in early 2013.• Submission of project for IFAD Executive Board approval in September 2013.• Programme implementation in late 2013. |
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Key file 1: Rural poverty and agricultural/rural sector issues

Priority Areas	Affected	Major Issues	Actions Needed
Poverty reduction	Rural communities.	<ul style="list-style-type: none"> • Incidence of poverty in rural areas higher than in urban areas. • Incidence of poverty higher in Eastern Indonesia than elsewhere, although the greatest numbers of poor people are to be found in Java. • A high proportion of the rural population is living just above the poverty line and so vulnerable to falling into poverty. 	<ul style="list-style-type: none"> • Policies, strategies and investment that focus on sustainable improvements in agricultural productivity and increasing non-farm employment in rural areas. • Continuing special focus on Eastern Indonesia. • Welfare assistance for those unable to benefit from improved agricultural productivity and increasing non-farm rural employment.
Community self-help capacity	Most upland and coastal communities and poorer groups within communities.	<ul style="list-style-type: none"> • Low capacity to plan, finance and manage activities within government structures at village level. • A lack of community participation in formulating, financing and implementing development activities leading to a lack of sustainability and a dependency on government. • Inefficient use of government funds due to corruption and leakages. • Gender inequality. 	<ul style="list-style-type: none"> • Use participatory procedures to plan, finance and manage development activities along the lines KDP has introduced. • Develop capacity of the local communities to engage successfully with government, business and financial entities. • Mainstream gender in all activities.
Working with different cultures	Many rural communities in Eastern Indonesia	<ul style="list-style-type: none"> • Divergence between traditional (<i>adat</i>) and government administrative systems at village level can hinder development. • Lack of understanding of livelihoods systems and culture of the indigenous population. 	<ul style="list-style-type: none"> • Involve the traditional (<i>adat</i>) leaders in the development process. • Service providers must understand the local culture e.g. Melanesian culture.
Agricultural productivity and rural productivity	<ul style="list-style-type: none"> • Subsistence-oriented and small-scale plantation crop farmers. • Farmers in marginal upland areas. • Coastal communities. • Farmers in forest areas. 	<ul style="list-style-type: none"> • Low returns to annual and plantation crop production, inadequate management systems and inability to add value through processing and marketing. • Limited knowledge of appropriate and modern agricultural practices. • Lack of effective extension and research outreach for agriculture. • Limited and poorly organised marketing and market information systems. • Poor techniques used on sloping land, thus semi-shifting cultivation systems show low and declining productivity. • Moving of farming land, particularly in forest areas. • In Papua and West Papua multiple, overlapping, uncoordinated and short-term government and donor programmes leading to confusion, apathy, conflict, dependency and a lack of sustainability. • Destructive and unsustainable fishing techniques. 	<ul style="list-style-type: none"> • Producers to acquire improved technology and management systems to improve production and productivity while avoiding environmental degradation. • Create effective links between small producers and public and private sector sources of technical support and market outlets. • Introduce better off-farm income generating options. • Ensure future programme activities are coordinated effectively with those of other agencies and continue providing support long enough to be sustainable. • Introducing and training forest farmers on permanent farming land. • Implement existing fisheries and environmental legislation. • Train fishermen to apply sustainable techniques. • Train farmers to apply post harvest management and supply of equipment. • Encourage local governments to place agricultural extension as one of its development priorities.
Marketing of Inputs/Outputs	Rural communities	<ul style="list-style-type: none"> • Lack of supply of production of inputs. • Lack of access to markets on favourable terms and conditions to the local producers. 	<ul style="list-style-type: none"> • Develop agents to supply production inputs to local communities. • Develop marketing cooperatives.
Rural finance	All poor farmers and rural people but marginal	<ul style="list-style-type: none"> • Weak policy support and regulation. • No effective rural financial institutions. • Provision of collateral required to obtain small loans. 	<ul style="list-style-type: none"> • National policy dialogue on micro-finance development, including finance for rural areas. • Availability of short, medium and long-term loans for

Priority Areas	Affected	Major Issues	Actions Needed
	upland and coastal areas most disadvantaged.	<ul style="list-style-type: none"> Reluctance of commercial banks to extend credit to small farmers, particularly for medium-term investments. Failure to mobilise savings at community level. Negative experience with past credit initiatives and absence of a banking culture among farmers and fishermen. No opportunities for farmers to access credit facilities. 	<p>production and investment for farmers and SMEs.</p> <ul style="list-style-type: none"> Banks to provide innovative financial products to overcome access and collateral difficulties. Upgrade banks staff skills to engage with small farmers Enhanced role for agribusiness SMEs in providing finance for farmers. Develop savings and financial management culture amongst rural people. Develop and improve local micro financial institutions in rural areas.
Security of land tenure	Marginal upland and indigenous communities.	<ul style="list-style-type: none"> Insecure land tenure due to poor access to registration facilities. Insecure land tenure where traditional <i>adat</i> tenure systems conflict, and in places overlap, with the formal system of land titles. Traditional systems of tenure vulnerable to takeover in commercial and cultural conflict situations. Traditional tenure unsuited for use as collateral. 	<ul style="list-style-type: none"> Raise awareness of indigenous communities to land tenure issues. Assist with process of land ownership demarcation, mapping and registration in vulnerable communities.
Rural Infrastructure	Inaccessible upland, coastal areas most disadvantaged.	<ul style="list-style-type: none"> Deteriorated or no rural infrastructure in many locations (e.g. access and farm production roads, jetties, drinking water supply schemes, markets etc.). Lack of irrigation systems in many lowland areas with irrigation potential. Lack of community involvement in provision of local infrastructure leading to lack of ownership. Lack of appropriate arrangements for O&M of rural infrastructure. 	<ul style="list-style-type: none"> Build and upgrade rural access and farm production roads and efficient, small-scale irrigation schemes, where technically appropriate and cost-effective. Build and upgrade other rural infrastructure in line with community requirements. Ensure that infrastructure investments are cost effective, without adverse environmental impacts and include appropriate arrangements for O&M.
Employment opportunities	All poor rural people.	<ul style="list-style-type: none"> Few on and off-farm employment opportunities the rural and coastal areas. 	<ul style="list-style-type: none"> Establish new small and medium enterprises and expand existing enterprises where market opportunities exist to increase employment and household incomes. Improve employment skills of poor people.
Education	Inaccessible upland, coastal areas most disadvantaged.	<ul style="list-style-type: none"> Low adult literacy rate, low school attendance and high dropout rates. Education not relevant and not synchronised with agricultural year. Vocational training not widely available. Junior and senior high schools are far from remote villages and lack dormitories, especially for girls. Despite being a local government priority funding has not been provided accordingly. 	<ul style="list-style-type: none"> Provide better facilities e.g. rural extension centers/<i>BPPs</i> and village based extension services for agricultural extension activities in villages. Make curriculum more relevant to rural conditions. Local government to implement stated policy concerning support for education e.g. budget for scholarships for children from remote villages to attend junior high school and to provide dormitories, especially for girls, at junior and senior high schools.
Health	Inaccessible upland, coastal areas most disadvantaged.	<ul style="list-style-type: none"> Health standards are worse than in other parts of Indonesia. Health facilities in rural areas often lack staff, equipment and medicines. Malaria and TB are endemic. Papua and West Papua have the highest per capita HIV/AIDS incidence in Indonesia. Despite being a priority local government has not provided funding accordingly: service provision is costly in remote areas. 	<ul style="list-style-type: none"> Provide additional budgets, expertise and infrastructure for the distribution of equipment and medicines. Ensure existing facilities are staffed and that mobile facilities are operational. Education, testing, counselling and retroviral medicines to tackle HIV/AIDS epidemic in Eastern Indonesia.

Key file 2: Organizations matrix (strengths, weaknesses, opportunities and threats [SWOT] analysis)

Organization	Strengths	Weaknesses	Opportunities/Threats	Remarks
Enablers				
State Ministry for National Development Planning (BAPPENAS)	<ul style="list-style-type: none"> Key national policy development role with competence for national development planning and strategy formulation. Key role in coordinating multilateral development assistance. 	<ul style="list-style-type: none"> Less influential now MOF no longer on-granting all funds from international financing agencies to the provinces and <i>kabupatens</i>. Does not have the capacity to be involved in preparing detailed sector policies. 	<ul style="list-style-type: none"> Can play an enabling, facilitating and coordinating role in developing poverty reduction programmes. Can help formulate development strategy for an international financial institution. Opportunity to work with IFAD on the preparation of the new COSOP. 	<ul style="list-style-type: none"> Taking the lead in preparing the new COSOP for 2009-2013.
Bank Indonesia	<ul style="list-style-type: none"> Independent Central Bank in charge of monetary policy, maintaining a fluid payment system and managing and supervising the banking system. Policy roles in supporting the capacity building for local financial institutions and in providing financial services for SMEs. 	<ul style="list-style-type: none"> Previously has acted too slowly in times of financial crisis. Bank supervision has been weak. 	<ul style="list-style-type: none"> Capable of playing an enabling and facilitation role and supporting capacity building of banks participating in the new IFAD programme. 	
Ministry of Finance (MOF)	<ul style="list-style-type: none"> Well developed and generally efficient financial management system for use of IFAD funds to finance programme activities. Capacity to support decentralised project implementing agencies to establish and operate financial management systems. 	<ul style="list-style-type: none"> Very bureaucratic. Possible requirement that IFAD funds for poverty reduction are provided as loans and not grants to the <i>kabupatens</i> is inappropriate as these investments are not cost recovery projects and do not generate revenue for the local governments except in the very long-term. 	<ul style="list-style-type: none"> Can manage the Special Account, flow of funds and withdrawal applications. 	<ul style="list-style-type: none"> IFAD funds for poverty reduction should be provided as grants to provinces and <i>kabupatens</i>.
Ministry of Agriculture (National)	<ul style="list-style-type: none"> As a national policy is promoting agribusiness as the means for productivity and income growth in agricultural sector. Wide range of technical and administrative capabilities. 	<ul style="list-style-type: none"> In process of changing roles to one of enabling and promoting development rather than direct implementation. Not responsible for key agricultural functions, e.g. marine affairs and fisheries, forestry, land registration. The Strategic Plan of Regional and Central Governments for agriculture have not been integrated and assessed. Regional Budget (<i>APBD</i>) for agriculture is small (less than 5%). 	<ul style="list-style-type: none"> Now needs to focus on the policy, regulatory, advisory, coordination and monitoring functions. Now needs to develop policies that promote pro-poor development as well as agri-business development. Regional governments have greater responsibilities now for designing, formulating and implementing their plans to develop their regions. Efforts to respond to outbreaks of pest and animal diseases. 	<ul style="list-style-type: none"> Important coordination role for ongoing IFAD projects and also for pipeline projects. MOA has been spending heavily to recruit farmer facilitators in

Organization	Strengths	Weaknesses	Opportunities/Threats	Remarks
		<ul style="list-style-type: none"> Development has not followed land use planning. Some endemic pest and animal diseases. 	<ul style="list-style-type: none"> Local governments need to be aware of the importance of agricultural extension. 	order to meet "one village, one extension worker target".
Ministry of Forestry and Ministry of Marine Affairs and Fisheries	<ul style="list-style-type: none"> Wide range of technical and administrative capabilities. 	<ul style="list-style-type: none"> In process of changing roles to one of enabling and promoting development rather than direct implementation. 	<ul style="list-style-type: none"> Now need to focus on the policy, regulatory, advisory, coordination and monitoring functions. Now need to develop policies that promote pro-poor development. Regional governments have greater responsibilities now for designing, formulating and implementing their plans to develop their regions. 	<ul style="list-style-type: none"> These Ministries may have a role in coordinating future IFAD projects.
Ministry of Home Affairs – Directorate general for Village and Community Empowerment	<ul style="list-style-type: none"> Mandate for community empowerment. Wide experience of community empowerment through the <i>Kecamatan</i> Development Program. Extensive experienced in working with international agencies e.g. World Bank and in using of consultants. 	<ul style="list-style-type: none"> Very bureaucratic. Decentralisation has broken the line of command from Jakarta to the BPMDs in the provinces and <i>kabupatens</i>. Lacks understanding of the situation and culture in the rural areas of Eastern Indonesia. 	<ul style="list-style-type: none"> Lead agency for the new National Programme for Community Empowerment which will cover all <i>kecamatan</i>s in 2009. 	<ul style="list-style-type: none"> Key agency for the IFAD component of <i>PNPM</i>.
State Ministry for the Development of Disadvantaged Regions	<ul style="list-style-type: none"> Good definition of disadvantaged regions based on poverty, service availability, budgetary allocation, disasters etc. Policy exists for the development of disadvantaged regions. Experience of projects financed by international financial institutions. 	<ul style="list-style-type: none"> Lacks capacity and relies on national consultants to undertake key activities. No presence outside Jakarta as only a coordinating agency with projects and programme implemented by decentralised agencies using the Ministry's budget and/or funds from other agencies. 	<ul style="list-style-type: none"> Using experience and lessons learned to develop investment models suitable for use in developing disadvantaged regions. 	
National Land Administration Agency	<ul style="list-style-type: none"> National Land Policy Framework recently formulated with <i>BAPPENAS</i>. Presence in all <i>kabupatens</i>. 	<ul style="list-style-type: none"> Slow and expensive process for conferring titles. Capacity insufficient to meet demand. Conflicts between formal titles and <i>adat</i> land use arrangements in areas with indigenous communities. Needs to accept maps of traditional land ownership prepared in a participatory way and using modern mapping techniques. 	<ul style="list-style-type: none"> Following decentralisation, village administrations should be responsible for preparing land tenure maps. Need to ensure that <i>adat</i> land use arrangements do not conflict with formal titles. Individuals can apply for title. 	<ul style="list-style-type: none"> IFAD can work with BPN to increase the rate that titles are issued where IFAD is providing assistance.
Audit Board	<ul style="list-style-type: none"> Internal Government Auditor. Independent of other government agencies and decentralised. 	<ul style="list-style-type: none"> Corruption has been a problem in some instances. Outside review identified examples of 	<ul style="list-style-type: none"> Auditor for on-going and planned IFAD projects. Able to audit IFAD project accounts 	<ul style="list-style-type: none"> Project will need to send a letter of

Organization	Strengths	Weaknesses	Opportunities/Threats	Remarks
	<ul style="list-style-type: none"> • Adequate competent staff and budget. • Audits government agencies and projects financed by international agencies. • Familiar with international auditing guidelines and the audit requirements of AsDB and World Bank financed projects. • Has received technical assistance from World Bank and AsDB. • Notifies the President of its audit results at least once a year. 	<p>poor quality work.</p>	<p>with the costs financed from their regular budget.</p>	<p>instruction (c.c. MOF and PMD) at the start of the project so BPKP can plan their audits.</p>
BULOG (Bureau of Logistics)	<ul style="list-style-type: none"> • The main mandate is to control food security through stabilizing the price of rice and rice stock at consumer and producer levels to ensure sufficient food supply in all regions in Indonesia. • Long history of intervention on stabilisation of market rice prices with wide and extensive storage facilities nationwide. 	<ul style="list-style-type: none"> • Limited to rice only. 	<ul style="list-style-type: none"> • Potential partnership in post harvest loss management. • Linkage with smallholder producers of rice in marketing and storage. 	<ul style="list-style-type: none"> • Logistical support to smallholder producers of rice in post harvest loss management, marketing and storage.
Provincial governments	<ul style="list-style-type: none"> • Attuned to provincial issues and priorities. • Wide powers and strong fiscal position for those with Special status (Aceh, Papua and West Papua). • Involved in participatory development through the <i>Kecamatan</i> Development Program (KDP). • 	<ul style="list-style-type: none"> • Poor outreach and limited capacity. • Unfamiliar with commercial development issues. • Reduced role due to decentralisation process. • Weak budgeting, planning, monitoring, knowledge management, procurement, administration, financial management, tax collection and communications. • Lack ability to raise revenue locally. 	<ul style="list-style-type: none"> • Potential to provide leadership in development of participatory processes and rural poverty reduction. • Can provide some technical and policy support to <i>kabupatens</i>. • Full management commitment to the principles of good governance necessary, including regular audits. 	<ul style="list-style-type: none"> • Coordination role in the implementation of the IFAD programme.
Kabupaten Governments	<ul style="list-style-type: none"> • Elected by and legally responsible to communities. • Important development and administrative role following decentralisation. • Recipient of substantial government revenues. • Sub-national governments and local authorities and formal village institutions should play an important 	<ul style="list-style-type: none"> • Unfamiliar with commercial development issues and participatory development approaches. • Few independent sources of revenue. • Sub-optimal capacity and performance (old and new <i>kabupatens</i>), including weak financial management, lack of transparency, limited technical capacity, use of staff etc. • Agricultural extension services defunct. 	<ul style="list-style-type: none"> • Opportunity to provide services that meet the needs of local communities. • Opportunity to develop programmes driven by community demands. • Requirement to improve capacity for maintenance of rural infrastructure. • Requirements to improve farmers' and agricultural extension staff's facilities. • Requirements to improve capacity of 	<ul style="list-style-type: none"> • Key agencies for implementation of IFAD programme.

Organization	Strengths	Weaknesses	Opportunities/Threats	Remarks
	<p>facilitating role in project coordination and to some extent project implementation.</p> <ul style="list-style-type: none"> Some have experience with the World Bank assisted KDP and other development initiatives. 	<ul style="list-style-type: none"> Majority of expenditure routine rather than for development. 	<p>sub-national governments and local authorities and formal village institutions.</p>	
Kecamatan offices	<ul style="list-style-type: none"> Local knowledge. Some have experience with the World Bank assisted KDP and other development initiatives. 	<ul style="list-style-type: none"> Lack of capacity and facilities especially in recently established <i>kecamatan</i>s. 	<ul style="list-style-type: none"> Opportunities to support the village administrations and <i>BMK</i>s. Requirements to support <i>BPP</i>s. 	<ul style="list-style-type: none"> Key level for implementing development activities.
Service Providers				
Banks (Bank Rakyat Indonesia), Regional Development Banks and Rural Credit Banks)	<ul style="list-style-type: none"> Offices throughout the major rural centres. Good performance ratings. Well supervised by Bank Indonesia. Bank Indonesia is one of the country's think tanks with enormous financial resources spent for research in agricultural profitability, market studies, financial viability and marketing studies etc. To partner with Bank Indonesia, which has branch offices in all provinces and in some capitals of <i>Kabupaten</i>, would become an asset for IFAD's interventions. State-owned <i>Bank Rakyat Indonesia</i>, the provincial development banks, <i>Bank Pembangunan Daerah</i>, and the mainly private People's Credit Banks may form the formal part of financial services. Savings and credit self-help organizations and semi-formal community-based and community-owned microfinance institutions, which are more or less developed in almost all parts of Indonesia. 	<ul style="list-style-type: none"> Lack of lending products designed for rural areas. 	<ul style="list-style-type: none"> Potential exists for developing financial products suitable for rural areas. Willing to increase their activities in rural areas. 	
Agribusiness organizations	<ul style="list-style-type: none"> Good knowledge of local and export markets. Many active in developing market linkages. Competent management. 	<ul style="list-style-type: none"> Most engagement with farmers is informal and non transparent. Export markets for most local commodities poorly developed. Lack of processing activity in the more 	<ul style="list-style-type: none"> Opportunities to build on existing and potential export markets for high value local products. Potential for some local processing of local products. 	<ul style="list-style-type: none"> Government sees agribusiness growth as a major engine of

Organization	Strengths	Weaknesses	Opportunities/Threats	Remarks
	<ul style="list-style-type: none"> • Access to finance. • The private sector plays an important role in particular in agro processing and as agriculture value chain. 	remote provinces.	<ul style="list-style-type: none"> • Potential to develop profitable links with farmers. 	development in rural areas.
International NGOs	<ul style="list-style-type: none"> • Providing humanitarian relief in response to natural and other disasters. • Some have experience in sustainable agriculture. • Capacity to deliver and evaluate many initiatives, and to respond to the real needs of communities through participatory processes, support and technical training. • Support capacity building of local NGOs through partnership programmes. 	<ul style="list-style-type: none"> • Few agencies with substantial development activities in many provinces especially in Eastern Indonesia. • Limited understanding of commercial development issues. 	<ul style="list-style-type: none"> • Build partnerships with existing organizations. • Develop interaction with provincial and district governments. 	<ul style="list-style-type: none"> • Could have a key role in implementing participatory approaches supported by IFAD.
Local NGOs, CSOs, service providers, universities	<ul style="list-style-type: none"> • Many organizations active, with different expertise, degree of community outreach and knowledge. • Some have well qualified and experienced personnel, strong grassroots base, advocacy skills and the cultural knowledge that is essential for successful grassroots development. • Important role in developing gender equity. 	<ul style="list-style-type: none"> • Some are opportunistic commercial service providers without a commitment to supporting local communities and with few community development skills. • Limited technical and management capacity for multi-sector programmes. • Local NGOs often established by Government staff to supplement their incomes. • Only a small proportion of active NGOs present at <i>kecamatan</i> and village levels. • Reliant on funding from external agencies with activities often driven by the agenda of external agencies and unsustainable. • Lack of effective engagement with local government that could benefit local communities (e.g. to resolve key issues of resource rights and economic security). 	<ul style="list-style-type: none"> • Can help programme implementation but local expertise is needed at community level. • Community activities must continue long enough to be sustainable. • Communities that have benefited from good NGO assistance desire longer-term engagements with outsiders to help their development. • Upgrading of skills is essential. 	<ul style="list-style-type: none"> • Can play a useful role (community empowerment, gender mainstreaming and livelihoods improvement), but require training and guidance.
National Farmer Organization (KTM)	<ul style="list-style-type: none"> • Operates at <i>kabupaten</i> and <i>kecamatan</i> and village levels. • Represents leading farmers and agribusinesses. 	<ul style="list-style-type: none"> • Often used as channel for government assistance. • Attention needs to be given to the transparency and accountability of 	<ul style="list-style-type: none"> • Possible roles in identifying trainers for Farmer Field Schools. 	<ul style="list-style-type: none"> • Involvement would depend on the strength of the local

Organization	Strengths	Weaknesses	Opportunities/Threats	Remarks
	<ul style="list-style-type: none"> Lobbies government on behalf of members through its close links with government agriculture department programmes. 	activities.		organizations.
Target Group's Organizations				
Formal Village Institutions	<ul style="list-style-type: none"> Increased role under decentralisation. Enlightened and capable leadership is available in some communities. 	<ul style="list-style-type: none"> Weak capacity for inclusive decision making and to undertake new responsibilities in the majority of communities. Confusion of roles and responsibilities between past and new structures. Without the involvement of the <i>adat</i> institutions in areas with indigenous communities the credibility of village institutions is limited. Bottom up planning process now largely non functional. 	<ul style="list-style-type: none"> Policy environment is favourable for establishing grassroots democratic decision making processes. Key role in developing self-management capacity and conflict resolution Opportunity to embed agricultural extension capacity in the village. 	<ul style="list-style-type: none"> Pivotal role in ensuring the success of the COSOP's investment programme.
Informal or Customary Village Institutions	<ul style="list-style-type: none"> Recognised but decreased role under decentralisation. Deal with resource boundaries, compensation and personal problems related to marriages, moral deviances and <i>adat</i> matters. Commands widespread support from the community. 	<ul style="list-style-type: none"> Sustainability of some is questionable. Less authority in comparison with formal institutions and with little or no resources. Lack of engagement with government institutions. Some replicate village power relations, therefore are unsuitable for empowering the poorest. 	<ul style="list-style-type: none"> Potential to support inclusive decision making processes within formal institutions and aggregate common interest groups. Potential to promote income generation and help provide links to commercial organizations. Unsuitable for savings and credit management which require appropriate specialised institutions. 	<ul style="list-style-type: none"> Participatory development approaches need to consider the role of informal village institutions.

Key file 3: Complementary donor initiative/partnership potential

Donor Agency	Priority Sectors and Areas of Focus	Period of Current Country Strategy	Where Complementary and Potential for Synergy
World Bank Group	<p>Efforts will focus on:</p> <ul style="list-style-type: none"> • <i>Improving the Climate for High Quality Investment</i> by addressing five key areas that are essential to raise the rate of investment from its current level of 20% of GDP: deepening macroeconomic stability, building a stronger financial sector, fostering a competitive private sector, building Indonesia's infrastructure, and creating income opportunities for poor households and farmers. • <i>Making Service Delivery Responsive to the Needs of the Poor</i>, by helping to revamp the management and accountability systems for service delivery to make providers more directly accountable to their clients, especially in health and education, but also in agricultural research, extension and irrigation, and in public services in general. • <i>The Core Issue of Governance</i>. Four areas will be given priority: (i) making development planning more responsive to constituents; (ii) improving public financial management; (iii) strengthening the accountability of local governments under a more coherent decentralisation framework; and (iv) enhancing the public credibility, impartiality and accessibility of the justice sector. <p>Assistance focuses on four areas: (i) Community Driven Development: about 25% of all lending; (ii) Local Services: about 40% of lending to help create accountability at the district and provincial levels; (iii) Public Utilities: about 15% of lending would help support investments in good corporate governance and efficiency in water supply and energy; and (iv) National Lending: about 20% of lending to address central problems.</p> <p>Base case lending in the range of US\$450 – US\$850 million, including US\$230 million in International Development Association (IDA) resources, a High case of up to US\$1.4 billion, and a Low case of less than US\$300 million.</p>	<p>Originally 2004-07 but extended to 2008</p>	<p>World Bank investments under two of the four areas are complementary to the IFAD programme with potential synergy.</p> <ul style="list-style-type: none"> • <i>Community Driven Development</i>: IFAD is co-financing with the World Bank the <i>PNPM</i>, the Government's national poverty reduction programme, with 30% of the IFAD Loan earmarked for supporting livelihood improvements in Papua and West Papua with the remainder of the IFAD funding allocated to the rest of the national programme. • <i>Local Services</i>: The following World Bank Group agricultural and rural developments projects can complement the IFAD Country Programme: <ul style="list-style-type: none"> (i) The Farmer Empowerment through Agricultural Technology and Information Project (2007-2011) (FEATI) in 71 districts across 18 provinces which will reshape the delivery of agricultural services (research and extension); (ii) The second phase of the Coral Reef Rehabilitation and Management Program (COREMAP) would improve the income of empowered coastal communities through the rejuvenation of the coral reef fishery, assist local government and rural coastal communities to co-manage the associated ecosystems and fisheries sustainably and introduce regulatory and policy reforms to legally empower communities to sustain reef conservation activities. (iii) The Land Management and Policy Development Project which aims to (a) improve land tenure security and enhance efficiency, transparency, and improve service delivery of land titling and registration; and (b) enhance local government capacity to undertake land management functions with great efficiency and transparency. (iv) The Bank's ongoing 11 year Water Resources and Irrigation Sector Management Programme, focuses on institutional development; the objectives are sustainable and equitable management of surface water resources and infrastructure; increased irrigation farm household incomes and more cost-effective and fiscally sustainable management of sector agencies. This reform agenda is also supported by AsDB, JBIC, GON and the EU. (v) IFC's SME Facility (PENSA), aims to help the private sector and contribute to sustained economic growth and poverty alleviation, by focusing on: (a) strengthening of banks; (b) deepening the financial sector; (c) supporting export-oriented companies, mainly in the agribusiness sector; (d) supporting infrastructure investments in power

<i>Donor Agency</i>	<i>Priority Sectors and Areas of Focus</i>	<i>Period of Current Country Strategy</i>	<i>Where Complementary and Potential for Synergy</i>
Asian Development Bank (AsDB)	<p>The strategy is to help the Government achieve higher levels of pro-poor sustainable growth and to enhance social development, with a key focus on governance and anticorruption measures in all operations. Five areas of engagement have been derived to address the main constraints:</p> <ul style="list-style-type: none"> • Improved infrastructure and infrastructure services, including rural infrastructure, with increased public and private sector investment, and improved sector regulation as indicators; • Deepened financial sector, with improved domestic resource mobilization to meet long-term financing needs as the indicator; • Improved decentralisation, with increased regional spending and enhanced financial reporting as indicators; • Accelerated MDG achievement, with better water supply and sanitation, health, and education indicators; and • Strengthened environment and natural resources management, with enhanced water and marine resources management and reduced pollution as indicators. <p>ADB will provide programme lending to support the Government's medium-term reform agenda. In several sectors investment projects will focus on long-term investment and policy engagement supported by technical assistance to align assistance with emerging demands and provide more flexibility. Private sector operations are expected to expand.</p> <p>Lending is expected to increase from US\$550 million in 2006 to about US\$1 billion in 2009, with fairly consistent levels of programme lending, and increased project lending. Included is an ADF allocation of US\$200 million per 2-year period (direct poverty-related interventions and capacity development). TA commitments will remain at about US\$12 million–US\$15 million per year.</p>	2006-2009	<p>and telecommunications; and (e) supporting SMEs.</p> <ul style="list-style-type: none"> • AsDB supported investment in infrastructure improvements, the financial sector, decentralisation and achievement of MDG social indicators would complement the IFAD country Programme in those areas of the country where AsDB and IFAD activities overlap. • The area where there is potential for synergy lies in environment and natural resources management, especially in respect of water resources development and management e.g. participatory irrigation, flood management in selected river basins and marine and coastal resources management, sustainable aquaculture development, integrated pest management for smallholder estate crops, rural income generation and community empowerment for rural development.

<i>Donor Agency</i>	<i>Priority Sectors and Areas of Focus</i>	<i>Period of Current Country Strategy</i>	<i>Where Complementary and Potential for Synergy</i>
UNDP and other United Nations agencies	<p>The United Nations agencies and the Government of Indonesia identified three UNDAF areas of cooperation and associated outcomes:</p> <ul style="list-style-type: none"> • Strengthening human development to achieve the MDGs: By 2010, improve life chances and livelihood opportunities for all through enhanced Government commitment to the MDGs, institutional support for achieving the MDGs and empowered community engagement in the achievement of the MDGs with a special focus on HIV/AIDS. • Promoting good governance: By 2010, pro-poor democratic governance is realised with enhanced accountability, capacity and participation in the 10 poorest provinces. • Protecting the vulnerable and reducing vulnerabilities: By 2010, Government and civil society have better policy, legal frameworks and mechanisms to protect vulnerable people. <p>In each case, the UNDAF outcome supports a PRSP strategic target and a focus area of the Medium Term Development Plan. The United Nation's tsunami recovery activities have been integrated into the three UNDAF areas of cooperation.</p> <p>The resource requirements are US\$1 081.7 million.</p>	2006-2010	<ul style="list-style-type: none"> • Papua Development Programme (PDP) – UNDP and Netherlands: Provides a structure within which multiple stakeholders can collaborate in strengthening local capacities for: (i) pro-poor policy development and operational planning; (ii) locally effective delivery of basic services; (iii) monitoring and evaluation of poverty reduction programmes and MDG achievements; and (iv) coordination of donor support. • Other UNDP programmes in Papua and West Papua implemented within the framework of PDP with resources being shared are: (i) Partnership for Government Reform; (ii) Governance Reform and Legislative Empowerment; (iii) Capacity 2015; (iv) Gender Mainstreaming Programme; (v) MDG Monitoring Support Programme; and (vi) Regional Poverty Reduction Strategies. • UNICEF Maternal and Child Survival, Development and Protection has three components; (i) education, school-based management; (ii) health, mother and child care; and (iii) public registration (birth certification and registration).
European Union	<p>The key objectives of EC assistance in will be poverty reduction, the promotion of sustainable economic growth through trade and investment and promoting good governance and security through better law enforcement.</p> <ul style="list-style-type: none"> • Education will contribute to upgrading human resources and so contribute to economic growth. Education promises the highest impact and responsiveness, including absorption capacity and will receive up to 80% of assistance. • Support to the development of trade and to improving the investment climate, will promote economic growth and boost trade with the EU. Full account will be taken of the various commitments to strengthen the social dimension of globalisation. • Assistance will aim at improving governance and 	2007-2013	<p>Support for an education sector-wide approach (“SWAP”), in line with poverty reduction and achieving <i>Education for All</i> which are both key MDGs and government priorities will improve the capacity of the rural poor and complement IFAD programme investments.</p>

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	<p>security through reform of the justice sector and enhanced law enforcement capacity.</p> <p>Adjustments may be needed to allow for: (i) post-tsunami reconstruction and Yogyakarta earthquake reconstruction, in particular in terms of disaster prevention and management; and (ii) long-term consolidation of the Aceh peace process.</p> <p>The indicative allocation is the equivalent of US\$640 million (€494 million) but may be supplemented by relevant regional and thematic programmes.</p>		
AusAID	<p>The chief objective is to assist Indonesia's efforts to reduce poverty and achieve sustainable economic and social development. The programme has four key components:</p> <ul style="list-style-type: none"> • Improving economic management and growth through activities which support sound economic management and a strong productive private sector. • Supporting the transition to democracy, including assistance for legal and judicial reform, human rights and public accountability institutions, electoral and parliamentary processes and civil society. • Enhancing human security and stability through assistance in building competent law enforcement and emergency agencies and strengthening capacity to respond to communicable diseases e.g. avian influenza and HIV/AIDS; also conflict and disaster prevention activities. • Increasing the accessibility and quality of basic social services, particularly in Easter Indonesia, including policy development, implementation at district level and community based approaches. <p>Total assistance equivalent of US\$310 million.</p>	2006-07	<p>Depending on location and coverage many AusAID programmes are complementary as they:</p> <ul style="list-style-type: none"> • Support provision of rural infrastructure e.g. roads in eastern Indonesia. • Capacity building of Indonesian national institutions for policy development. • Provision of education, health (including HIV/AIDS), water supply and sanitation services. • Reconstruction in Aceh and disaster preparedness. • Support for legal, judicial and human rights institutions and NGOs. <p>Programmes with a potential for synergy are:</p> <ul style="list-style-type: none"> • Australia-Nusa Tenggara Assistance for Regional Autonomy Programme which aims to raise incomes and improve service delivery in two of the poorest provinces following an integrated approach.
Canadian International Development Agency (CIDA)	<p>The two goals are to:</p> <ul style="list-style-type: none"> • Support Indonesia's efforts to reduce vulnerability to poverty, focussing on three areas: (i) improved governance at the local level; (ii) growth of the small and medium-sized enterprise sector; and (iii) equitable access to, and sustainable use of natural resources; and • Provide reconstruction assistance that is coordinated, 	2005-09	<ul style="list-style-type: none"> • Activities supporting the provision of decentralised social services in Central Sulawesi, particularly health and promotion of the private sector at SME level could complement IFAD assistance provided through the recently started READ project for community development and livelihoods improvement based on agricultural development. • Protection and creation of sustainable livelihoods through equitable access to sustainable management of natural resources could have synergy with IFAD assistance for agricultural development activities supporting

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	<p>demand-driven, and harmonised, focussing on two areas: (i) governance; and (ii) economic and environmental rehabilitation.</p> <p>Gender issues will play a key part in all development activities. For maximum impact and to facilitate donor coordination the CIDA programme will focus primarily on the island of Sulawesi.</p>		<p>livelihoods improvement.</p> <ul style="list-style-type: none"> In Aceh and Northern Sumatera CIDA assistance for reconstruction will be coordinated with the Government's reconstruction objectives.
Department for International Development (DfID)	<p>The programme aims to provide effective development assistance meet the MDGs. Humanitarian and reconstruction assistance in response to emergencies is part of the programme. Many activities are financed together with other international agencies. The programme focuses on:</p> <ul style="list-style-type: none"> Poverty: funding for the DSF and support to the PRSP process Health and Maternal Health: support for three programmes aimed at achieving MDG 5 and 6. Environment and Governance: including governance reform to support transparent and accountable governments systems, and reflect wider civil society participation crisis prevention to assist Government and civil society to design crisis sensitive policies, mechanism and programmes to reduce vulnerabilities of communities in key areas. Tsunami and Humanitarian Aid: financial support for the Multi-Donor Fund for Aceh and Nias plus other Tsunami recovery related programmes. Civil Society: projects funded under the DfID Civil Society Challenge Fund e.g. capacity building for civil society organizations. 	??	<p>Depending on location and coverage much of the DfID support is complementary namely:</p> <ul style="list-style-type: none"> Poverty, support to the PRSP will strengthen the capability of central and local governments to understand and address the cause of poverty and vulnerability. Health and maternal health programmes with financial support provided to: (i) the UNICEF Maternal Mortality Project and collaboration with GTZ to support a new Safer Motherhood Project; (ii) a large HIV/AIDS Programme with UNDP; and (iii) a TB Programme with the World Health Organization (WHO). Environment and Governance with support for: (i) the Partnership to Support Governance Reform; and (ii) through a UNDP trust fund for the Crisis Prevention and Recovery Unit. Tsunami recovery related programmes financial support through: (i) SPADA and KDP (World Bank) Community Water Services (AsDB); and (ii) assistance for areas affected by the earthquake in Jogjakarta. <p>Assistance under the poverty component has a potential for synergy with the forthcoming IFAD programme as the DSF, a multi-donor office is managing the donor participation in <i>PNNPM</i> which IFAD will co-finance.</p>
Japan	<p>Future the Japan International Cooperation Agency (JICA) assistance will be targeted in three areas.</p> <ul style="list-style-type: none"> First, at realising sustained private-sector-led economic growth by: (i) establishing fiscal sustainability; (ii) reform of the financial sector; (iii) enhancing policy-development and planning capacity in the field of infrastructure; (iv) establishing and appropriate enforcement of economy-related legal systems; and (v) fostering of supporting industries and small and medium-sized enterprises. 	??	<p>The following JICA and JBIC sub-programmes will complement the IFAD programme:</p> <ul style="list-style-type: none"> Economic, Fiscal, and Financial Policy; Transportation Network Development; ICT Network Development; SMEs and Supporting Industries Promotion; Investment Climate Promotion; Governance Reform; Improvement of Primary and Secondary Education; Improvement of Health and Medical Services; Supporting Aceh Rehabilitation and Reconstruction; and Aid Coordination, Disaster Management. <p>Assistance under the following JICA and JBIC sub-programmes could have a potential for synergy with the IFAD programme depending upon location and</p>

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	<ul style="list-style-type: none"> • Second, building a fair and democratic society: (i) poverty reduction; (ii) governance reform; and environmental protection. • Third, achieving peace and stability, which are prerequisites for economic growth and social progress. • JICA's project on "improvement of farmers' income: agricultural processing and rural microfinance in Indonesia" targeting on the West-Java province since 2007. <p>For the Japan Bank for International Cooperation (JBIC) assistance:</p> <ul style="list-style-type: none"> • The core area is economic infrastructure improvement to improve the investment climate. • In addition, priority will be placed on: (i) human resource development and promotion of various reforms, such as the maintenance of fiscal sustainability; (iii) support for decentralisation of government in cooperation with other aid organizations; (iv) reconstruction and rehabilitation of tsunami affected areas. 		<p>coverage:</p> <ul style="list-style-type: none"> • Natural Environment Conservation; Regional Development of North Eastern Indonesia; Regional Development of South Sulawesi Province; Stable Food Supply; Improvement of Rural Income and Strategic Rural Infrastructure Development; and Support for Decentralisation (including policy dialogue and implementation under a decentralised government).
<p>The German Agency for Technical Cooperation (GTZ)</p>	<p>German-Indonesian technical cooperation projects are being carried out in the provinces Central Java, Yogyakarta, East Kalimantan, and NTB and NTT and evaluated at national level. In consultation with the Indonesian Government and other donors, Development Cooperation is currently concentrating on the following priority areas:</p> <ul style="list-style-type: none"> • Health: The focus is on improving access for poor population groups to needs-related and affordable health services through the introduction of social health insurance, policy advice and personnel capacity building. • Transport: Increasing the mobility of low-income population groups focusing on passenger shipping for the island state and local passenger transport in the Jakarta metropolitan area. • Economic reform: Growth, employment, resource- 	<p>???</p>	<p>The following GTZ programmes and projects complement the proposed IFAD programme:</p> <ul style="list-style-type: none"> • Health: (i) human resources development in the health sector; (ii) policy analysis and development in the health sector; (iii) development of a social health insurance system in Indonesia; and (iv) Improvement of the district health system in NTT. • Economic reform; (i) implementation of competition law; (ii) promotion of small financial institutions; (iii) local and regional economic development in Central Java; (iv) Indonesian-German environmental programme; and (v) mini-hydropower schemes for sustainable economic development. • Decentralisation; (i) advisory service support for decentralisation; and (ii) support for good governance (including good local governance etc.) • Projects outside the priority areas: (i) rehabilitation and reconstruction of Aceh; (ii) strengthening management capacities in the Indonesian forest sector.

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	<p>conserving production and effective financing instruments for structurally weak regions.</p> <ul style="list-style-type: none"> • Decentralisation as a cross-cutting theme supporting the reform process at national and regional level and in technical respects, to ensure that the legal and regulatory system results in optimal services for citizens. 		<p>Assistance under the following GTZ project could have a potential for synergy with the IFAD programme depending upon location and coverage: (i) rural water supply and sanitation in NTT and NTB.</p>
USAID	<p>The overall goal is to: strengthen a moderate, stable and productive Indonesia. The four SOs, each associated with major USAID projects, are:</p> <ul style="list-style-type: none"> • Improved quality of decentralised basic education; • Higher quality basic human services (through a newly integrated approach to community-driven development and government service delivery); • Effective democratic and decentralised governance, and • Strengthened economic growth and employment creation (through improved economic governance and competitiveness in trade and investment). 	2004-2008	<p>Depending on their location and coverage the USAID programmes and projects complement the proposed IFAD programme as follows:</p> <ul style="list-style-type: none"> • Education initiative is expected to support 9,000 public and private schools throughout Indonesia by 2010 to give youth better life and job skills by improving school management and training teachers – US\$157 million. • Promoting democratic governance supports 60 local governments as well as civic organizations in their efforts to build effective and accountable local governance, to address conflict and encourage pluralism, and to consolidate the democratic reform agenda – US\$195 million. • Basic human services programme will improve the health of local communities by using an integrated approach that combines support for health, food, nutrition, and water services – US\$311 million. <p>USAID also supports peace in conflict-affected areas; promotes judicial reform, community dialogue and religious tolerance; strengthens the capacity of the national parliament; and helps Indonesia reduce trafficking of women and children.</p>

Key file 4: Target group identification, priority issues and potential response

<i>Typology</i>	<i>Poverty Levels and Causes</i>	<i>Coping Actions</i>	<i>Priority Needs</i>	<i>Support from Other Initiatives</i>	<i>COSOP Response</i>
Subsistence-oriented communities	<p>Moderate to severe</p> <ul style="list-style-type: none"> • Lack of participation in village government processes. • Insecure land tenure leading to diminution and fragmentation of farms. • Low productivity of livelihood systems. • Lack of access to affordable finance, markets, improved technology and skills training. • Lack of wage earning opportunities locally. • Poor education system and low levels of skill. • High incidence of disease and poor health services. • Lack of rural infrastructure. • Moderate levels of land and marine degradation. 	<ul style="list-style-type: none"> • Sell or barter surplus production immediately after harvest. • Harvest and consumption or sale of forest products. • Wage labour when available and urban and overseas migration. • Use of unsustainable cultivation and land use practises to survive. • Use of informal and non-transparent business linkages. • Borrow informal consumption credit at high cost. 	<ul style="list-style-type: none"> • Capacity building for village administrations and community organizations. • Access to information, technology and finance to assist with agricultural production and off-farm income-earning opportunities, including fishing. • Assistance to gain secure land tenure. • Improved rural infrastructure (access roads, irrigation). • Better education and health services. • Increased wage employment opportunities available locally. • Building warehouse systems for helping farmers to postpone the selling of farm products during the harvest season. 	<ul style="list-style-type: none"> • KDP to be expanded under <i>PNPM</i> to cover all rural areas with government and World Bank financing. • World Bank FEATI project. 	<ul style="list-style-type: none"> • IFAD will target future assistance to the rainfed and coastal areas in Eastern Indonesia and elsewhere where few agricultural programmes operate. • IFAD field activities (PIDRA, READ and new programmes (incl. <i>PNPM</i>) to: (i) mobilise and empower communities and community organizations to be sustainable; (ii) increase the focus on improving rural productivity (farm, off-farm including fisheries; (iii) provide better access to public and private sector support services for agriculture, fisheries and other off-farm income generating activities. • IFAD to support for secure land tenure systems and policy. • IFAD (with other international agencies) to influence government to make pro-poor economic growth policies based on the experience and lessons learned from field operations of IFAD and other agencies. • IFAD to support improving farming systems of farmers in

<i>Typology</i>	<i>Poverty Levels and Causes</i>	<i>Coping Actions</i>	<i>Priority Needs</i>	<i>Support from Other Initiatives</i>	<i>COSOP Response</i>
					forest areas (subject to government prioritisation of IFAD future support in the COSOP).
Poor Rural Women, including women headed households	<ul style="list-style-type: none"> • As for poor plus: • High workloads compared to men. • Domestic violence. • Women-headed households lack labour. 	<ul style="list-style-type: none"> • As for poor plus: • Small-scale village processing. 	<ul style="list-style-type: none"> • As for poor plus: • Greater opportunities for participation in community governance. 	<ul style="list-style-type: none"> • As for poor plus: • Decreased violence against women and children a MTDP target. 	<ul style="list-style-type: none"> • As for poor plus: • IFAD assistance will also help improve the status of rural women through gender mainstreaming, skills and vocational training and economic empowerment.
Indigenous Ethnic Minority Households	<p>As for poor plus:</p> <ul style="list-style-type: none"> • Uncertain land tenure situation due to overlapping of <i>adat</i> and formal property rights. 	<ul style="list-style-type: none"> • As for poor plus: • Forest resources as well as agriculture important for subsistence. • Sale of land and opening of new forest land. 	<ul style="list-style-type: none"> • As for poor but: • With focus on the use of forest resources to meet subsistence needs. 	<ul style="list-style-type: none"> • PDP supporting MDG achievement in Papua but with little focus on livelihoods. • Some NGOs focus on community empowerment, forest conservation and land rights. 	<ul style="list-style-type: none"> • As for poor plus: • As for poor but IFAD assistance will target livelihoods improvement for indigenous ethnic minority households in Papua and West Papua under <i>PNPM</i> and Eastern Indonesia.