
President's memorandum
Proposed additional financing to
Republic of Indonesia
Youth Entrepreneurship and Employment Support
Services Programme (YESS)

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Action: The Executive Board is invited to approve the recommendation for the proposed additional financing contained in paragraph 58.

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Financing summary

Initiating institution:	IFAD
Borrower/recipient:	Republic of Indonesia
Executing agency:	Ministry of Agriculture
Total programme cost:	US\$119.69 million
Amount of original IFAD loan:	US\$55.3 million
Amount of original IFAD grant:	US\$2.0 million
Terms of original IFAD loan:	Ordinary: Maturity period of 18 years, including a grace period of six years, with an interest rate equal to the reference interest rate per annum as determined by the Fund semi-annually
Amount of additional IFAD financing (performance-based allocation system [PBAS]):	US\$18.0 million
Terms of additional IFAD financing (PBAS):	Ordinary: Maturity period of 27.5 years, including a grace period of eight years, with an interest rate equal to the reference interest rate per annum as determined by the Fund semi-annually
Amount of additional IFAD financing (Borrowed Resources Access Mechanism [BRAM]):	US\$12.0 million
Terms of additional IFAD financing (BRAM):	Ordinary: Maturity period of 27.5 years, including a grace period of eight years, with an interest rate equal to the reference interest rate per annum as determined by the Fund semi-annually
Cofinancier(s):	Financing Facility for Remittances (FFR), financial institutions (domestic private sector)
Amount of cofinancing:	US\$12.10 million
Terms of cofinancing:	Grant (FFR); loans for beneficiaries (domestic private sector)
Contribution of borrower/recipient:	US\$15.42 million
Contribution of beneficiaries:	US\$4.86 million
Cooperating institution:	IFAD

I. Background and programme description

A. Background

1. The Youth Entrepreneurship and Employment Support Services Programme (YESS) was approved by the Executive Board in December 2018 for a six-year period and entered into force on 17 June 2019. The original total financing of YESS consisted of an IFAD ordinary loan of US\$55.3 million; an IFAD grant of US\$2 million; a Government of the Republic Indonesia contribution of US\$12.09 million, a beneficiaries' contribution of US\$3.21 million, and Financing Facility for Remittances (FFR) of US\$105,000.
2. In 2023, the Government of Indonesia requested additional financing of US\$30 million together with a four-year extension of the programme implementation period. Of the requested amount, US\$18 million will be allocated under the 2022–2024 cycle of the performance-based allocation system (PBAS) and US\$12 million allocated under the Borrowed Resource Access Mechanism (BRAM).

B. Original programme description

3. The goal of YESS is for young women and men to contribute to rural transformation and inclusive rural growth. The overall objective of the programme is for rural young women and men to be engaged in the agricultural sector through employment and entrepreneurship.
4. The outcomes of YESS include: (i) young people acquire skills enabling them to take advantage of employment and business opportunities; (ii) young smallholder farmers, rural entrepreneurs and small and medium-sized enterprises have access to markets and services, and (iii) young smallholder farmers, rural entrepreneurs, and migrants and their families have access to financial products and services to finance their businesses.
5. YESS consists of four interlinked and complementary components: (i) rural youth transition to work; (ii) rural youth entrepreneurship, which focuses on building the skills of rural young people and business development services, and creating employment opportunities; (iii) investing for rural youth, which links skilled young people to financial institutions and provides initial investment for young entrepreneurs; and (iv) enabling environment for rural youth, which aims to create an enabling policy environment. YESS has been implemented in 19 districts of four provinces (West Java, East Java, South Kalimantan and South Sulawesi).

II. Rationale for additional financing

A. Rationale

6. The rationale for additional financing hinges on several aspects. First, YESS has helped to keep more than 80 per cent of the young people who received training through the programme in the agricultural sector in rural Indonesia, thus helping to address the large-scale outmigration of young people to urban areas. This has also helped to create more jobs for young people and increase the young workforce in agriculture. The programme has demonstrated that the provision of capacity-building on agricultural entrepreneurship and agribusiness development could provide young people in rural areas with a steady form of income generation and an improved livelihood. One of the key objectives of Indonesia's upcoming national medium-term development plan (2025–2029) is to increase the number of young people involved in agriculture, through the regeneration of agriculture. The YESS model, which has proven to be effective, will help Indonesia's agricultural sector and the realization of the development plan by extending the programme coverage areas with the additional financing.

7. In addition, YESS has helped young people to create or expand businesses along agricultural value chains. Through its competitive grants mechanism, YESS has become instrumental for young entrepreneurs by helping them to become bankable and to access financial services. Following the success of YESS, the additional financing will put further emphasis on pre- and post-production businesses which are dominated by women. This will strengthen the inclusion of women and gender equality and women's empowerment.
8. Finally, as the YESS model has proven successful, the additional financing will be used to scale up the programme activities to new areas, including some of the lowest-income provinces, such as Papua and East Nusa Tenggara.

Special aspects relating to IFAD's corporate mainstreaming priorities

9. **Youth and gender.** The main challenges faced by young people in Indonesia include unemployment, socioeconomic disparities, education and skills gaps, access to finance, and the rural-urban digital divide. The national labour force survey in 2023 revealed that about 55 per cent of young people live in Java and work in the service sector, indicating the low interest of young people in agriculture and an aging agricultural sector. With regard to gender, although around 60 per cent of small businesses are owned by women, they are often micro and informal home-based ventures. Factors contributing to their smaller size and lower productivity include difficulties in accessing finance, lending practices requiring male co-signatories, and a cultural role with more domestic responsibilities restricting the time and mobility needed to grow a business. The additional financing will support rural young people with an emphasis on young women who are interested in agroenterprises.

B. Description of geographical area and target groups

10. **Description of the geographical area.** YESS will expand its coverage to include eight new provinces and 16 additional districts. The new provinces to be included, in addition to the current four provinces, are Banten, Yogyakarta, Central Java, North Sumatra, South Sumatra, East Nusa Tenggara, West Papua and Southwest Papua. The provinces were selected based on: (i) the presence of *Polbangtans* (polytechnic agricultural institutes), managed by the Agency of Agricultural Extension and Human Resource Development; (ii) poverty levels and youth engagement in agriculture; (iii) the levels of youth outmigration and aging of the agricultural sector; and (iv) the percentage of households estimated to be vulnerable to poverty. The poverty levels in the additional provinces range from 6 per cent in Banten to 26 per cent in Papua, including West Papua and Southwest Papua.
11. The *Polbangtans* will host the provincial programme implementation units while the programme supports the curricula of the polytechnics.
12. **Description of the target groups.** The main focus of the additional financing is on rural young people, particularly women and men between 17 and 39 years of age. The target group comprises young people who are interested in agroentrepreneurship, namely, creating their own business or developing an existing one, or who are seeking employment in the agricultural sector.
13. Through the additional financing, the programme will reach a total of 120,000 beneficiaries, 50 per cent of them women. A minimum of 700 persons with disabilities will be supported, and at least 10 per cent of the beneficiaries will be Indigenous Peoples.

C. Components, outcomes and activities

14. The programme's interventions will remain the same as for the original loan, and are clustered around four components.

15. **Outcomes.** The additional financing will contribute to the achievement of the following programme outcomes: (i) work readiness skills acquired by young people, enabling them to take advantage of employment or business opportunities; (ii) markets and services accessed by young farmers and rural entrepreneurs, either individually or as groups, through business development and intermediation services tailored to their specific needs; (iii) sustainable and adequate financial products and services accessed by young small farmers and rural entrepreneurs; and (iv) youth engagement in the rural sector facilitated by an enabling policy and the institutional, media and digital environment.
16. The additional financing will ensure the continuation of the programme activities in the expanded areas, as summarized below:
17. **Component 1. The rural youth transition to work** component has two subcomponents: (i) linking education and training to jobs; and (ii) apprenticeship. This component includes technical and financial support to *Polbangtan* students to run a business as part of their curriculum, and the transformation of the *Polbangtan* teaching factory into business incubators. The additional financing will support the improvement of the technical and vocational education and training facility to improve climate-smart agriculture. For this reason, the budget is allocated under a newly created category of civil works.
18. The additional financing will also support the domestic apprenticeship scheme to be implemented through the certified apprentices in peri-urban areas. In rural areas, private extension services provided by local farmers (*Pusat Pelatihan Pertanian dan Perdesaan Swadaya* [P4S]) can offer apprenticeship schemes providing opportunities for hands-on agrobusiness training.
19. **Component 2. The rural youth entrepreneurship** component has two subcomponents: (i) institution-building and capacity-building; and (ii) services to young farmers and entrepreneurs.
20. The programme will support the local P4S and public extension officers to form a network of business development service providers under the district authority. The established business development service providers will provide business development training, including a module in order for the beneficiaries to comply with the environmental management statement.
21. **Component 3. The investing in rural youth** component has two subcomponents: (i) capacity-building for financial inclusion; and (ii) access to financing.
22. Under this component, at the village level, basic financial literacy training will be provided by youth facilitators.
23. **Component 4. The enabling environment for rural youth** component has four subcomponents: (i) partnership-building; (ii) the rural youth mobilization programme; (iii) policies for rural young people in agriculture; and (iv) programme management.
24. Specific recommendations for the key activities to be implemented using the additional financing include:
 - (i) **Customizing the extent of activities for various districts.** Considering the limited budget of the programme and the uneven level of development of the selected provinces and districts, the intensity of each proposed activity will be adjusted to the level of development of each district and the focus will be on less developed districts and provinces, such as Papua and East Nusa Tenggara. Priority will be given to Indigenous young entrepreneurs to access the competitive grant scheme.

- (ii) **To maximize synergies among YESS beneficiaries and the impact of their businesses**, the programme will further develop its cluster approach and consider further promoting vertical and horizontal integration into the agricultural value chains.
- (iii) **Facilitating access to apprenticeship and/or employment opportunities** through the individual and cluster-based companies supported under the programme.

D. Costs, benefits and financing

Programme costs

25. The combined YESS investment and recurrent costs for both the original financing and the additional financing, including price and physical contingencies, are estimated at US\$119.69 million.
26. The additional financing from IFAD is estimated at US\$30 million (450 billion Indonesian rupiah); the Government of Indonesia's counterpart contribution is US\$3.3 million (50 billion Indonesian rupiah); the beneficiaries' contribution is US\$1.65 million (25 billion Indonesian rupiah); and the financial institutions' contribution, as loans for beneficiaries, is US\$12 million (180 billion Indonesian rupiah), for a total amount of US\$46.98 million (716 billion Indonesian rupiah).

Table 1

Original and additional financing summary

(Thousands of United States dollars)

	<i>Original financing</i>	<i>Additional financing</i>	<i>Total</i>
IFAD loan (PBAS)	55 300	18 000	73 300
IFAD loan (BRAM)	-	12 000	12 000
IFAD grant	2 000	-	2 000
FFR	105	-	105
Beneficiaries	3 210	1 654	4 864
Government	12 090	3 333	15 423
Financial institutions	-	12 000	12 000
Total	72 705	46 987	119 692

Table 2
Additional financing: programme costs by component and financier
 (Thousands of United States dollars)

Component/subcomponent	IFAD loan (PBAS)		IFAD loan (BRAM)		Additional						
					Financial institutions		Beneficiaries		Government		Total
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount
A. Rural youth transition to work											
1. Linking education and training to jobs	1 443	8.0	962	8.0					267	8.0	2 673
2. Apprenticeship	556	3.1	370	3.1					103	3.1	1 029
Subtotal	1 999	11.1	1 333	11.1					370	11.1	3 702
B. Rural youth entrepreneurship											
1. Institution-building and capacity-building	305	1.7	203	1.7					56	1.7	565
2. Services to young farmers and entrepreneurs	4 348	24.2	2 899	24.2					805	24.2	8 052
Subtotal	4 653	25.8	3 102	25.8					862	25.8	8 617
C. Investing for rural youth											
1. Capacity-building for financial inclusion	2 090	11.6	1 393	11.6					387	11.6	3 870
2. Access to financing	3 647	20.3	2 431	20.3	12 000	100.0	1 654	100.0	675	20.3	20 407
Subtotal	5 737	31.9	3 824	31.9	12 000	100.0	1 654	100.0	1 062	31.9	24 277
D. Enabling environment for rural youth											
1. Partnership-building	496	2.8	331	2.8					92	2.8	919
2. Rural youth mobilization programme	395	2.2	263	2.2					73	2.2	732
3. Policies for rural young people in agriculture	119	0.7	79	0.7					22	0.7	221
4. Project management	4 601	25.6	3 067	25.6					852	25.6	8 521
Subtotal	5 612	31.2	3 741	31.2					1 039	31.2	10 392
Total	18 000	100.0	12 000	100.0	12 000	100.0	1 654	100.0	3 333	100.0	46 987

Table 3
Additional financing: programme costs by expenditure category and financier
 (Thousands of United States dollars)

<i>Expenditure category</i>	<i>IFAD loan (PBAS)</i>		<i>IFAD loan (BRAM)</i>		<i>Additional</i>							
					<i>Financial institutions</i>		<i>Beneficiaries</i>		<i>Government</i>		<i>Total</i>	
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>
A. Technical assistance and consultancies	3 074	54.0	2 049	36.0					569	10.0	5 692	12.1
B. Grants and subsidies	4 458	20.3	2 972	13.6	12 000	54.8	1 654	7.5	826	3.8	21 909	46.6
C. Goods and services	1 832	54.0	1 221	36.0					339	10.0	3 393	7.2
D. Training	5 758	54.0	3 839	36.0					1 066	10.0	10 663	22.7
E. Civil works	269	54.0	180	36.0					50	10.0	499	1.1
F. Salaries and allowances	1 237	54.0	825	36.0					229	10.0	2 291	4.9
G. Operating costs	1 372	54.0	915	36.0					254	10.0	2 541	5.4
Total	18 000	38.3	12 000	25.5	12 000	25.5	1 654	3.5	3 333	7.1	46 987	100.0

Table 4
Programme costs by component and programme year (original and additional financing)
 (Thousands of United States dollars)

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	Total
A. Rural youth transition to work												
1. Linking education and training to jobs	-	583	1 706	1 076	329	6 169	1 713	1 264	582	460	368	14 249
2. Apprenticeship	-	160	468	295	90	1 400	600	315	326	310	79	4 041
Subtotal	-	743	2 174	1 371	419	7 569	2 313	1 579	907	770	447	18 290
B. Rural youth entrepreneurship												
1. Institution-building and capacity-building	-	332	862	1 769	604	3 483	1 493	557	8	-	-	9 108
2. Services to young farmers and entrepreneurs	-	343	890	1 826	623	4 833	2 233	2 004	2 939	1 803	1 306	18 800
Subtotal	-	675	1 751	3 596	1 227	8 316	3 726	2 561	2 947	1 803	1 306	27 909
C. Investing for rural youth												
1. Capacity-building for financial inclusion	-	-	294	636	85	1 533	657	857	1 560	939	514	7 075
2. Access to financing	-	-	1 582	3 419	458	8 244	3 503	5 320	7 544	6 363	1 181	37 613
Subtotal	-	-	1 876	4 055	544	9 776	4 160	6 176	9 104	7 302	1 695	44 688
D. Enabling environment for rural youth												
1. Partnership-building	17	68	136	256	238	612	262	625	147	147	-	2 508
2. Rural youth mobilization programme	33	133	263	497	462	1 153	494	375	133	133	91	3 768
3. Policies for young people in agriculture	77	304	604	1 140	1 061	2 645	1 134	76	76	45	23	7 185
4. Project management	76	300	595	1 123	1 046	2 487	2 207	3 348	2 021	1 601	541	15 344
Subtotal	203	806	1 598	3 016	2 808	6 897	4 097	4 423	2 377	1 925	655	28 805
Total	203	2 224	7 399	12 037	4 998	32 559	14 296	14 739	15 335	11 799	4 103	119 692

Financing and cofinancing strategy and plan

27. Originally, total cofinancing amounted to US\$15.4 million, including the Government's contribution of US\$12.09 million, the beneficiaries' contribution of US\$3.2 million, and a contribution from the FFR of US\$0.1 million. The additional financing will mobilize cofinancing amounting to US\$32.3 million, including US\$15.4 million from the Government, US\$4.8 million from the beneficiaries, and US\$12.0 million from financial institutions as loans for the beneficiaries.

Disbursement

28. The withdrawal of resources from IFAD financing will follow the revolving fund disbursement modality. IFAD funds will be disbursed through a designated account in United States dollars and will be processed against duly certified withdrawal applications in accordance with the updated IFAD disbursement procedures. The need for a separate designated account for the additional financing will be decided by the borrower in accordance with national requirements. Further details concerning disbursement will be provided in the financial management and financial control arrangements letter (FMFCL) and the programme financing agreement. The proposed thresholds for the direct payments will be outlined in the FMFCL.

Summary of benefits and economic analysis

29. YESS was designed to contribute to rural transformation and inclusive rural growth, while its development objective was for rural young women and men to be engaged in the agricultural sector through employment and entrepreneurship. The goal and objective have not changed as a result of the additional financing. Under the additional financing, it is estimated that YESS will yield a positive economic internal rate of return (EIRR) of 18.1 per cent, which is slightly higher than the original financing alone, and a positive net present value (NPV) of US\$88.4 million, which is significantly higher than the US\$66.2 million under the original financing. The overall programme, including the original and additional financing, remains economically viable.
30. The sensitivity analysis indicates that, like the original programme financing, the programme with the additional financing remains economically viable (see table F, appendix II). The results also indicate a high degree of resilience to an increase in economic costs and a reduction in economic benefits and even to a combination of both risks. The EIRRs are above the social discount rate and the NPVs are positive, while the benefit-to-cost ratios are all above 1.0, in all scenarios.
31. As in the base scenario, while the EIRRs and benefit-cost ratios of the original and the combined original and additional financing programmes are at about the same levels, the NPVs of the programme with the additional financing are significantly higher than those with the original financing only. The higher NPV is an indication that pursuing the additional financing will generate more benefits compared to programme completion with the original financing only.

Exit strategy and sustainability

32. YESS builds on existing public organizations and institutions. The aim is to support sustainability and ensure that the programme approach and successful practices can be mainstreamed into the country's institutional framework and scaled up. The additional financing will continue to support the beneficiary businesses to become bankable and financially sustainable.

III. Risk management

A. Risks and mitigation measures

33. The programme's main risks and corresponding mitigation measures have been identified, including for the additional financing phase. Following the general election in February 2024 and the anticipated inauguration of Indonesia's new

President in October 2024, the Government is implementing a number of exceptional measures in 2024 geared towards addressing the transition. Due to the transition period, there may be some uncertainties around the budget allocation when the new Government takes office. These uncertainties are presented in the integrated programme risk matrix. The national programme management unit (NPMU) will be in close communication with the Ministry of Finance and the Ministry of National Development Planning to ensure the allocation of the budget required for consistent programme delivery and will be trained to refine the matrix during implementation and establish a risk log. The risk log will be updated regularly to inform decision-making.

34. **Financial risks.** The financial management inherent risk is rated as substantial. Mitigation actions include: (i) capacity-building and technical assistance at the provincial and district levels; (ii) timely and accurate budgeting and systematic monitoring of budget performance; (iii) finalizing the revision of the project implementation manual (PIM) to reflect up-to-date financial management provisions; and (iv) following audit recommendations and action plans.

Table 5

Overall risk summary

<i>Risk areas</i>	<i>Inherent risk rating</i>	<i>Residual risk rating</i>
Country context	Substantial	Moderate
Sector strategies and policies	Moderate	Low
Environment and climate context	Substantial	Moderate
Programme scope	Moderate	Low
Institutional capacity for implementation and sustainability	Substantial	Moderate
Financial management	Substantial	Moderate
Programme procurement	Moderate	Moderate
Environmental, social and climate impact	Substantial	Moderate
Stakeholders	Substantial	Moderate
Overall	Substantial	Moderate

B. Environment and social category

35. The environmental and social category for YESS is rated “moderate”, since the environmental impact of micro-scale, rural-level youth entrepreneurship activities is considered minimal and mitigating measures can be put in place. YESS, with additional financing, continues to be assessed as moderate for the environmental and social category.
36. The programme is designed to avoid negative impacts, such as physical and economic displacement, large-scale infrastructural development that might disrupt traffic or alter traffic patterns, and to prevent the use of hazardous materials in programme activities. It also supports the use of safe and organic agricultural chemicals. The programme will not have adverse effects on Indigenous Peoples or historical, religious or cultural sites.
37. The programme has developed the relevant Social, Environmental and Climate Assessment Procedures (SECAP) to ensure adequate management of potential environmental and social risks associated with the programme activities, including: an environmental, social and climate management plan (under a framework approach, since exact programme sites are not known at this stage), a stakeholder engagement plan, a grievance redress mechanism, a Free, Prior and Informed Consent instrument, and an Indigenous Peoples plan.

38. **Indigenous Peoples.** Indonesia's Indigenous population is estimated to comprise between 50 and 70 million people. The Papua region, which is going to be supported by the additional financing, is home to numerous Indigenous groups.
39. **Environment and natural resources.** Businesses in Indonesia are required to comply with environmental permits through an environmental management statement which identifies the impact source, impact type, and mitigating measures and risk management. Additional financing continues to ensure that the businesses supported by the programme comply with the environmental management statement.

C. Climate risk classification

40. The climate risk for YESS has been assessed as "moderate". According to the screening, the climate risk classification remains moderate for additional financing. Climate change may have some impact, but it will be limited, temporary or manageable. While the programme is located in several provinces that are exposed to climate and disaster-related issues, such as floods, fires and extreme heat, the Ministry of Agriculture and the implementing agency have the ability to cope with volatility, shocks, stressors and changing climate trends. Regulation No. 30 of 2023 of the Ministry of Agriculture establishes a policy governing agricultural insurance facilities to protect farming businesses from the risk of damage and loss. To reduce agricultural damage from climatic extremes, most agricultural enterprises in Indonesia are supported by cooperatives that assist farmers to improve their businesses and provide insurance for protection against climate-related disasters. Within the Ministry of Agriculture, climate information can be made available to further enhance the resilience of households, infrastructure, communities and the environment.

IV. Implementation

A. Compliance with IFAD policies

41. YESS is fully aligned with the goals and objectives of the IFAD Strategic Framework 2016-2025 and relevant IFAD policies and strategies, including: (i) the IFAD Rural Youth Action Plan (2019-2021); (ii) the IFAD Private Sector Engagement Strategy 2019-2024; (iii) the IFAD Policy on Gender Equality and Women's Empowerment (2012); (iv) the IFAD Poverty Targeting Policy 2023; (v) IFAD's SECAP 2021; and (vi) IFAD's Inclusive Rural Finance Policy (2021) that stresses the importance of meeting the financial needs of beneficiaries compared with those of the financial sector.
42. Building on YESS, the activities supported by additional financing are aligned with the current country strategic opportunities programme (COSOP) 2023-2027: strategic objective 1 – small-scale women and men producers increase their income from diversified, profitable and resilient production that meets their food security and nutrition needs, meets demand from local and international markets, and sustainably manages natural resources; and strategic objective 2 – institutions and organizations, from village to national level, strengthen their capacities to respond to the needs of small-scale producers.

B. Organizational framework Management and coordination

43. YESS is implemented by the Ministry of Agriculture through the Agency of Agricultural Extension and Human Resource Development (AAEHRD). additional financing will keep the organizational structure of YESS. The NPMU established under AAEHRD is in charge of the overall coordination and consolidation of programme activities on a day-to-day basis, including the consolidation of annual workplan and budgeting (AWPB), procurement, progress and financial reports, monitoring and evaluation, and knowledge management.

44. The provincial programme implementation units (PPIUs), located in the *Polbangtans*, are under the supervision of the AAEHRD. For implementation efficiency, with the additional financing, the programme will have six PPIUs with the expansion to eight new provinces. The Yogyakarta PPIU will oversee both the Yogyakarta and Central Java provincial operations, and the Manokwari PPIU will oversee both the Manokwari (West Papua) and Sorong (Southwest Papua) operations.
45. The national steering committee will be chaired by the Secretary-General of the Ministry of Agriculture. The Director-General of AAEHRD serves as the vice-chairperson. National steering committee members include representatives of the Ministry of National Development Planning, the Ministry of Finance, the Financial Service Authority, and the Ministry of Cooperatives and Small and Medium-sized Enterprises.
46. **Financial management.** The financial management performance of YESS, in accordance with the latest supervision mission in May 2024, was rated as satisfactory. The financial management arrangements are properly organized in terms of staffing and systems. The programme finance team is equipped to manage the additional financing with segregation of duties on major functions. The approved AWPB and procurement plan will guide the programme activities. Sufficient documents will be kept to support programme payments. The current signing arrangements will be maintained for this additional financing.
47. **Accounting and reporting.** The existing management information system of YESS needs to be updated to record counterpart financing in a timely manner and to generate reports. Interim financial reports will be prepared and submitted through the IFAD Client Portal within 30 days of the end of the quarter, together with the related withdrawal applications for justification and advances when required. The currency of reporting will be United States dollars and the transaction currency, Indonesian rupiah.
48. **Disbursement and funds flow arrangements.** The designated account in United States dollars in the central treasury will receive the additional financing. The designated account will follow the revolving fund arrangement informed by the quarterly interim financial reports and cash forecasts. A programme account will be maintained at the Ministry of Finance in Indonesian rupiah for transaction purposes and will be replenished as needed from the designated account. The utilization of the additional financing will commence after the original loan is fully utilized, unless there is strong justification from the Government to use the funds along with the original financing.
49. **Internal control.** The current approved PIM, along with the financial management manual for YESS including a number updates, will be maintained for this additional financing.
50. **External audit.** Annual financial statements will be prepared on a cash basis in accordance with International Public Sector Accounting Standards (IPSAS). The additional financing will be incorporated into the programme financial statements and will be subject to an annual external audit by a supreme audit institution approved by IFAD. An audit report and management letter will be submitted to IFAD within six months of year-end. The audit report will be disclosed in accordance with the IFAD disclosure policy.
51. **Procurement.** Procurement shall be carried out in accordance with the provisions of Indonesian Presidential Decree No. 12/2021 and the National Public Procurement Agency regulation, using the e-procurement and e-catalogue, in accordance with the up-to-date IFAD project procurement guidelines.
52. **Anti-corruption.** IFAD will not finance expenditures for goods, works or consulting services that have not been procured in accordance with the IFAD Project

Procurement Guidelines and the financing agreement. In such cases, IFAD may, in addition, take other remedial action under the financing agreement, including cancellation of the amount in question from the loan account by declaring it ineligible. Even if the contract was awarded following a "no objection" statement from IFAD, the latter may still declare misprocurement if it concludes that this statement was issued based on incomplete, inaccurate, or misleading information furnished by the borrower or the recipient.

C. Monitoring and evaluation, learning, knowledge management and strategic communication

53. The monitoring and evaluation (M&E) and the knowledge management system in place for the current programme will be used for the additional financing. The M&E system is coordinated by the NPMU and includes the logical framework, the M&E framework, management information system and a web-based monitoring dashboard. IFAD will undertake periodic monitoring, evaluation and supervision missions to assess the status of programme implementation and future directions. Following the original YESS model, the additional financing will have 500 youth facilitators who will help to collect the M&E data while delivering basic financial literacy training at village level. YESS will continue to share knowledge through learning events and stakeholder workshops and through various media.

D. Proposed amendments to the financing agreement

54. While negotiations are not required by IFAD, the Government of Indonesia requires negotiations for additional financing for scaling-up, which will be conducted after Executive Board approval and before signing. The financing agreement to document the proposed additional financing will reflect the following: (i) the additional financing of US\$30 million, maintaining the same terms and conditions as stipulated for IFAD ordinary loans under category 2; (ii) the inclusion of the additional eight provinces in the programme area; (iii) the extension of the programme completion and financing closing dates for an additional four years; (iv) the allocation of the costs pertaining to youth facilitators under "consultancies" considering the nature of their contract and works under schedule II; and (v) creation of a new expenditure category of civil works.

V. Legal instruments and authority

55. A financing agreement between the Republic of Indonesia and IFAD will constitute the legal instrument for extending the proposed additional financing to the borrower/recipient. Said financing agreement will be signed following approval of the additional financing by the Executive Board.
56. The Republic of Indonesia is empowered under its laws to receive financing from IFAD.
57. I am satisfied that the proposed additional financing will comply with the Agreement Establishing IFAD and the Policies and Criteria for IFAD Financing.

VI. Recommendation

58. I recommend that the Executive Board approve additional financing in terms of the following resolution:

RESOLVED: that the Fund shall provide a loan on ordinary terms to the Republic of Indonesia in an amount of eighteen million United States dollars (US\$18,000,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

RESOLVED FURTHER: that the Fund shall provide a loan on ordinary terms to the Republic of Indonesia in an amount of twelve million United States dollars (US\$12,000,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Alvaro Lario
President

Updated logical framework incorporating the additional financing

Results hierarchy	Indicators			Means of verification			Assumptions/notes
	Name	Original loan target	End target (with AF)	Source	Frequency	Responsibility	
Outreach	1.b Estimated corresponding number of total households members			Programme report, Youth Facilitator report	Annual	NPMU with MoA	
	Household members- Number of people	600 000	924 000				
	1.a Corresponding number of households reached						
	Households- households	150 000	231 000				
	1 Persons receiving services promoted or supported by the project						
	Males	110 000	170 000				
	Females	110 000	170 000				
	Young- Young people	220 000	340 000				
	Total number of persons receiving services- Number of people	220 000	340 000				
Programme goal Young women and men contribute to rural transformation and inclusive rural growth	Number of beneficiaries (HH/ HH members) receiving services promoted by YESS that report an increase in HH asset ownership index			Annual outcome survey	Mid-term report and programme end	NPMU with MoA	Continued Gol commitment to promote youth employment and youth entrepreneurship
	Households- Number	96 000	149 000				
	Households- Number of people	384 000	596 000				
Outcome 1 Young people take advantage of employment and business opportunities	Number of supported young women and men finding employment in agri-based sector			School reports, graduates tracer study	Annual	NPMU with MoA and Polbangtan	Young people enrolled in agricultural schools. Farmers/ enterprises interested in receiving apprentices
	People- number	11 000	18 000				
Output 1 Linking education and training to job	Number of TVET institutions running programmes facilitating youth transition to work			School reports, graduates tracer study	Semi-annual report	NPMU with MoA and Polbangtan	No. of persons benefitted mean 'the students who are taking the improved curriculum supported by the project at agricultural polytechnics/ vocational schools/ or apprenticeships programme (including Mars academy)'.
	Number of TVET institutions- Number	30	50				
	Number of persons benefitted from TVET	15 000	24 000				

Results hierarchy	Indicators			Means of verification			Assumptions/notes
	Name	Original Loan target	End target (with AF)	Source	Frequency	Responsibility	
Outcome 2 Young small farmers, rural entrepreneurs and SMEs access markets and services in the target value chains and subsector	2.2.2 Supported rural enterprises reporting an increase in profit			Annual outcome survey	Annual	NPMU with MoA and BDSP, DIT	
	Number of enterprises-Enterprises	33 000	44 800				
	Percentage of enterprises (%)	60%	60%				
	2.2.1 Beneficiaries with new jobs/employment opportunities.			Annual outcome survey	Annual	NPMU with MoA and BDSP, DIT	
	New jobs	86 000	118 600				
	Job owner - young	86 000	118 600				
Job owner- men	43 000	59 300					
Job owner- women	43 000	59 300					
Output 2 Developing an enable environment for young farmers and entrepreneurs.	2.1.1 Rural enterprises accessing business development service			BDSP report	Semi-annual	NPMU with MoA and BDSP, DIT	The Project conducts training on income-generating activities and/ or business management in collaboration with the Business Development Service Providers.
	Rural enterprises- Number	60 000	81 500				
	2.1.2 Persons trained in income-generating activities or business management						
	Persons trained in IGA or BM (total)	60 000	81 500				
	Young- young persons	60 000	81 500				
	Males	30 000	40 750				
Females	30 000	40 750					
Outcome 3 Young women and men have increased access to inclusive financial services.	1.2.5 Households reporting using financial services			Report from financial institutions, Financial advisor reports	Annual	NPMU with MoA and financial advisor	Partner banks willing to adapt their products and services to the agriculture-based sector. Target 50% of the beneficiaries took part in 1.1.5 and 1.1.7 are/ become entrepreneurs (60,000). 80% of the entrepreneurs supported will be satisfied with and are using the financial products and services facilitated by the Project, in order to invest in a productive or income- generating activity. Household (%) needs to be calculated against the overall household (1.a) according to IFAD COI guideline.
	Household- household number	48 000	65 200				
	Household (%)	32 %	28%				

Results hierarchy	Indicators			Means of verification			Assumptions/notes
	Name	Original loan target	End target (with AF)	Source	Frequency	Responsibility	
Output 3 Capacity-building for financial inclusion and access to finance	1.1.5 Persons trained in rural areas accessing financing services			Report from youth facilitator	Semi-annual	NPMU with MoA and Youth Facilitator	The Project conducts Basic Financial Literacy Training in communities.
	Young people in rural areas accessing financial services-savings- Young people	120 000	185 400				
	Men in rural areas accessing financial services- savings	60 000	92 700				
	Women in rural areas accessing financial services-savings	60 000	92 700				
	1.1.7 Persons in rural areas trained in financial literacy						
	Males	60 000	92 700				
	Females	60 000	92 700				
	Young- Young people	120 000	185 400				
	Persons in rural areas trained in FL	120 000	185 400				
Outcome 4 Supportive policy, institutional and media environment for youth engagement in the rural economy	Policy 3 Existing/ new laws, regulations, policies or strategies proposed to policy makers for approval, ratification or amendment			PMU report and policy documents	Mid-term and endline survey	NPMU with MoA and Bappenas	Continues Gol commitment to promote youth employment and youth entrepreneurship
	Number	2	3				
Output 4	Policy 2 Functioning multi-stakeholder platforms supported			PMU report and website	Annual	NPMU and programme partners	
	Number	19	30				
	Number of visitors of Rural Youth online platform						
	Number	100 000	150 000				

Updated summary of the economic and financial analysis

Table A
Financial cash flow models

Year	Enterprise model's net incremental benefits (in USD)									
	Farm Model 1	Farm Model 2	Farm Model 3	Farm Model 4	Farm Model 5	Banan Chips Processing	Cassava Chips Processing	Bee Keeper	Mushroom Model	Mushroom Processing
PY1	-146	-102	-136	-45	-108	-1,571	-2,330	-1,040	-65	-6,632
PY2	-43	-63	-6	-6	8	401	-79	-13	-0	-678
PY3	2	-2	78	54	72	685	441	319	12	875
PY4	37	39	141	93	120	950	865	451	24	1,891
PY5	37	39	141	93	120	950	865	451	30	1,891
PY6	-22	47	84	101	62	888	491	108	-32	-615
PY7	44	47	150	101	128	978	901	451	30	2,044
PY8	44	47	150	101	128	978	901	451	30	2,044
PY9	51	55	159	110	110	978	871	451	30	2,044
PY10	51	55	159	110	137	978	901	451	30	2,044
IRR	12%	20%	52%	85%	60%	27%	24%	27%	20%	16%
NVP (in USD)	54	194	487	718	771	3,383	3,746	1,954	72	4,473

Note:

Farm Model 1 - refers to rice/paddy, maize, soybean, chili and banana cropping pattern

Farm Model 2 - refers to rice/paddy, maize, soybean, chili and sweet potato cropping pattern

Farm Model 3 - refers to rice/paddy, maize, soybean, cassava and banana cropping pattern

Farm Model 4 - refers to rice/paddy, maize, soybean, chili and cassava cropping pattern

Farm Model 5 - refers to rice/paddy, maize, soybean, sweet potato and banana cropping pattern

Table B
Programme costs and logframe targets

PROGRAMME COSTS AND INDICATORS FOR LOGFRAME			
TOTAL PROGRAMME COSTS (in million US\$)			108.4
Beneficiaries	1,104,000	people	276,000
Cost per Beneficiaries	98.2	US\$/person	392.6
Components and Costs	US\$ million		
A. Rural Youth Transition to Work	19.2	Average increase income per HH	US\$
B. Rural Youth Entrepreneurship	27.7	• without Programme	
C. Investing for Rural Youth	32.7	• with Programme	
D. Enabling Environment for Rural Youth	28.7		
Total	108.4		

Table C
Main assumptions and shadow prices

MAIN ASSUMPTIONS & SHADOW PRICES				
	Output	Unit of Measure	Annual Income	
			WOP	WP
FINANCIAL	Farm Model 1	Per Year	336	483
	Farm Model 2	Per Year	336	483
	Farm Model 3	Per Year	336	585
	Farm Model 4	Per Year	336	533
	Farm Model 5	Per Year	336	498
	Banan Chips Processing	Per Year	0	2,499
	Cassava Chips Processing	Per Year	0	3,108
	Bee Keeper	Per Year	0	1,434
	Mushroom Model	Per Year	0	558
	Mushroom Processing	Per Year	0	0
	Financial Discount Rate			8.50%
Economic	Standard Conversion Factor (SCF)			0.989
	Shadow Exchange Rate Factor (SERF)			1.01
	VAT (average) [Deloitte, Indonesian Highlights, 2022-2023]			11%
	Custom Duty for Imports (Flat Rate on all)			8%
	Exchange Rate (USD to IDR)			15,089
	Discount Rate for Economic Analysis			6.85%

Table D Beneficiary adoption rates and phasing

No. of Beneficiaries of Original Yess Financing: 220 000

No. of Beneficiaries of Yess Additional Financing 120 000

Adoption rate 72%

No. of Beneficiaries after applying adoption rate 224 800

Phasing		2%	7%	11%	5%	30%	13%	11%	13%	8%	100%
MODELS	unit	Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Total
Farm model	HHs	975	2 973	4 837	2 008	13 179	5 648	4 791	5 305	3 300	43 017
Farm model 2	HHs	975	2 973	4 837	2 008	13 179	5 648	4 791	5 305	3 300	43 017
Farm model 3	HHs	975	2 973	4 837	2 008	13 179	5 648	4 791	5 305	3 300	43 017
Farm model 4	HHs	975	2 973	4 837	2 008	13 179	5 648	4 791	5 305	3 300	43 017
Farm model 5	HHs	975	2 973	4 837	2 008	13 179	5 648	4 791	5 305	3 300	43 017
Bee Keeping	HHs	177	541	880	365	2 396	1 027	871	965	600	7 822
Mushroom	HHs	355	1 081	1 759	730	4 792	2 054	1 742	1 929	1 200	15 641
Banana chip processing	no.	47	144	234	97	638	274	232	257	160	2 084
Cassava chips processing	no.	47	144	234	97	638	274	232	257	160	2 084
Mushroom Processing	no.	47	144	234	97	638	274	232	257	160	2 084
Total											244 800

Table E
Economic cash flow
Original financing

Total Net Incremental Benefits (IDR million)																				
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
Crop production:																				
Farm Model 1	(1 983)	(6 770)	(12 102)	(7 431)	(26 866)	(18 239)	(2 152)	7 366	12 832	6 088	13 587	18 402	20 223	21 003	21 003	21 003	21 003	21 003	21 003	21 003
Farm Model 2	(1 123)	(3 988)	(6 977)	(3 277)	(11 209)	(5 436)	11 310	24 747	28 453	30 872	32 443	32 744	34 718	35 565	35 565	35 565	35 565	35 565	35 565	35 565
Farm Model 3	(709)	(1 127)	1 880	13 619	16 257	41 840	68 774	86 695	94 710	87 644	95 986	101 263	103 469	104 415	104 415	104 415	104 415	104 415	104 415	104 415
Farm Model 4	(705)	(2 371)	(3 617)	181	(3 026)	3 577	18 284	30 029	33 270	35 596	37 106	37 395	39 293	40 106	40 106	40 106	40 106	40 106	40 106	40 106
Farm Model 5	(1 598)	(5 026)	(7 626)	(271)	(12 271)	2 559	23 633	37 242	43 832	37 315	44 961	49 805	51 810	52 670	52 670	52 670	52 670	52 670	52 670	52 670
Bee keeping	(2 519)	(7 911)	(12 736)	(4 191)	(29 262)	(10 902)	10 645	16 874	20 728	11 814	17 045	19 958	18 471	20 728	11 814	21 552	19 958	18 471	20 728	11 814
Mushrooms	(292)	(888)	(1 382)	(299)	(3 179)	(695)	1 418	1 982	3 473	422	2 584	3 926	3 352	2 817	3 629	422	4 206	3 926	3 352	2 817
Processing:																				
Banana chips	(1 088)	(3 154)	(4 502)	388	(9 926)	2 194	12 958	17 209	18 687	18 248	18 791	19 027	18 907	19 089	18 369	19 156	19 027	18 907	19 089	18 369
Cassava chips	(1 384)	(4 201)	(6 368)	(632)	(13 301)	(69)	13 998	20 657	23 471	20 604	22 592	23 693	22 929	23 873	20 760	24 205	23 693	22 929	23 990	20 760
Mushrooms	(3 741)	(11 418)	(17 556)	(2 881)	(38 448)	(5 859)	27 969	40 417	49 819	30 636	43 303	50 025	46 593	51 802	31 231	53 704	50 025	46 593	51 802	31 231
Total incremental benefits	(15 142)	(46 853)	(70 986)	(4 793)	(131 232)	8 969	186 837	283 219	329 275	279 240	328 400	356 238	359 765	372 067	339 561	372 797	370 667	364 583	372 719	338 749
Total project costs	2 777	30 413	101 026	164 115	68 258	447 388	191 738													
Net incremental benefits	(17 920)	(77 266)	(172 012)	(168 907)	(199 490)	(438 419)	(4 901)	283 219	329 275	279 240	328 400	356 238	359 765	372 067	339 561	372 797	370 667	364 583	372 719	338 749
EIRR		17.8%																		
NPV @6.85% (IDR million)		995 321																		
NPV @6.85% (USD)		65 964 501																		
B/C Ratio		2.4																		

Economic cashflow Original + AF

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
Crop production:																				
Farm Model 1	(2 110)	(7 204)	(12 879)	(7 908)	(28 591)	(19 409)	(12 657)	(7 427)	2 019	5 741	18 900	22 362	24 639	27 669	31 194	31 974	32 459	32 459	32 459	32 459
Farm Model 2	(1 195)	(4 244)	(7 425)	(3 487)	(11 929)	(5 785)	6 167	16 878	24 613	37 240	45 345	48 455	51 402	52 828	53 592	54 438	54 964	54 964	54 964	54 964
Farm Model 3	(755)	(1 200)	2 000	14 493	17 301	44 526	69 481	93 568	115 946	126 237	144 492	149 636	152 450	155 911	159 836	160 781	161 369	161 369	161 369	161 369
Farm Model 4	(750)	(2 523)	(3 849)	193	(3 221)	3 807	15 771	26 719	34 485	45 728	52 936	55 726	58 558	59 930	60 664	61 477	61 982	61 982	61 982	61 982
Farm Model 5	(1 700)	(5 349)	(8 115)	(288)	(13 058)	2 723	16 797	29 575	44 025	51 127	66 455	70 691	73 245	76 409	80 006	80 865	81 399	81 399	81 399	81 399
Bee keeping	(2 681)	(8 419)	(13 554)	(4 460)	(31 140)	(11 602)	(1 843)	2 172	14 061	18 249	27 894	27 917	25 898	30 003	23 319	33 683	27 917	25 898	30 003	23 319
Mushrooms	(311)	(945)	(1 470)	(318)	(3 383)	(740)	(18)	436	2 963	1 376	4 326	4 641	3 971	4 014	5 887	2 473	6 500	4 738	3 971	4 014
Processing:																				
Banana chips	(1 158)	(3 356)	(4 791)	413	(10 563)	2 334	8 102	12 870	18 984	25 497	28 164	28 973	28 931	29 337	28 797	29 634	29 169	29 005	29 337	28 797
Cassava chips	(1 473)	(4 471)	(6 776)	(673)	(14 155)	(73)	7 662	14 064	22 408	28 640	34 255	35 337	34 524	36 234	33 818	37 472	35 517	34 621	36 358	33 818
Mushrooms	(3 981)	(12 150)	(18 683)	(3 066)	(40 916)	(6 236)	10 209	21 289	44 896	47 576	68 817	69 593	65 527	75 371	59 946	83 862	70 558	65 897	75 371	59 946
Total incremental benefits	(16 114)	(49 861)	(75 543)	(5 100)	(139 656)	9 545	119 672	210 145	324 399	387 412	491 584	513 331	519 144	547 706	537 059	576 660	561 835	552 333	567 215	542 068
Total project costs	2 777	30 413	101 026	164 115	68 258	447 388	191 738	162 777	179 890	111 960										
Net incremental benefits	(18 892)	(80 274)	(176 569)	(169 215)	(207 914)	(437 843)	(72 065)	47 367	144 509	275 452	491 584	513 331	519 144	547 706	537 059	576 660	561 835	552 333	567 215	542 068
EIRR	18.2%																			
NPV @6.85% (IDR million)	1 355 507																			
NPV @6.85% (USD)	89 835 651																			
B/C Ratio	2.4																			

Table F
Sensitivity analysis

Scenario	EIRR	NPV (Thousand USD)	B/C Ratio
Original Financing			
Scenario 1: 20% increase in cost	15.6%	56,871	2.01
Scenario 2: 20% decrease in benefits	15.1%	43,628	1.93
Scenario 3: Combination of scenarios 1 & 2	12.8%	34,281	1.61
Original & Additional Financing			
Scenario 1: 20% increase in cost	15.7%	75,569	1.98
Scenario 2: 20% decrease in benefits	15.2%	57,884	1.90
Scenario 3: Combination of scenarios 1 & 2	12.8%	45,028	1.58