



PROJECT FACT SHEET (Indonesia)

Development of Integrated Farming Systems in Upland Areas

Country Context

The agriculture sector in Indonesia is a strategic sector and is a core area of the Government's national development programme. Within the agriculture sector, a sharper focus is now being given to development of upland areas which were neglected in the past. The government has plans to make significant investments in these areas in the future starting with this investment which will serve as a platform for further development. The upland areas are highly diverse and fragile but play a very important role in the production of horticulture crops and serve as watersheds in the conservation of water resources and the maintenance of a stable ecosystem. Traditional agricultural and water management techniques are generally poor in conserving soil and water in Indonesia's tropical environment, where precipitation ranges from 1500 to more than 3000 mm/year, often falling within a few months of the year. The project would assist in developing an integrated approach to farming for the uplands, which will present a more sustainable option for the fragile natural resources and livelihoods in the area. Proper management of upland areas is being increasingly recognized as a key issue in the successful utilization of land resources in the country as a whole. The government recognizes that there is need for a new approach in developing high economic value commodities to improve land productivity, enable farmers to achieve greater value-added, selecting the appropriate technology compatible with the land condition as well as local socio economy conditions. The project represents an approach which would assist Government in up-scaling its programme for upland area development.

Project Rationale

The agriculture sector in Indonesia is a strategic sector and is a core area of the Government's national development programme. Within the agriculture sector, a sharper focus is now being given to development of upland areas which were neglected in the past. The government has plans to make significant investments in these areas in the future starting with this investment which will serve as a platform for further development. The upland areas are highly diverse and fragile but play a very important role in the production of horticulture crops and serve as watersheds in the conservation of water resources and the maintenance of a stable ecosystem. Traditional agricultural and water management techniques are generally poor in conserving soil and water in Indonesia's tropical environment, where precipitation ranges from 1500 to more than 3000 mm/year, often falling within a few months of the year. The project would assist in developing an integrated approach to farming for the uplands, which will present a more sustainable option for the fragile natural resources and livelihoods in the area. Proper management of upland areas is being increasingly recognized as a key issue in the successful utilization of land resources in the country as a whole. The government recognizes that there is need for a new approach in developing high economic value commodities to improve land productivity, enable farmers to achieve greater value-added, selecting the appropriate technology compatible with the



land condition as well as local socio economy conditions. The project represents an approach which would assist Government in up-scaling its programme for upland area development.

The project would help to introduce some innovations such as a) innovative approaches to social mobilization leading to community empowerment with capacity to leverage local resources and village funds; b) initiating a Gender Action Learning System (GALS) which can promote gender equality, improve livelihood choices and increase participation; c) inclusion of youth through innovative employment opportunities such as training in operation of agriculture equipment and machinery and market intelligence gathering; d) good agricultural practices with innovative irrigation technologies; d) extension provision with private sector participation; e) processing facilities managed with PPP arrangements using the BLUD system; f) introduction of value chain financing to meet the working capital requirements and expansion of some of the Shariah compliant products launched by the Islamic Development Bank and g) building commodity alliances for the promotion of the selected commodities and h) using ICT applications for delivering extension services. There is significant interest of the private sector in participating in these alliances at the national and local level in pursuance of their commitment to sustainable agriculture. Platforms such as the Partnership for Indonesia's Sustainable Agriculture (PISAgro) which is a collaborative platform between the Indonesian government, public and the private sector to support the Government of Indonesia's ambition to increase agriculture productivity sustainably as part of the country's effort to develop food security would be leveraged for the purpose.

Project Objectives

- Reduce poverty in upland areas through remunerative, sustainable & resilient livelihood
- Build a powerful platform for maximizing food security impact and scaling up next strategic investments in agriculture towards ensuring country self-sufficiency (Government Blue Book)
- Boost agriculture production/productivity through new practices
- Develop and strengthen the value chains of selected strategic commodities.
- Implement an integrated farming for the uplands blending agriculture development & natural resources preservation of natural resources
- Secure food self-sufficiency for poorest families & Upland smallholder farmers

Project Components:

The project activities are based on the following components:

- Component A = Productivity Enhancement and resilience building
 - ❖ Develop land structuring and agriculture related infrastructure
 - ❖ Strengthen agriculture production and farm management
- Component B = Agri-business development and livelihood facilitation
 - ❖ Develop farming intuitional structure and capacity
 - ❖ Reinforce agriculture equipment and marketing infrastructure



- ❖ Strengthen linkage of small holder farmers to market and business alliances
- ❖ Secure effective access to financial services for small holder farmers
- Component C = Strengthening institutional delivery systems
- Component D = Project Management and Coordination

Key project information

- LLF Impact Committee Approval: October 2018
- LLF Financing: \$66 million (blended financing of \$59.44 million, OCR \$ 6.56 million, LLF grant)
- Grant/Waqf funds/Reverse Linkage: \$0.5 million
- Government co-financing & Co-financers:
 - ❖ Government counterpart funding \$ 17.1 million
 - ❖ Beneficiaries funding: \$14.03 million
 - ❖ Private Sector funding: \$0.023 million
 - ❖ Co-Financers (IFAD): \$50 million
 - ❖ Co-Financers ISFD Loan: \$4 million
- Project duration: 5 years from date of project first date of disbursement

Expected Outcomes

- Increase poor rural people's productive capacities
- Increase poor rural people's incomes from market participation
- Increase government's capacity for agricultural modernization
- 12,000 ha benefiting from new irrigation systems
- About 500 km of farm to market roads developed
- About 800 farmers groups benefiting from capacity building initiatives
- About 30,000 households trained on good agriculture practices
- 18,000 smallholder farmers benefiting from access to micro-finance

Benefits and impact

- Between 330,000 and 155,000 people lifted out of poverty through reduced poverty line from 13.9% to 12%-13%
- 25,000 households will receive project investment, technical support, and agriculture services
- 20,000 households with increased asset ownership
- 15,000 women & 10,000 youth as direct & indirect beneficiaries
- 70% of farmer groups reporting increase in sales & profits

Strategic departments and services

- Ministry of Agriculture (Directorate General of Agricultural Infrastructure and Facilities)
- IFAD: co-funding the project



Donor Partners

Abu Dhabi Fund for Development (ADFD)

The Abu Dhabi Fund for Development (ADFD) is an aid agency established by the government of Abu Dhabi in 1971. ADFD aims to help developing countries to achieve sustainable socio-economic growth; through financial assistance in the forms of concessionary loans, managing government grants and equities. ADFD also peruses investments to encourage the private sector in the recipient countries to play an essential part in accelerating the economic development process, and at the same time playing a pivotal role in strengthening and diversifying the future resources of the Fund.

Bill and Melinda Gates Foundation (BMGF)

The Bill & Melinda Gates Foundation (BMGF) is an American private foundation based in Seattle, Washington. The primary goal of the foundation is to enhance healthcare and reduce extreme poverty across the globe and expand educational opportunities and access to information technology in the U.S.

Islamic Solidarity Fund for Development (ISFD)

The Islamic Solidarity Fund for Development (ISFD) is dedicated to reducing poverty in its member countries by promoting pro-poor growth, emphasizing human development, especially improvements in health care and education, and providing financial support to enhance the productive capacity and sustainable means of income for the poor, including financing employment opportunities, providing market outlets especially for the rural

poor and improving basic rural and pre-urban infrastructure.

King Salman Humanitarian Aid and Relief Centre (KS Relief)

Saudi Arabia established the King Salman Humanitarian Aid and Relief Centre (KS Relief) in 2015. KS Relief works in 46 countries around the world with a focus on humanitarian and relief work in the Middle East and North Africa region.

Qatar Fund for Development (QFFD)

QFFD is a public development institution committed, on behalf of the State of Qatar, to improving the livelihood of communities around the world by providing financial tools to developing countries in the Arab and Muslim world and beyond for responsive and effective humanitarian and development aid.

UK Aid – The Foreign, Commonwealth, and Development Office (FCDO)

UK Aid Direct is DFID's main centrally managed funding mechanism for small and medium-sized civil society organizations, based in the UK and overseas, which are working to achieve the global goals. Formerly known as the Global Poverty Action Fund (GPAF), the fund was relaunched in 2014 as UK Aid Direct.