

profile

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INDONESIA COUNTRY PROGRAMME EVALUATION

Seizing strategic opportunities for rural poverty alleviation

Indonesia is a fast growing middle-income country in South-East Asia and the fourth most populous country in the world. Indonesia's land area of 1,904,443 square kilometres extends over 17,000 islands, of which 6,000 are inhabited and more than 80 per cent of Indonesia's territory is covered with water. Its economy has solid macroeconomic fundamentals and has recently shown resilience to external shocks and global economic slowdown. Although the national poverty rate has fallen to 12 per cent in 2012, much of the population still remains poor and vulnerable. Almost 50 per cent of Indonesia's population is rural.

Rural poverty alleviation, IFAD's mandate, remains Indonesia's central challenge. Agriculture is a major source of livelihood and source of income for the two-thirds of poor people living in the country. Growth in agriculture is therefore instrumental for poverty reduction. The challenges facing this sector include low productivity, limited capacity in government services widened by rapid decentralization, insufficient national budgets supporting agricultural productivity, low private sector involvement, climate change impacts, food security issues, and raising the level of farmer empowerment.

Since the start of the cooperation in 1980, IFAD has approved 15 projects, totalling US\$409.9 million in loans. This is the second country programme evaluation (CPE) undertaken by the Independent Office of Evaluation of IFAD to assess the partnership between IFAD and the Government of Indonesia. This CPE, done in 2012-2013, covers the activities in the period 2004-2012.

The most recent IFAD country strategic opportunities programme (COSOP) for Indonesia is from 2008. The COSOP has three strategic objectives: to boost on-and off-farm productivity, improve infrastructure and services, and empower local communities.

Main evaluation findings

Overall portfolio achievement is assessed as moderately satisfactory. Project objectives were relevant but IFAD spread its resources thinly over large geographical areas (where limited capacity created further challenges to project implementation) and covered a wide range of sub-sectors. Overall, the portfolio has made encouraging



Cocoa production in Central Sulawesi.

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INDONESIA AT A GLANCE

- Population: **246.9 million (2012)**
- Population growth average: **1.2% (2012)**
- Rural population: **119.9 million (2012)**
- Rate of GDP growth: **6.2% (2012)**
- Poverty headcount ratio at national poverty line (% of population): **12% (2012)**
- Human development index: **0.629 (2012)** - Ranking: **121** - classified as a low level of human development
- Life expectancy at birth: **69 years (2011)**
- IFAD lending since 1980: **US\$409 million**

Sources: World Bank; United Nations Development Programme International Human Development Indicators; IFAD Project and Programme Management System.

achievements in social mobilization, promoting participatory approaches, and gender mainstreaming. Marked progress has been made in terms of investments for the enhancement of social infrastructure.

However, results related to on-farm and off-farm development and agricultural productivity enhancement are more limited. Although productivity enhancement and value addition were included in project design, they did not get adequate attention during implementation.

Little has been achieved in scaling up successful innovations especially for enhancing agricultural productivity and value addition. Two closed projects (Income Generating Project for Marginal Farmers and Landless – Phase III and Post-Crisis Programme for Participatory Integrated Development in Rain-fed Areas) provided opportunities for scaling up, but these were not systematically nurtured once the projects ended. The monitoring and evaluation systems are weak, and generate limited useful data or analysis for learning, project management and knowledge management.

The shift to direct supervision and implementation support by IFAD was a fundamental move and is making a positive impact. More attention is however needed to ensure the regularity of, and expertise included in supervision missions.

Non-lending activities (policy dialogue, knowledge management and partnership-building) was assessed as moderately unsatisfactory. Grants supported project-related activities, but provided little additional leverage to enhance non-lending activities. In general, synergies across projects, between lending and non-lending and grants were insufficient.

COSOP performance was assessed as moderately unsatisfactory. COSOP objectives were generally relevant as they cover the ground and strike a balance between agricultural productivity enhancement, better infrastructure, access to markets and community empowerment, all leading to rural poverty reduction and therefore aligned to the country needs. However, priority among the objectives was not clearly defined. Moreover, IFAD did not devote adequate management attention to its cooperation in Indonesia since around 2004-2005 till more recently, when a new country programme manager was assigned in 2011 and is making good efforts to remedy the situation. The IFAD-Government cooperation has been affected by lack of an IFAD country office in Indonesia, although there are plans to outpost the Indonesia country programme manager from Rome to Jakarta.

Overall, the important IFAD-Government partnership is assessed as moderately unsatisfactory. The partnership, characterized by mutual trust, is operating below potential and the level of effectiveness needs to be improved. The CPE did however find renewed commitment, interest and efforts by both Government and IFAD in recent years to strengthen the partnership for better results on the ground. This is encouraging and essential for improving future performance.

Key recommendations

The country programme evaluation made five recommendations. These are:

- Make small farmers the principal beneficiary of the IFAD-funded programme: IFAD should place small farmers, their food and high value crops at the centre of its efforts. Given relatively scarce resources, IFAD should limit its role to high value crops grown by smallholders with appropriate and increasing role of value chains. To support these goals, IFAD should design and implement a new comprehensive national strategic programme for small farmer agricultural development.
- Channel funding and technical support on core agriculture: IFAD, through its next COSOP, should draw the boundaries of its Indonesia programme around core agriculture activities. Core agriculture activities should be targeted to empowering small farmers and their groups, in geographical areas where there are a large number of small farmers and the preconditions for a successful donor intervention exist. IFAD operations should focus on improving the access of small farmers to agricultural technology and services, and help them to develop value chain links to input and output markets.
- Build strategic partnerships on core agriculture: IFAD should evaluate the strengths and weaknesses of potential partnerships in the core agriculture areas of IFAD's focus. Given the high transaction costs involved in building partnerships, selectivity is key. Partnerships with donors, civil society, and the private sector should focus on activities relating to core agriculture and small farmers.
- Strengthen IFAD country programme management: IFAD should specify with greater clarity country programme management responsibilities and mechanisms within the context of decentralization to install the necessary capacity within IFAD to manage COSOP in Indonesia. Accountability for performance should be more sharply defined and necessary incentives should be put in place. The next COSOP should support better project pipeline development and the establishment of effective monitoring and evaluation systems, at both the project and country programme levels.
- Enhance the Government's role in IFAD-supported activities: The next COSOP should go deeper into an analysis of how sub-national capacity can be strengthened in the core area of IFAD activities and the role of the private sector and NGOs in this effort. The establishment of capacity should be the centrepiece of all sub-national IFAD projects.

Further information:

Republic of Indonesia, Country Programme Evaluation, Report No. 3253-ID, February 2014, ISBN 978-92-9072-436-0, Independent Office of Evaluation of IFAD, Via Paolo di Dono, 44, 00142, Rome, Italy. The full report, Profile and Insights are available online at: www.ifad.org/evaluation; email: evaluation@ifad.org.