

**Call
For
Proposal**

Advancing Sustainable Food Systems in Indonesia

PRE STUDY READS



Structural Barriers to Inclusive and Sustainable Food Systems in Indonesia

Indonesia's food systems are at an inflection point: macroeconomic gains mask deeply entrenched structural barriers that prevent millions of smallholders and coastal producers from graduating out of subsistence and participating equitably in resilient value chains.



*Official statistics show that, as of September 2024, roughly **8.57% of the population**, about **24.1 million people**, remained **below the national poverty line**, with rural poverty markedly **higher at 11.34%**, underlining a persistent urban-rural divide in welfare and access to productive assets.*

The majority of Indonesia's agricultural producers are smallholders operating in high-risk environments: approximately half of farmers are smallholders who earn low daily incomes, World Bank (2022) estimates suggest averages near US\$3.2 per day for these cohorts, and face acute exposure to climate and market shocks. Empirical research on oil-palm smallholders exemplifies this fragility: one rigorous study classifies about 40% of oil-palm smallholders as stochastic-transient poor, families whose welfare is persistently vulnerable to production and price shocks despite episodic income gains. This dynamic underscores why traditional, input-centric interventions frequently fail to produce durable graduation.

Geographic inequality compounds these household vulnerabilities. Provinces in Eastern Indonesia and parts of Papua report poverty rates multiples higher than the national average; Such spatial disparities mean that an identical intervention yields dramatically different outcomes depending on context, necessitating place-based targeting, tailored capacity building, and finance models that internalize local market frictions.

While Eastern Indonesia often dominates the discourse on structural poverty, recent evidence highlights that significant vulnerabilities also persist across Java, the country's economic heartland.



Despite contributing more than 58% of Indonesia's GDP (BPS, 2025), the island continues to host a large population of urban and peri-urban poor who remain highly vulnerable to economic shocks. In March 2025, Banten reported a poverty rate of 6.35%, West Java 7.58%, and Central Java as high as 10.77% (BPS, 2024). These figures translate into millions of households struggling to secure stable incomes despite proximity to industrial and service hubs. Furthermore, rural-urban migration in Java has produced dense pockets of informal employment: the Ministry of Manpower estimates that nearly 58% of the labour force in Java is employed informally, lacking access to job security and social protection (World Bank, 2023). This paradox, where the most economically advanced region continues to harbour structural vulnerabilities, underscores the complexity of Indonesia's inequality challenge.

The persistence of vulnerability in Java reflects deep social imbalances that mirror, and in some respects magnify, those seen in peripheral regions. Income inequality across Java remains high, with Gini ratios in provinces such as Jakarta reaching 0.402, one of the highest nationally (BPS, 2024). In urban centres, rising costs of housing, education, and healthcare increasingly outpace wage growth, trapping low-income households in cycles of precarious survival.



Meanwhile, in rural parts of Java, smallholders cultivating rice, horticulture, or sugarcane face land fragmentation, rising input costs, and climate variability, which threaten their already thin margins. Studies on rural Java confirm that many farming households operate on less than 0.5 hectares, limiting their capacity for productivity gains and reinforcing intergenerational poverty (KitaBisa Research & Advisory 2025). Thus, vulnerabilities in Java are not peripheral anomalies but structural features of Indonesia's development trajectory, where economic dynamism coexists with entrenched exclusion. Addressing these inequities requires not only geographically balanced interventions but also policy frameworks that recognize the multidimensional nature of vulnerability across both Java and the Eastern provinces.





Unlocking Pathways for Systemic Transformation in Indonesia's Food Systems

The strategic objectives of this call are firmly grounded in Indonesia's urgent need to catalyze systemic change within its food systems, ensuring that interventions move beyond short-term poverty alleviation toward long-term socio-economic graduation. Despite consistent macroeconomic progress, structural inequities remain pronounced. This call therefore aims to address the structural drivers of persistent rural vulnerability by supporting innovations that simultaneously strengthen climate resilience, expand inclusive market participation, and accelerate sustainable graduation from subsistence livelihoods.

1

The first objective is to **deploy result-based funding mechanisms** that directly tie disbursements to measurable socio-economic outcomes. Traditional project finance in Indonesia's agricultural development has often prioritized inputs or training delivery, with limited accountability for systemic change. By contrast, result-based funding ensures that NGOs and community partners are incentivized to deliver tangible improvements in smallholder income, food security, and market integration. Empirical evidence demonstrates that interventions emphasizing performance-based outcomes achieve higher levels of efficiency and scalability, as seen in conditional cash transfer programs in Indonesia that have reduced poverty and improved human capital indicators (World Bank, 2020).

2

The second strategic objective is to strengthen pathways for smallholder graduation into more secure socio-economic tiers through innovative financing models. The call prioritizes revolving, interest-free funds that provide patient capital for productivity-enhancing investments, such as climate-smart agriculture or sustainable aquaculture practices. These mechanisms are designed not only to reduce volatility in household incomes but also to create a replicable financial architecture that communities can sustain independently.

3

The third objective is to address geographical inequities by channeling resources toward the most structurally disadvantaged regions. By explicitly targeting these regions, the call ensures that resource allocation aligns with the highest marginal returns in terms of human development and poverty reduction. In line with academic findings on inequality and structural transformation (Yonathan, 2023), place-based approaches can more effectively address the intersection of geography, poverty, and structural exclusion.

Catalyzing Systemic Change for Sustainable Food Systems in Indonesia

All in all, the call aims to foster systemic transformation by embedding sustainability, inclusivity, and accountability into Indonesia's food systems. Climate risk has already reduced agricultural productivity and increased vulnerability among rural producers; World Bank (2021) warns that without strategic interventions, climate change could reduce yields of key crops in Indonesia by up to 20%. Thus, funded projects are expected to integrate climate-resilient practices, embed monitoring and learning frameworks, and build institutional capacity for long-term adoption. This approach not only generates local impact but also produces scalable models that can inform national policy and align with Indonesia's commitments to the Sustainable Development Goals (SDGs).

Taken together, these issues point a coherent policy problem: without catalytic, outcome-oriented financing and accountable implementation models, smallholders and coastal workers will remain trapped in cyclical vulnerability. What is required is not incremental aid but mechanisms that:

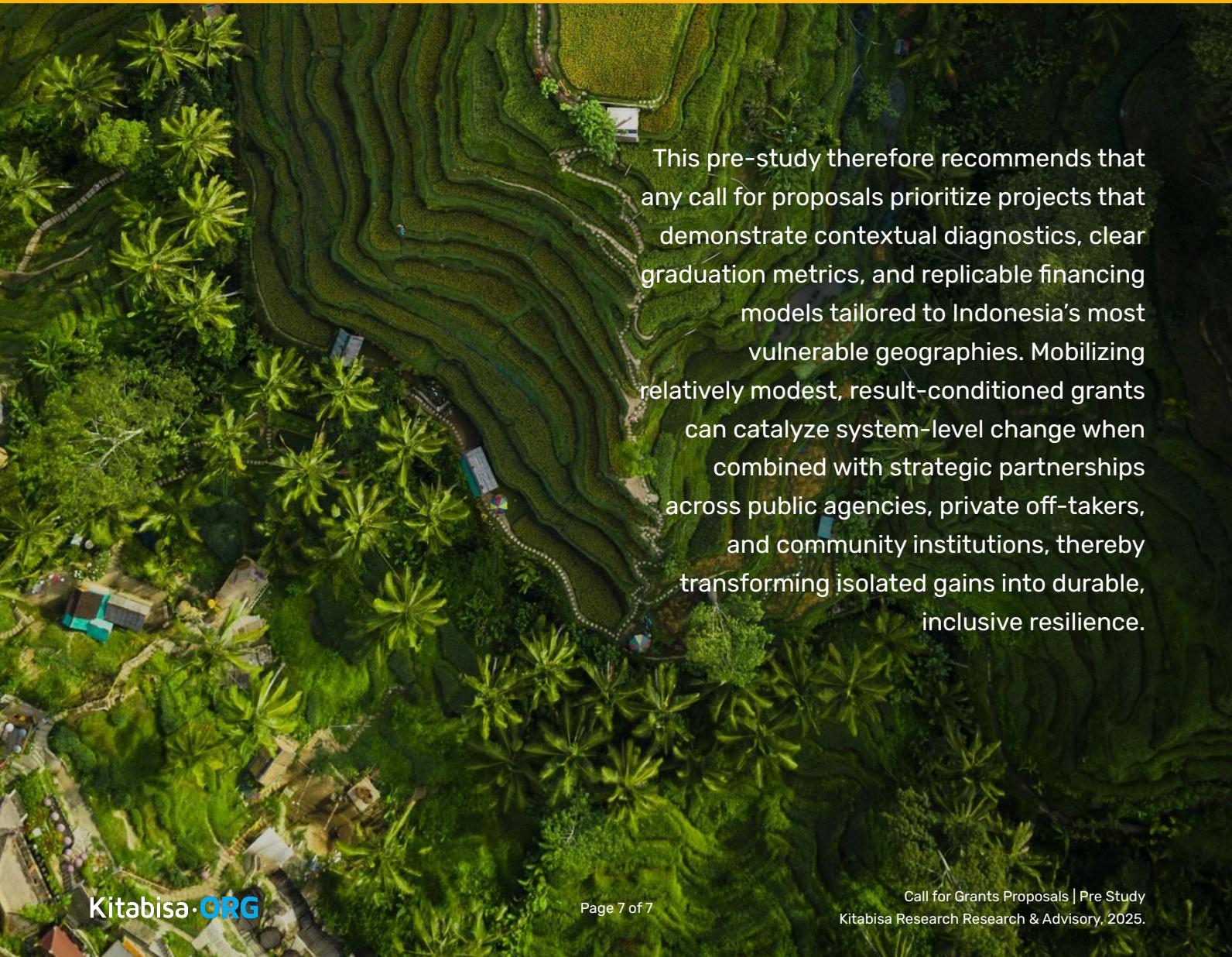
- 1** Result-based funding with measurable graduation metrics
- 2** Provide patient, revolving capital (non-interest loan scheme or concessional) to smooth investment in productivity-enhancing practices
- 3** Embed rigorous monitoring and learning to enable scalability and policy uptake.



The evidence base suggests that interventions which explicitly target volatility, market access, and institutional capacity, rather than merely increasing input supply, yield more reliable pathways to socio-economic graduation.



The strategic objectives of this call are threefold: to reorient agricultural development finance through result-based mechanisms, to enable smallholder graduation via innovative and sustainable capital models, and to target structurally disadvantaged geographies with climate-resilient, inclusive solutions. By linking financing to outcomes, prioritizing vulnerable populations, and ensuring sustainability, this initiative aspires to transform Indonesia's food systems from fragile subsistence structures into engines of equitable growth, resilience, and socio-economic mobility.



This pre-study therefore recommends that any call for proposals prioritize projects that demonstrate contextual diagnostics, clear graduation metrics, and replicable financing models tailored to Indonesia's most vulnerable geographies. Mobilizing relatively modest, result-conditioned grants can catalyze system-level change when combined with strategic partnerships across public agencies, private off-takers, and community institutions, thereby transforming isolated gains into durable, inclusive resilience.