



FAST Report

Project Number: 54216-001
July 2020

Loan PT Cisarua Mountain Dairy Dairy Farmer Support and Food Security Project (Indonesia)

This is an abbreviated version of the document, which excludes information that is subject to exceptions to disclosure set forth in ADB's Access to Information Policy.

Asian Development Bank

CURRENCY EQUIVALENTS

(as of 1 June 2020)

Currency unit	–	rupiah (Rp)
Rp1.00	=	\$0.0000680
\$1.00	=	Rp14,610.00

ABBREVIATIONS

ADB	–	Asian Development Bank
CMD	–	PT Cisarua Mountain Dairy
COVID-19	–	coronavirus disease
FAST	–	Faster Approach to Small Nonsovereign Transactions

NOTES

- (i) The fiscal year (FY) of the Cimory Group, including PT Cisarua Mountain Dairy, ends on 31 December.
- (ii) In this report, “\$” refers to United States dollars.

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PROJECT AT A GLANCE

1. Basic Data		Project Number: 54216-001	
Project Name	Dairy Farmer Support and Food Security Project	Department/Division	PSOD/OPSD
Country	Indonesia		
Borrower	PT Cisarua Mountain Dairy		
Portfolio at a Glance	https://www.adb.org/Documents/LinkedDocs/?id=54216-001-PortAtaGlance		
2. Sector		Subsector(s)	
✓ Agriculture, natural resources and rural development			
	Livestock		
		ADB Financing (\$ million)	
			15.00
		Total	15.00
3. Operational Priorities		Climate Change Information	
✓ Addressing remaining poverty and reducing inequalities		GHG reductions (tons per annum)	0
✓ Accelerating progress in gender equality		Climate Change impact on the Project	Low
✓ Promoting rural development and food security			
		ADB Financing	
		Adaptation (\$ million)	0.00
		Mitigation (\$ million)	0.00
		Cofinancing	
		Adaptation (\$ million)	0.00
		Mitigation (\$ million)	0.00
Sustainable Development Goals		Gender Equity and Mainstreaming	
SDG 2.4		Effective gender mainstreaming (EGM)	✓
SDG 5.5			
		Poverty Targeting	
		General Intervention on Poverty	✓
4. Nonsovereign Operation Risk Rating			
Obligor Name		Obligor Risk Rating	Facility Risk Rating
PT Cisarua Mountain Dairy			
5. Safeguard Categorization			
Environment: C		Involuntary Resettlement: C	Indigenous Peoples: C
6. Financing			
Modality and Sources		Amount (\$ million)	
ADB		15.00	
Nonsovereign Dual Currency Loan (Regular Loan): Ordinary capital resources		15.00	
Cofinancing		0.00	
None		0.00	
Others^a		5.00	
Total		20.00	
Currency of ADB Financing: US Dollar			

^a Derived by deducting ADB financing and Cofinancing from Total Project Cost.

I. INTRODUCTION

1. This is an eligible transaction under the Faster Approach to Small Nonsovereign Transactions (FAST) framework.¹ It involves a loan of up to \$15,000,000 (or Indonesian rupiah equivalent) to PT Cisarua Mountain Dairy (CMD) for the Dairy Farmer Support and Food Security Project in Indonesia.

2. The project will provide essential liquidity support to CMD to sustain its operations and thus the livelihoods of 2,142 employees, about 3,300 dairy farmers, and over 1,500 direct sales agents during the coronavirus disease (COVID-19) crisis. It will support rural livelihoods more generally, sustain gender inclusion, and contribute to food security with the production of affordable nutritious dairy products, mitigating the fallout from this unprecedented health, economic, and social crisis.

II. THE PROJECT

A. Project Identification and Description

1. Project Identification

3. **COVID-19 impact on food security.** Restrictions on the movement of people, goods and services, as well as containment measures such as factory closures, have cut food manufacturing and domestic demand sharply in developing countries. Drastic changes in food distribution channels have resulted in huge food waste. Labor movement restrictions have halted some postharvest and distribution functions, and food processing facilities. Trading and marketing opportunities are reduced at the farm gate, resulting in fewer day labor earning opportunities in rural areas. If the situation persists and restrictions on movements continue, agricultural production may suffer from shortages of labor, seeds, fertilizers, and animal feed, with longer-lasting and deeper impacts on food availability, prices, and ultimately overall food security.

4. **Food security in Indonesia.** In 2019, Indonesia ranked 62nd out of 113 countries in the Global Food Security Index.² Food security, which encompasses food availability, accessibility, and quality and safety, has been one of the national development priorities for decades. Indonesia's food availability and accessibility have been comparable to peer countries in Southeast Asia. However, food quality and safety have lagged behind, an unintended consequence of the price stability policies implemented since the 1980s. Food prices are significantly higher than in the rest of Asia because restrictions on imports effectively create a tax on food products. Consequently, many Indonesians are unable to afford a nutritious diet. Despite being a middle-income country, Indonesia ranked 70th out of 117 countries in the 2019 Global Hunger Index, its level of hunger ranked as serious. About 28% of children under 5 years of age suffer from stunting.³ At the same time, overweight and obesity are prevalent among children and adults in all income groups. Food insecurity, malnutrition, and poverty are closely linked—low incomes are a main factor in driving households into food insecurity and malnutrition. In 2018, poverty levels stood at 9.8% (nearly 26 million people), with a further 20.6% of the population at risk of falling into poverty.⁴

¹ Asian Development Bank (ADB). 2015. *Faster Approach to Small Nonsovereign Transactions*. Manila.

² Economist Intelligence Unit. 2020. [Global Food Security Index: Country Rankings 2019](#).

³ Government of Indonesia, Statistics Indonesia. 2019. [Prevalence of toddler very short and short in SSGBI Regency / City 2019](#). Jakarta. (accessed 15 June 2020).

⁴ ADB. 2019. *Policies to support investment requirements of Indonesia's food and agriculture development during 2020–2045*. Manila.

5. As a result of the COVID-19 pandemic, the government lowered the annual economic growth rate for 2020 to 2.3%, from 5.2% before the crisis, the lowest economic growth rate in 21 years. In April 2020, the International Monetary Fund revised its projection for Indonesia's gross domestic product (GDP) growth to 0.5% (from 5.1% in its October 2019 projection), warning that the country's unemployment rate might rise to 7.5% in 2020 (5.3% in 2019) as the pandemic disrupts supply chains, forcing companies to lay off employees, and crushes demand for goods as consumers stay at home.⁵ In June 2020, ADB revised its projection for Indonesia's GDP growth to -1.0% (from 5.0% in its December 2019 outlook).⁶ The crisis is expected to have a significant impact on livelihoods, especially in the most vulnerable communities. An additional 1.1 million–3.8 million people are at risk of falling into poverty during the pandemic.⁷

6. **Importance of dairy in Indonesia.** Dairy is an important industry involving over 100,000 Indonesian dairy farmers. Smallholder farmers, who usually own no more than five cows, account for about 77% of domestic milk production.⁸ For these farmers, cows represent an important asset for food, income, or collateral; are a safety net in times of needs; and can be used as draft animals where mechanization is low. However, the small scale, poor equipment, suboptimal production methods, and use of domestic cattle breeds result in inferior yields and inferior milk quality. As domestic output fails to meet domestic demand, local industries import a significant quantity of milk, mostly in the form of powder. To cater to domestic demand, in 2019 Indonesia imported 3.2 million tons of milk and milk products.⁹ In 2018, domestic production was 1.5 million tons.¹⁰ This dependency on imports is expected to keep growing as dairy products become a regular part of the everyday Indonesian diet.

7. **Government policy alignment.** Aligned with President Widodo's policy direction, the National Medium-Term Development Plan (RPJMN) 2020–2024 promotes prosperous, fair, and sustainable development. The government has set targets to improve food security (availability, access, and quality of food consumption) and agriculture: (i) reducing the undernourishment prevalence from 6.40% in 2020 to 5.38% in 2024; (ii) reducing the prevalence of populations with moderate or severe food insecurity (Food Insecurity Experience Scale) from 5.21 in 2020 to 4.05 in 2024; (iii) increasing rice production (dry unhusked rice) from 59.63 million tons in 2020 to 67.12 million tons in 2024; (iv) increasing the value addition per agricultural workforce member from Rp36.19 million in 2020 to Rp45.44 million in 2024; (v) increasing the adoption of agricultural technology from 80% in 2020 to 95% in 2024; and (vi) increasing the Global Food Security Index score from 56.9 in 2020 to 64.1 in 2024.¹¹ In response to the COVID-19 crisis, the government expanded its social assistance for the poor and vulnerable households. In particular, *Kartu Sembako*, a food assistance program, targets food insecurity.

8. **Project selection.** Cimory is a well-established household brand in Indonesia for selected liquid dairy and processed meat products. CMD, the holding company of the Cimory Group and the operating entity responsible for the dairy processing activities of the group, approached the Asian Development Bank (ADB) for financing assistance. ADB was introduced to the Cimory Group in 2018 through a private equity fund that ADB invested in.¹² Since then, ADB and Cimory

⁵ International Monetary Fund. 2020. [World Economic Outlook, April 2020: The Great Lockdown](#). Washington, DC.

⁶ Asian Development Bank. 2020. [Asian Development Outlook Supplement June 2020](#). Manila.

⁷ World Food Programme. 2020. [Indonesia: COVID-19: Economic and Food Security Implications](#). Rome, Italy.

⁸ United States Department of Agriculture, Foreign Agricultural Service. 2018. [Indonesia 2018 Dairy and Products Annual Report](#). Washington, DC.

⁹ Food and Agriculture Organization of the United States. 2020. *Dairy Market Review*. Rome, Italy.

¹⁰ Food and Agriculture Organization. 2019. [Food outlook biannual report on global food markets](#). Rome, Italy.

¹¹ Government of Indonesia. 2020. *National Medium-Term Development Plan, 2020–2024*. Jakarta.

¹² Equity investment in Creador IV: <https://www.adb.org/projects/documents/reg-52067-001-rrp>

have been discussing collaboration opportunities. CMD was found suitable for ADB's COVID-19 emergency support because (i) the company is central to an important food value chain in Indonesia, which addresses the challenge of food security; (ii) CMD's strong track record of working with about 3,300 smallholder dairy farmers makes its operations important for rural livelihoods; (iii) it is willing to partner with ADB to strengthen gender support in the context of COVID-19; and (iv) the company is facing a temporary liquidity squeeze because of the COVID-19 crisis that is unlikely to affect its long-term prospects.

2. Project Design

9. The FAST project will help CMD sustain its operations through the COVID-19 crisis by providing financing for working capital and operational expenditure. Given global logistic disruptions, CMD needs to increase its inventory levels of imported materials to ensure adequate buffers for sustained operations. The appreciation of the United States dollar against the rupiah has been weighing on the cost of imported materials, further increasing the liquidity needs for building up these inventories. In addition, CMD has started experiencing delayed payments from some of its customers that have been particularly hard hit by the crisis. As a result, the cash conversion cycle of the company is expected to increase by over 80 days in fiscal year (FY) 2020 compared to FY2019, representing an immediate liquidity need that the company cannot finance from its operating cash flow alone in the medium term. Liquidity support from ADB will allow CMD to sustain business operations, enabling stable production as well as timely payments to farmers, suppliers, employees, and agents.

10. **Sustained food security.** Although per capita consumption of dairy products is increasing in Indonesia, it was still well below 11 kilograms per year in 2015, much lower than the 20 kilogram average in Southeast Asia (footnote 4). Dairy consumption is forecast to grow at an anticipated compound annual rate of 8.3% during 2017–2022.¹³ The project will allow the company to avoid a decrease in production through FY2021, thus providing essential affordable nutrition to end-consumers.

11. **Sustained rural livelihoods.** CMD sources raw milk from about 3,300 farmers in West, Central, and East Java. In Indonesia, farmers are members of the cooperative in their vicinity. Typically, a cooperative exclusively supplies one or a few selected clients. With the COVID-19 impact, several dairy cooperatives working with the food service industry have experienced a collapse in demand, leading them to cut prices to attract alternative clients. Despite the opportunity to renegotiate prices with its suppliers, CMD, in line with its long-term commitment to supporting farmers' livelihood, continues to pay a premium above the rates of competing raw milk buyers. Without ADB's emergency financing, CMD would have to ultimately reduce its production level and renegotiate payment terms with dairy cooperatives to adjust for its increased liquidity needs and the constraints on material imports. The emergency financing will support CMD's efforts to provide farmers with a minimum assured income, sustaining rural livelihoods throughout the crisis.

12. **Women's economic empowerment.** In 2012, CMD launched a distribution program called Miss Cimory, whereby sales agents are hired and trained to sell dairy products door-to-door. The salesforce is made up exclusively of women, many of whom were previously not economically engaged and are from lower socioeconomic backgrounds. The program bypasses conventional retail supply chains, and is spread across the islands of Bali, Java, Nusa, and Sumatra, and the Southeast Sulawesi peninsula (about 80 locations). In the Indonesian context,

¹³ MarketLine. 2018. [Dairy in Indonesia](#). London.

where safe and socially acceptable employment options for women are limited, the Miss Cimory program provides an important avenue for women to participate in an empowering livelihood activity. The project will help increase the number of women sales agents hired by CMD from about 1,500 in FY2019 to at least 1,750 by FY2021. In addition, the project will support the empowerment of women dairy farmers by providing training on dairy farming's best practices and on financial literacy to at least 1,000 women farmers by FY2021.

3. Borrower

13. The borrower is CMD, a limited liability company incorporated in Indonesia in September 2004. CMD is the holding company of the Cimory Group and the operating entity responsible for the dairy activities of the group. As an integrated dairy company, CMD covers the entire value chain, from sourcing raw milk directly from farmers' cooperatives to processing dairy products in its factories and selling its branded products in Indonesia.

14. The Cimory Group was founded in 1992 by Bambang Sutantio. Headquartered in Jakarta, the group has processing facilities in West, Central, and East Java. It employs 2,142 people, and partners with about 3,300 dairy farmers and over 1,500 direct sales agents. The group operates in three segments: dairy products, processed meat products, and processed egg products. The group has its own distribution company, which centralizes all sales. [Redacted] CMD is ultimately 100% owned by the founder's family.

15. Cimory's management team consists of specialists with substantial industry knowledge and broad experience in finance, manufacturing, and marketing and sales. All decision-making is centralized at the group level. The management team is led by Farell and Axel Sutantio, sons of the group's founder.

16. ADB conducted integrity due diligence.¹⁴ CMD's founders, shareholders, managers, and significant contracting entities do not appear to constitute a significant or potentially significant integrity risk, since no unresolved or substantiated adverse media or other relevant information is related to them. Tax integrity due diligence was not required.¹⁵

B. Development Impacts, Outcome, and Outputs

17. **Impacts.** The project is aligned with the Government of Indonesia's directives and regulations on ensuring the availability of staple goods and the continuity of food production during the health crisis.¹⁶ It is also aligned with ADB's response to reduce the adverse socioeconomic impact of the COVID-19 pandemic.¹⁷

18. **Outcome.** The project's main development outcome is the avoidance of disruption of the company's dairy processing operations.

¹⁴ ADB. 2003. *Enhancing the Asian Development Bank's Role in Combating Money Laundering and the Financing of Terrorism*. Manila. Further information is provided in Client Information (accessible from the list of linked documents in Appendix 2).

¹⁵ ADB. 2016. *Anticorruption Policy: Enhancing the Role of the Asian Development Bank in Relation to Tax Integrity*. Manila. Further information is provided in Client Information (accessible from the list of linked documents in Appendix 2).

¹⁶ EKONID. 2020. <https://indonesien.ahk.de/id/infocenter/berita/berita/covid-19-developments-in-indonesia> (accessed 15 June 2020)

¹⁷ ADB. April 2020. *ADB's Comprehensive Response to the COVID-19 Pandemic: Policy Paper*. Manila.

19. **Outputs.** The outputs of the project will be (i) raw and packaging materials for dairy processing procured; (ii) livelihoods of farmers and workers (men and women) secured; (iii) response to the COVID-19 crisis in relation to workers enhanced in a gender-inclusive manner; (iv) gender equality in dairy distribution increased; and (v) gender equality in dairy farming increased.

C. Alignment with ADB Strategy and Operations

20. **Consistency with ADB strategy and country strategy.** The project is aligned with Strategy 2030, which calls for ADB to (i) scale up its financing for agribusinesses and (ii) promote gender equality in at least 75% of its committed operations by 2030 (operational priority 2).¹⁸ The project is also aligned with the Operational Plan for Private Sector Operations 2019–2024, which aims to expand the share of food brands in the portfolio because transactions in this downstream subsector have the highest return on capital, the lowest level of risks, and the potential to drive and structure upstream subsectors, and to impact a large number of farmers and consumers.¹⁹ Finally, the project is fully aligned with the objective of ADB’s country partnership strategy, 2020–2024 for Indonesia—to achieve higher, more inclusive, and environmentally sustainable growth.²⁰

21. **Consistency with sector strategy and relevant ADB operations.** The project is aligned with ADB’s \$20 billion response package to the COVID-19 pandemic. As part of this emergency package, ADB’s Private Sector Operations Department has been focusing on the provision of working capital and operational expenditure financing. These loans aim to support the continuity of operations of companies that are financially strong but face temporary liquidity issues in the COVID-19 context.²¹ The FAST project will complement the recently approved COVID-19 Active Response and Expenditure Support Program extended by ADB’s sovereign assistance program in Indonesia under the Countercyclical Support Facility–COVID-19 pandemic response option.²² The project is consistent with Strategy 2030’s Operational Plan for Priority 1 (addressing remaining poverty and reducing inequalities) by improving the standards of living of dairy farmers and sales agents. It is also consistent with three of five elements of Priority 2 (accelerating progress in gender equality) by seeking to economically empower women, enhance gender equality in human development, and strengthen women’s resilience to external shocks. Finally, the project is aligned with Priority 5 (promoting rural development and food security), which calls for (i) improving rural services, attracting private sector investments, and generating jobs in rural areas; (ii) improving farmer profitability; and (iii) enabling ADB’s nonsovereign operations to provide direct support to agribusiness clients.

D. Project Cost and Financing Plan

[Redacted]

¹⁸ ADB. 2018. *Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific*. Manila.

¹⁹ ADB. 2019. *Operational Plan for Private Sector Operations 2019–2024*. Manila.

²⁰ ADB. 2020. *Country Partnership Strategy: Indonesia, 2020–2024 (draft)*. Manila.

²¹ ADB. 2020. *ADB Triples Covid-19 Response Package to \$20 Billion*. News Release (13 April).

²² ADB. 2020. *Report and Recommendation of the President to the Board of Directors: Proposed Countercyclical Support Facility Loans to the Republic of Indonesia for the COVID-19 Active Response and Expenditure Support Program*. Manila.

E. Implementation Arrangements

22. Table 3 summarizes the implementation arrangements.²³

Table 3: Summary of Implementation Arrangements

Aspects	Arrangements
Regulatory framework	CMD operates under the regulatory framework applicable to food manufacturing companies in Indonesia. Regulation of the Minister of Agriculture (“MOA”) No. 26/Permentan/PK.450/7/2017 as amended by MOA Regulation No. 30/Permentan/PK.450/7/2018 and MOA Regulation No. 33/Permentan/PK.450/7/2018 regulates milk supply and distribution. Food safety falls under the authority of the Food and Drug Control Body (<i>Badan Pengawas Obat dan Makanan</i> or “BPOM”), as stipulated under the Presidential Regulation No. 80 of 2017 on BPOM whereas the terms and conditions for food labelling and advertising are regulated by Government Regulation No. 69 of 1999.
Management	CMD is managed centrally (Cimory Group). Strategic decisions are made by the board of directors, which includes nonexecutive members and management representatives. The management team is responsible for operational decisions and execution.
Implementation period	From September 2020 to June 2021.
Operational arrangements	CMD procures its raw milk two to three times a week from about 3,300 dairy farmers through 14 cooperatives in West, Central, and East Java. Farmers are exposed to the risk of climate change given the sensitivity of dairy cows to high temperature and humidity. However, the effects of climate change on farmers are not expected to be material during the implementation period of the project. The climate change risk on the project is therefore classified as “low”. Cooperatives are responsible for collecting the milk from farmers, grading it, and delivering it to CMD’s processing sites. CMD’s main dairy processing site, responsible for more than 90% of its activities, is in Bogor, West Java. PT Macrosentra Niagaboga, wholly owned by CMD, distributes the product to trade and food service sectors.
Performance monitoring	CMD will report semiannually on operational and financial performance indicators, and annually on safeguard and development indicators (i.e., output and outcome targets).

CMD = PT Cisarua Mountain Dairy.

Sources: Asian Development Bank and Cimory Group.

F. Projected Financial and Economic Performance

[Redacted]

G. Unique Features

23. The project is ADB’s first COVID-19 emergency assistance to an agribusiness in Indonesia. In the context of COVID-19-related economic disruptions, dairy farming has unique and powerful impacts on the sustainability of rural livelihoods, and helps tackle the food security challenge in Indonesia. The company provides income, sustainable livelihoods, and employment opportunities to low-income people; therefore, the transaction follows an inclusive business approach.²⁴ Cimory is also committed to strengthening gender equality in this environment of economic and social stress (para. 38).

²³ Details of Implementation Arrangements (accessible from the list of linked documents in Appendix 2).

²⁴ The project is classified as an “inclusive business” because its beneficiaries (sales agents and dairy farmers) belong to the “base of the pyramid” in Indonesia. The base of the pyramid describes persons who are poor or who lack access to basic goods and services. Also: ADB. 2019. *Key Indicators for Asia and the Pacific 2019: Indonesia Country Table*. Manila.

III. THE ADB ASSISTANCE

A. The Assistance

24. ADB will provide a senior secured loan facility of up to \$15.0 million (or Indonesian rupiah equivalent) to support CMD's liquidity needs as listed in Table 1.

B. Value Added by ADB Assistance

25. ADB's assistance will add value on two fronts:

- (i) **Signal of confidence to other lenders.** Cimory has financed its growth primarily through internally generated cash flows and some vendor financing. ADB's financing will send a strong signal of confidence to local and international lenders and give Cimory's business a stamp of approval to further attract medium and long-term financing.
- (ii) **Gender inclusion.** ADB will help CMD implement a gender action plan to sustain women's employment and increase the number of female sales agents. Training targeted at female farmers will be provided to improve farmers' livelihoods. Employees will be made aware of COVID-related health measures and services, and services available to them and their families in matters of domestic violence and mental health (para. 38).

C. Risks

[Redacted]

IV. POLICY COMPLIANCE

A. Safeguards and Social Dimensions

26. ADB has classified the project in compliance with its Safeguard Policy Statement (2009) as *category C* for environment, involuntary resettlement, and indigenous peoples.²⁵ As the project will support working capital and operational expenditure, the use of proceeds is anticipated to have minimal environmental, climate change and social impacts above CMD's existing operation. ADB has undertaken due diligence by interviewing CMD managers and through a desk-based review of corporate procedures, monitoring records, and audit reports. The environmental and social measures, and the institutional capacity and commitment of CMD to manage the project's social and environmental impacts are deemed adequate.

27. CMD's plant manager oversees all operational matters and is familiar with the regulatory environmental requirements. CMD's legal team manages environmental compliance and CMD has obtained the required permits. The company carries out regular environmental monitoring of air emissions, indoor air quality, waste, water and wastewater quality, and noise levels. Monitoring reports are submitted semiannually to the respective authorities. Each facility has its health and safety officer, and workers are given monthly health and safety training, including safe handling of chemicals and fire safety. CMD has an ISO 22000:2005-certified food safety management system and a quality control manual covering milk reception, processing, packaging, storage, finished products, and transport. The quality assurance team ensures adherence to required

²⁵ ADB. [Safeguard Categories](#).

standards such as the Critical Control Points and Good Manufacturing Practice, while the quality control team does sampling and testing.

28. CMD's three processing facilities in industrial zones in West, East, and Central Java stand on land acquired through willing seller–willing buyer arrangements. CMD holds land certificates of Building Use Rights (HGB) for all three sites. Due diligence determined no outstanding issues related to land claims. There will be no expansion or new site development. Within the surrounding areas of the facilities live the Sundanese (West Java) and the Javanese (East and Central Java). These groups are mainstreamed and not considered indigenous peoples for the purpose of ADB's Safeguard Policy Statement application.

29. Based on identified gaps and improvement opportunities, CMD will implement corrective actions in chemical management planning, emergency response planning, and the grievance redress mechanism. ADB and CMD will collaborate in exploring waste reduction opportunities such as through ADB's regional technical assistance on plastic pollution.²⁶ Activities classified as category A or B for environment, involuntary resettlement, and indigenous people will not be funded as part of this loan.

30. **Gender equality.** Following ADB's Policy on Gender and Development (1998), CMD has incorporated measures to promote gender equality and/or women's empowerment in its business activities. The project is categorized as *effective gender mainstreaming*. A United Nations Policy Brief on the impact of COVID-19 indicates that the effects are worse for women and girls.²⁷ Indonesia is no exception. The Legal Aid Foundation of the Indonesian Women's Association for Justice experienced a significant increase in reports of violence against women since May 2020.²⁸ The gender action plan requires that (i) women's employment is sustained during the pandemic; (ii) all employees working on the company premises are provided with appropriately sized personal protective equipment; (iii) employees are made aware of COVID-19-related health measures, and government and civil society services that provide support in cases of domestic violence and other social issues; (iv) a special contact person within human resources is appointed and trained on how to support staff experiencing domestic violence; (v) at least 250 additional female sales agents are recruited; and (vi) at least 1,000 female farmers receive training on dairy farming's best practices and financial literacy. CMD will submit periodic reports on its implementation of the gender measures to ADB.

31. CMD will apply ADB's prohibited investment activities list and ensure that investments using ADB funds comply with the Safeguard Policy Statement and abide by applicable national laws and regulations, including those on labor.

32. Pursuant to ADB's Social Protection Strategy (2001), CMD will take measures to comply with the internationally recognized core labor standards.²⁹ CMD will annually report to ADB on (i) its compliance with such laws, (ii) the measures taken, (iii) its environmental and social performance, and (iv) its implementation of corrective actions. Information disclosure and consultation with affected people will be conducted in accordance with ADB requirements.³⁰

²⁶ ADB. [Regional: Promoting Action on Plastic Pollution from Source to Sea in Asia and the Pacific](#).

²⁷ United Nations. 2020. [Policy Brief: The Impact of COVID-19 on Women](#). New York.

²⁸ M.A. Mariska. 2020. [Indonesian Women Were Already at Risk. Then COVID-19 Came](#). Jakarta: The Diplomat.

²⁹ ADB. 2003. *Social Protection*. Manila (adopted in 2001).

³⁰ Summary Poverty Reduction and Social Strategy (accessible from the list of linked documents in Appendix 2).

B. Anticorruption Policy

33. CMD was advised of ADB's policy of implementing best international practice relating to combating corruption, money laundering, and the financing of terrorism. ADB will ensure that the investment documentation includes appropriate provisions prohibiting corruption, money laundering, and the financing of terrorism; and remedies for ADB in the event of noncompliance.

C. Investment Limitations

[Redacted]

D. Assurances

34. Consistent with the Agreement Establishing the Asian Development Bank (the Charter),³¹ ADB will proceed with the assistance upon establishing that the Government of Indonesia has no objection to the assistance to CMD. ADB will enter into suitable finance documentation, in form and substance satisfactory to ADB.

V. THE PRESIDENT'S DECISION

35. The President, acting under the authority delegated by the Board, has approved the loan of up to \$15,000,000 (or Indonesian rupiah equivalent) from the ordinary capital resources of the Asian Development Bank (ADB) to PT Cisarua Mountain Dairy for the Dairy Farmer Support and Food Security Project in Indonesia, and hereby reports this action to the Board.

³¹ ADB. 1966. *Agreement Establishing the Asian Development Bank*. Manila.

DESIGN AND MONITORING FRAMEWORK

Impacts the Project is Aligned with Indonesian President's directive to ensure the availability and affordability of staple goods as well as the continuity of production in the country. ^a Adverse social and economic impacts of the COVID-19 pandemic reduced (ADB's Comprehensive Response to the COVID-19 Pandemic). ^b			
Results Chain	Performance Indicators with Targets and Baselines	Data Sources and/or Reporting Mechanisms	Risks
Outcome Disruption on company's dairy processing operations avoided	By 2021: a. Total annual volume of yogurt drinks sold sustained b. Total annual volume of fresh milk sold sustained c. Workers' average annual income sustained By 2022: d. Dairy farmers' household average annual per capita income increased	a–d. Company's annual development effectiveness monitoring report	Regulatory risk (e.g., transport and export restrictions on agricultural products) affects production and prices. Economic risk (e.g., falling consumer demand).
Outputs 1. Raw and packaging materials for dairy processing procured 2. Livelihoods of farmers and workers (men and women) secured 3. Response to the COVID-19 crisis in relation to its workers enhanced in a gender-inclusive manner	By 2021: 1a. Annual volume of raw milk for dairy processing sustained 1b. Annual value of imported raw materials for dairy processing sustained 1c. Annual value of imported packaging materials for dairy processing sustained 2a. Number of dairy farmers supplying the company with raw milk, through cooperatives, maintained 2b. Number of company workers receiving continuous pay or salaries sustained 3a. All employees (women and men) working on the company premises are provided with appropriately sized personal protective equipment ^d 3b. During the COVID-19 crisis, the company communicates to employees, using electronic means	1–5. Company's annual development effectiveness monitoring report	Reduced capacity of sourcing and distribution network because of quarantine restrictions. Business environment further deteriorates due to pandemic situation. Reduced supply of personal protective equipment because of global shortage. Business environment

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and/or Reporting Mechanisms	Risks
	<p>as appropriate, on a weekly basis, information about:</p> <p>(i) the COVID-19 situation and how to protect themselves and others; and</p> <p>(ii) civil society and government services, such as domestic violence support services</p> <p>3c. A special contact person within human resources appointed and trained on how to support staff experiencing domestic violence</p>		<p>further deteriorates due to pandemic situation.</p> <p>Business environment further deteriorates due to pandemic situation.</p>
4. Gender equality in dairy distribution increased	4. The number of CMD's female sales agents increased by at least 250		
5. Gender equality in dairy farming increased	<p>5a. At least 1,000 female farmers receive training on dairy farming best practices</p> <p>5b. At least 1,000 female farmers receive training on financial literacy</p>		

Key Activities with Milestones

Outputs 1–5:

1. ADB executes loan agreement with CMD by 30 September 2020.
2. ADB disburses to CMD by 30 June 2021.
3. CMD implements company support initiatives on COVID-19 and domestic violence by 31 December 2020.

Inputs

ADB loan: \$15 million (or Indonesian rupiah equivalent) (ordinary capital resources)

Others: \$5 million.^e

Assumptions for Partner Financing

Not applicable

ADB = Asian Development Bank, CMD = PT Cisarua Mountain Dairy, COVID-19 = coronavirus disease.

^a <https://indonesien.ahk.de/id/infocenter/berita/berita/covid-19-developments-in-indonesia>

^b ADB. April 2020. *ADB's Comprehensive Response to the COVID-19 Pandemic*. Manila.

^c Baseline data is estimated based on the average net income of the [self-employed in agriculture in West Java, Central Java, and East Java](#), and assumes a farmer household size of 3.9 people as per the national average, with 2 income earners (husband and wife) per household. Annual increase in farmer income based on 10% compound annual growth, reflecting anticipated milk price increase.

^d Personal protective equipment includes protective clothing, helmets, gloves, face shield, goggles, and face masks.

^e Others refer to CMD internally generated cash.

Source: Asian Development Bank.

LIST OF LINKED DOCUMENTS

<http://www.adb.org/Documents/FastReport/?id=54216-001>

1. Sector Overview
2. Client Information
3. Details of Implementation Arrangements
4. Contribution to the ADB Results Framework
5. Financial Analysis
6. Economic Analysis
7. Country Economic Indicators
8. Summary Poverty Reduction and Social Strategy
9. Gender Action Plan