

Brokering Development:

Enabling Factors for Public-Private-Producer Partnerships in Agricultural Value Chains



Summary of Indonesia Case Study

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This is a summary of the Indonesia Country Report, which was written by Ronnie S Natawidjaja, Haris F Harahap and Henri W Perkasa, of the Center for Agrifood Policy and Agribusiness Studies, Padjadjaran University, Bandung. It is based on research carried out in 2014 in association with the Institute of Development Studies (IDS), as part of an IFAD-funded programme on the role of PPPs in agriculture.

It is one of the four IFAD project-supported Public-Private-Producer Partnerships analysed for the research report 'Brokering Development: Enabling Factors for Public-Private-Producer Partnerships in Agricultural Value Chains'. The report synthesises the four case studies and discuss the findings on how PPPs in agricultural value chains can be designed and implemented to achieve more sustained increases in income for smallholder farmers and broader rural development.

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Executive summary

Developing country governments and donors are increasingly looking to public–private partnerships (PPPs) to deliver growth and positive development outcomes in agriculture. In Indonesia, PPPs in agriculture are a relatively new concept, having been used previously for large-scale infrastructure projects. The government has been working with IFAD and the private sector (Mars) in an attempt to boost smallholder farmers' livelihoods by reversing the steady decline in cocoa production due to ageing trees, poor soil conditions, pests and diseases, and outdated farming practices.

Indonesia's cocoa value chain PPP was one of several elements of the government's Rural Empowerment and Agricultural Development (READ) Programme (2009-2014), funded by IFAD and implemented through the Ministry of Agriculture. READ aimed to improve rural infrastructure and overcome productivity constraints (not just for cocoa, but for other crops and non-farm activities too) in Sulawesi Tengah province. The PPP, which is the focus of this report, began in 2012, in response to problems identified during READ's midterm review.

The PPP's main focus was on raising cocoa productivity among smallholder farmers to fill the gap created by limited extension capacity in that sector in the project area. Mars had already established its Sustainable Cocoa Initiative in Sulawesi Selatan, piloting a productivity package designed to support sustainable, high-quality and high-productivity cocoa production among smallholder farmers based on the model of Cocoa Development Centres. IFAD also had good experience of collaborating with Mars on cocoa production in Papua New Guinea, and was able to successfully broker the partnership between the company and the Indonesian government. The programme design did not include any elements to link farmers to markets, partly because established market channels were already available to smallholders.

The PPP appears to have contributed to some important development outcomes. Although plant rehabilitation and new plants have still not reached full yield, some farmers have reported significantly improved cocoa production and sales (with an increase in bean weight of 10-15 per cent), and better soil quality.

The main challenges facing the PPP included implementation delays, limited training time, and a relatively short timeframe for READ's involvement. There were also important differences in the model originally used by Mars and the model that was redesigned for READ and the PPP, principally concerning the role of key farmers (who, in the Mars model, operated as small businesses using their own land as demonstration sites, while under READ shared knowledge through farmer organisations).

The main learning from the PPP includes issues around divergence of interests between public and private partners, and the long-term sustainability of programme activities and inputs. It also highlights that while PPPs tap into investment from the private sector, there are potentially even more valuable gains to be made in terms of technology transfer and building the capacity of smallholder farmers, which should not be overlooked.

Introduction and overview

Objectives of the case study

This report forms part of a series of case studies that seek to identify key success factors for public-private partnerships (PPPs) in rural development, based on learning from IFAD's experiences with PPPs in four countries (Ghana, Indonesia, Rwanda and Uganda). The aim of this series is to support policy and decision-makers in government, business, donor agencies and farmers' organisations to build more effective PPPs that bring about positive development outcomes sustainably and at scale.

The study identifies key elements of PPP design and implementation that lead to positive (or negative) development outcomes for smallholders and rural communities, by exploring four questions:

- What constraints was the PPP set up to overcome, and what was its theory of change?
- What were the key features of how the PPP was brokered, designed and implemented?
- What have been the development outcomes for smallholders and rural communities to date?
- How have these outcomes been influenced by the PPP brokering, design and implementation?

Methodology

The Indonesian study aimed to identify the key factors driving the effectiveness of the cocoa value chain PPP in Sulawesi Tengah province. This was part of a larger five-year investment programme (2009-14) called Rural Empowerment and Agricultural Development (READ), implemented by the Ministry of Agriculture. The PPP was developed as a partnership between the Ministry of Agriculture (represented by READ) and a private sector partner, Mars. Since the research took place, the Government of Indonesia has issued a decree scaling up and replicating READ; however, this analysis focuses on the cocoa PPP under the initial READ programme.

Fieldwork took place in June and July 2014, comprising semi-structured interviews with 80 respondents, and 8 focus group discussions (each with 6-10 participants). Interviewees were selected purposively from the wide range of stakeholders involved in the PPP, including READ district managers and officers, Mars representatives, market chain actors, smallholders, and villagers not participating in the project. Information obtained through interviews and focus groups was validated and triangulated with data from other sources.

The READ programme covers 150 villages in five districts (Banggai, Buol, Parigi Moutong, Poso and Toli-toli) of Sulawesi Tengah province.¹ Eight villages were purposively selected for the study based on the likelihood of generating rich information on the design and implementation of the PPP. Five were within the READ programme area: Sidole/Purwosari and Sibalago in Parigi Moutong district; Mayajaya in Poso district; Taat in Toli-toli district; and Kongkomos in Buol district. The other three villages (two in Parigi Moutong and one in Poso) were outside the programme area, and thus acted as a control (as farmers were not involved in the PPP).

Limitations of the study

Although purposive sampling is a commonly used and appropriate methodology for in-depth case studies, there is a risk that the study results are not representative across the whole of the cocoa value chain PPP. In addition, the study has only assessed the READ programme's cocoa activities, not its activities in other value chains.

Some of the study questions, particularly on the design phase of the PPP, were left unanswered. This is mostly because some key actors from the early stages of PPP development were no longer linked to the programme by the time of the study.

Delays in building Cocoa Development Centres (CDCs) – a fundamental part of the PPP – also made it difficult to assess outcomes. Under the agreement, READ was to have built CDCs in five districts, but at the time of the study, only two (in Parigi Moutong and Poso) were fully functioning.

Country context

Between 1999 and 2012, good rates of economic growth enabled Indonesia to reduce poverty by half, from 24 per cent to 12 per cent (World Bank 2014). However, poverty rates in rural areas (17.4 per cent) are higher than in urban areas (10.7 per cent); the rate of rural poverty also varies widely, from over 46.8 per cent in Papua to 5.3 per cent in Kalimantan Timur (BPS 2009). Millions of small farmers, farm workers and fishers are unable to tap into the opportunities offered by years of economic growth. They are often geographically isolated and lack access to agricultural extension services, markets and financial services.

Poverty is most severe in the eastern islands of Indonesia, including Sulawesi Tengah province. In these islands, 95 per cent of people in rural

communities are poor and farmers are limited to subsistence production. Coastal areas tend to be environmentally degraded, while upland villages are severely disadvantaged due to their isolation and difficulty of access. Migration to urban centres is often the only way to overcome unemployment and poverty caused by lack of access to land and other productive resources.

Agriculture sector

An estimated 70 per cent of the population lives in rural areas (Rural Poverty Portal n.d.) and the agricultural sector provides a livelihood for 64% of the rural labour force (BPS 2013). Food production is still largely based on subsistence needs.

Although the country does produce high-value crops (such as cocoa, coffee, nutmeg and cloves), lack of investment in management, processing and marketing systems has limited expansion in these areas.

The government's Medium Term Development Plan (2015-2019) focuses on five key sectors: agriculture (especially agrifood), energy, industry, tourism, and fisheries and marine resources. Its main aim is to strengthen food security and increase community wellbeing through innovation, improving productivity, investing in infrastructure, and better resource management. The concept of PPPs has been popular in infrastructure developments but less so in the agricultural sector. That said, the government is playing an increasingly important role by investing in agricultural development programmes.

The cocoa sector

Indonesia is the world's third largest cocoa producer (777,500 tonnes in 2013), with approximately 1.5 million hectares under production. Over the past 10 years, the cocoa sector has experienced massive growth in terms of area harvested, and production increased by almost 80 per cent between 2000 and 2005 alone. But since 2007, productivity per hectare has been falling. Most cocoa (87 per cent) is produced by smallholders on plots of between 0.5 and 1.5 hectares. The remainder is produced on state plantations (8 per cent) and on large private estates (5 per cent). Constraints to small farmers increasing their productivity include ageing trees, pests and disease, and lack of access to inputs such as fertiliser and credit. Moreover, some farmers have shifted production to more lucrative enterprises, including palm oil, rubber industries and other non-farm activities.

To reverse this decline, the government began a five-year cocoa revitalisation programme in 2009, which aimed to boost production through intensification, rehabilitation and rejuvenation activities, covering a total area of 450,000 hectares. It acknowledged that

it would need to make additional investments in the sector to reach its goal of 1 million tonnes annual production by 2013-2014.

Overview of the PPP

The PPP aimed to support sustainable cocoa production by overcoming smallholders' constraints – mainly ageing/diseased trees, lack of access to inputs, and limited knowledge of good crop management practices. It also aimed to build smallholders' capacity to organise and run a small business, while giving them high-quality technical assistance through a technical 'productivity package'. It focused on Sulawesi Tengah province, the country's second largest cocoa producing zone.

The PPP involved two partners: the government (through the Ministry of Agriculture/READ programme) and a private sector company with cocoa expertise (Mars). IFAD acted as the main broker, providing funds for READ and for village-level revolving funds. READ was responsible for improving rural infrastructure and developing farmers' capacities to organise (as well as increasing their access to credit through the revolving fund), while Mars provided farmers' groups with technical knowledge, training and assistance. READ contracted the NGO Equator to provide facilitators at village level to deliver its capacity-building support (including training in financial management, leadership, communication, and other issues not limited to cocoa production).

The IFAD-funded READ programme (2009–2014), implemented through the Ministry of Agriculture, was designed to improve rural livelihoods in 150 villages in five districts of Sulawesi Tengah. There was no private sector involvement in the programme initially and no specific focus on commodities. Phase 1 (2009–2011) worked with 50 villages and focused mainly on developing infrastructure, and mobilising farmers to form village-level groups and develop their institutional capacity. However, in 2011, a midterm review found that existing resources could not sufficiently provide the technological know-how needed to help farmers increase yields (particularly for cocoa). It was therefore recommended that the cocoa value chain be supported through a PPP involving Mars, which had already proven its credentials through its Sustainable Cocoa Initiative (see next section).

For Mars, working in partnership with the government provided an opportunity to establish itself in Tengah province, which it had previously been hesitant to do because of conflict and insecurity, and high levels of poverty.

Partnership agreements

The main agreement, signed in May 2012, was between the government (Ministry of Agriculture/READ programme) and Mars Symbioscience.² Technical agreements between Mars and READ District Management Units set out the commitment to jointly invest in building a CDC in the district, and to deliver technology through training and technical assistance on sustainable cocoa production.

The agreements include farmers, seeing them as beneficiaries, though they are not a partner in the MOU. Support is provided to farmers on a demand-led basis, farmers are key actors in knowledge dissemination, and READ (funded by IFAD) supports farmers at village level through a revolving fund, delivered in combination with the technological improvements within the Mars productivity package.

Although farmers were not involved as partners, their incentives to engage with the PPP included access to inputs, credit and technical advice on good crop management, which would increase productivity and give better-quality yields, thereby boosting incomes.

Theory of change

There was a clear theory of change during the PPP's design phase. It aimed to revitalise smallholder cocoa production by giving farmers access to key inputs (including credit and improved farming techniques) and building their capacity to organise and run a small business. Improving yields and productivity would improve farmers' incomes and strengthen livelihoods, thereby achieving the government's goal of reducing rural poverty. The partnership with Mars would enable it to deliver a tried and tested 'productivity package' to help farmers maximise their yield by rehabilitating ageing/diseased trees and adopting good agricultural practice. Farmers' groups would benefit from better infrastructure, capacity building support, and a revolving loan, which they could use to invest in farming and non-farm activities. Training of agricultural extension workers and key farmers, who would help spread improved techniques among their peers, would provide the expertise needed to revitalise cocoa production at village level.

Analysis

Key elements of the PPP

Design

Mars had already developed its Sustainable Cocoa Initiative in Sulawesi Selatan province (see box), Indonesia's largest cocoa-growing region, and the PPP was a modified version of this model. Key farmers and extension agents would receive training at Mars' Cocoa Academy based on its 'productivity package' – which includes advice on good agricultural practice, better planting materials and appropriate fertiliser. The key farmers and extension workers would then apply what they had learned at Village Cocoa Centres (VCCs), run by farmers' groups, with monitoring and advice from Cocoa Development Centres (CDCs) at the district level. In 2011, the partnership piloted its first CDC in Sulawesi Tengah in the district of Parigi Moutong (Sidole village). It was deemed a success; the productivity package, used to rehabilitate existing trees, could triple average yields in two to three years, whereas newly planted farms took four to five years to achieve similar yields.

The original Mars cocoa productivity package in Sulawesi Selatan

Mars originally developed its productivity package in Sulawesi Selatan and a number of the features from the original model were adapted when it was redesigned as the basis of the PPP. In South Sulawesi, the model is based on entrepreneurs – farmers – who undergo four weeks' training on cocoa production techniques and two weeks on business management, after which time they are certified as Cocoa Doctors. It takes three months in total to complete the training and additional tasks involved. Once certified, a Cocoa Doctor can run his own Cocoa Village Clinic as a small business. They typically have demonstration gardens, facilities for seed production, and inputs they can sell to local farmers to help them boost production and adopt better cocoa farming practices.

Cocoa Development Centres (CDCs), staffed and managed by Mars, act as demonstration and training sites (demonstration gardens are called WOW gardens). CDC staff regularly monitor the activities of Cocoa Village Clinics and Cocoa Doctors to ensure they are delivering quality training and support; any that do not meet certain quality standards are disqualified.

During the PPP design phase, there were high expectations that Mars' involvement would help deliver improved performance of the READ programme and stronger results for farmers at village level. But one of the biggest challenges was that READ was only due to run for another three years (2012–2014), and it takes two years for damaged cocoa trees to return to full production after rehabilitation. Delays in any component of the programme during implementation would therefore significantly affect outcomes.

The READ programme was redesigned in its second phase (2012–2014). As part of the plan, Mars set up a second CDC in Mayajaya village, in Poso district. It also committed to training key farmers and extension workers, and providing technical assistance to five new CDCs to be set up in Poso, Parigi Moutong, Banggai, Buol and Toli-toli districts.

The cocoa PPP in Indonesia, unlike other agricultural value chain PPPs, did not include a component to link farmers with markets as a core part of its design, given strong established marketing channels. Raising productivity was its main focus.

Overall, the PPP is estimated to have cost \$5,033,189 (see Table 1 for the amount/proportion contributed by each partner). Although Mars contributes a relatively small proportion of the overall budget through in-kind contributions, its role is instrumental to the PPP's success.

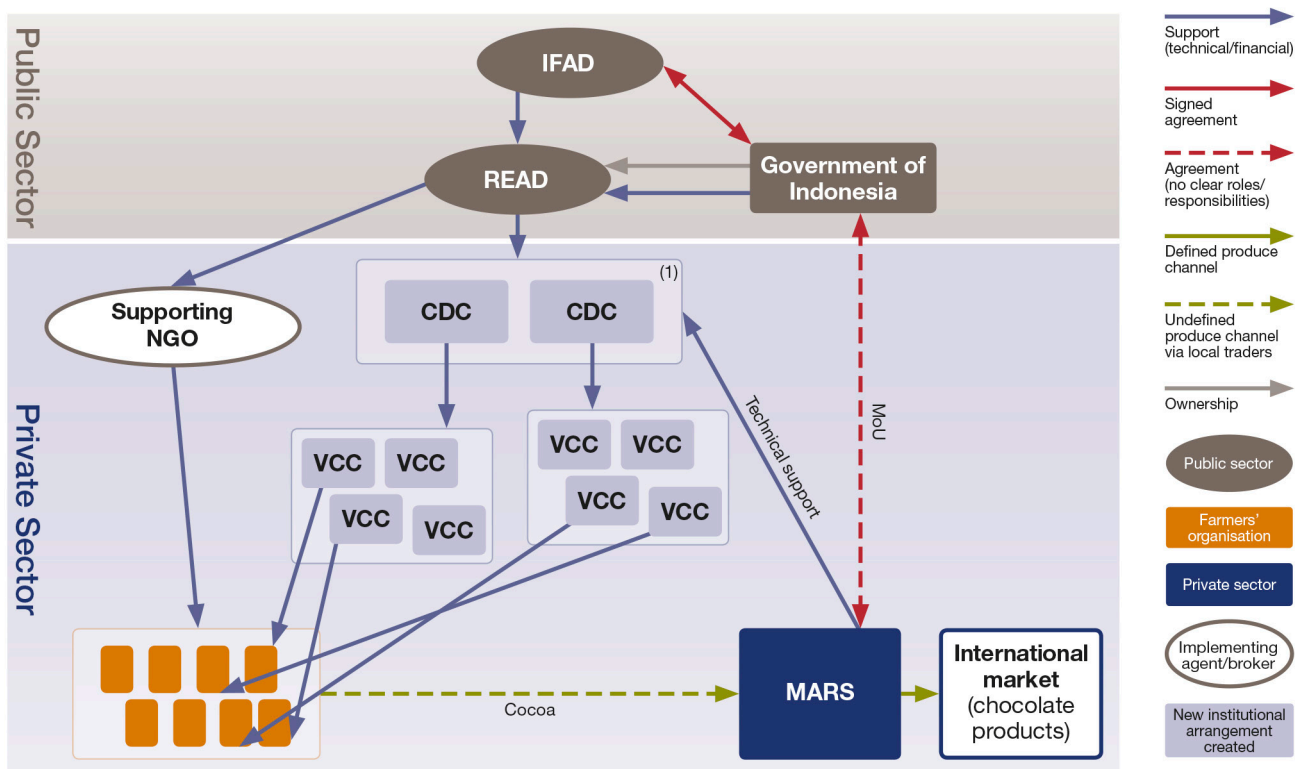
Implementation

READ is led by the coordinator of the National Support Unit, which works through the Provincial Facilitator Unit and District Management Units (DMUs). The latter are instrumental to implementation of the PPP, and have staff working on extension services, monitoring and evaluation, finance, and administration. They coordinate with Mars on providing technical assistance and training for farmers. Mars has a provincial level CDC coordinator, and CDC managers at district level.

At the village level, VCCs managed by farmers' groups act as a field training facility. Aside from the technical aspect of the training received through Mars, farmers' groups also receive support from a facilitator from the NGO Equator. The facilitator provides training and support on financial management, planning, group leadership, communication, etc. To accelerate adoption of technology, a revolving fund of IDR 21 million was given to each farmer group, managed by Village Fund Management Units (UPDDs) (Box 2). The UPDD and NGO facilitator in each village report to READ.

Partner	Budget	Technical input	Human resource commitment	Capacity-building role	Financing
READ (Ministry of Agriculture)	IFAD loan (\$4,181,937, 83.1% of the total) Government contribution (\$526,252, 10.5% of the total)	To develop infrastructure to deliver technical support by building 5 Cocoa Development Centres (CDCs), one in each district To develop 100 Village Cocoa Centres (VCCs) to support and train farmers	Extension workers are assigned to each village to assist farmers (but their support is not limited to cocoa)	Enables key farmers and extension workers to receive training; knowledge then cascaded down to other farmers and group members Contracts NGO facilitators to work in each village to provide capacity-building support to farmers	Farmers' groups are supported by a revolving fund (IDR 21 million or USD \$1,750 per group), covering 207 groups in total. Some groups have also set up savings and credit activities
Mars	\$325,000 in-kind contribution (6.5% of the total)	To provide technical support (based on its existing model) and build 2 pilot CDCs in Parigi Moutong and Poso districts	Provides 2 staff members at CDCs in Parigi Moutong and Poso, as well as a CDC coordinator and field facilitator, to support the project with technical assistance	Mars field facilitators provide 'training of trainers' sessions for farmers' representatives and government extension workers	

Figure 1: PPPP arrangement for cocoa technology support in Indonesia



As well as some elements of the Mars model being redesigned for implementation as part of READ, the training provided by the two models was also different. Cocoa Doctors (the Mars model) undertook training for a total of three months, with a 25% / 75% split between theory and practice. In the READ model, the technical training focuses only on cocoa technology and is delivered over four days, based on a split of 75% theory / 25% practice. In total, 150 farmers and extension agents had attended the READ training by mid-2014. However, given the shorter duration of the training programme, most still need further support to apply what they have learnt.

The PPP's revolving fund for farmers

READ provides financial support to farmers' groups through a revolving fund (financed by IFAD), in the amount of IDR 21 million or USD \$1,750 per group. By the end of the second phase, 207 farmers' groups had received loans, amounting to IDR 4.2 billion (USD 442,105).

The revolving loan fund is managed by a Village Fund Management Unit (UPDD), an independent institution developed to manage funds given to the community by various sources. UPDD management is set up by the Village Board, with approval from the Village Head.

Members of the farmers' groups can borrow money and return it at any time; the study found interest rates of between 1% and 1.5% per month. Most farmers borrow before planting and return the principal and fee after harvest, giving a loan duration of 4–6 months. Some farmers also borrow money for business capital during cocoa plant rehabilitation, or to pay health or education fees, which could take at least a year to repay.

Within the PPP, the first Cocoa Development Centre (CDC) was piloted by Mars at Sidole village, Parigi Moutong district, in 2011. The second CDC was built in Mayajaya village soon after the PPP agreement was signed in 2012. Most of the seed gardens and demonstration plots that support and supply the Village Cocoa Centres (VCCs) in these two areas are in full production. Two of the five CDCs that READ was scheduled to build (in Toli-toli and Buol districts) are now operational and had begun to produce seeds/stems at the time of the

study fieldwork. The remaining three (in Banggai, Parigi Moutong and Poso districts) were still under construction at the time of the fieldwork in 2014. READ planned to support 100 VCCs in these five districts, with a total of 97 established by the end of the programme.

The farmers involved in the PPP have benefited from a high cocoa bean price, which has provided a strong incentive to get involved in the VCCs. The strong price is partly due to the introduction of an export tax on cocoa beans in 2010, which has encouraged new processing operations in South Sulawesi and increased the local price of cocoa beans (Yasa 2014).

Brokering

IFAD played a key role in brokering the partnership between the Indonesian government and Mars. Indeed, IFAD recommended that the government collaborate with Mars given its strong track record on using good agricultural practices to optimise cocoa yields, in Indonesia and other countries. Both parties had reservations about working together: the government had little experience of PPPs in the agriculture sector; Mars had some reservations about working with a more bureaucratic approach. IFAD had a good understanding of the concerns, risks and possible incentives of each partner. The cocoa PPP was therefore a cautious first attempt to prove the viability of the approach.

In addition, IFAD worked with the Indonesian government to create an enabling policy environment, as well as assisting with media and public relations work to promote the partnership nationally and internationally. These experiences have given confidence to the Government of Indonesia, which is now actively pursuing PPPs in agriculture.

Development outcomes

It is difficult to identify clear development outcomes that can be attributed specifically to the PPP, which is the focus of this study. There are two reasons behind this difficulty: first, there are no disaggregated data to separate outcomes from the cocoa PPP from those that have resulted from broader interventions under the READ programme (including the infrastructure developments in the first phase, and support for improving production of other crops); second, many farmers are still only at the point of growing seeds or have young or only partially rehabilitated trees, so it is too early to assess results. That said, where activities were more advanced, some evidence was starting to emerge to suggest that farmers involved in the READ PPP do much better in terms of cocoa production/sales, yields and technical knowledge than their counterparts in control villages.

- **Evidence of improved cocoa production and sales:** Focus group discussions in PPP villages indicated that farmers who had received training and inputs from the productivity package are producing as much as 100-200kg per tree per month (compared with 50kg per tree in control areas, which is a similar level of output to before the PPP began).³ The quality of beans and the proportion of full beans are both improving (with average weight increasing by 10-15 per cent).
- **Evidence of some income improvements:** Incomes have increased by about 10 per cent. This is likely to continue as rehabilitated plants are harvested. The recent upward trend in the price of cocoa beans may have contributed to this.
- **Evidence of improved soil quality:** Poor soil quality has contributed to the recent decline in cocoa production among small farmers. With PPP farmers getting advice on the right treatment, drainage and combination of inputs, soil quality has improved even during the past two years.

Other, more general development outcomes in the PPP villages are described in Table 2 (over) although these are not specifically as a result of the PPP, but the READ programme more broadly.

Table 2: Development outcomes linked to the READ programme			
Development outcomes	Beneficiary villages	Control villages	Evidence and attribution
Access to infrastructure and services	Improvements in public infrastructure; farmers report significant improvements in access to markets and agriculture services (particularly for rice and cocoa)	Service provision and infrastructure have improved slowly	Improved infrastructure and services mostly due to the READ programme more generally (phase 1) but partially attributed to the cocoa PPP's technical support for farmers
Food security*	Food availability has been improving because of increased rice production. In READ areas, food shortage is only experienced by 10% of households for less than 3 months of the year	Generally, about 20%-30% of households experience food shortages for about 3 months of the year	Food security improvements may be linked to READ programme but not specifically to the PPP
Family assets	Family ownership of assets (motorcycle, TV, radio, mobile phone, etc.) is increasing. Better infrastructure, especially bridges and roads, mean the inflow and outflow of trade has significantly increased in the past 3 years	Family ownership of assets over the past 3 years has remained relatively the same	Greater ownership of family assets could also be partly attributed to the PPP, because farmers' optimism about cocoa and other prospects may mean they are more willing to invest in assets
Land tenure	Most farmer households (93%) own land, 86% of them with land title	Only 75% of households own land, 63% of them with land title	Phase 1 of the READ programme included a component to encourage farmers applying for land title. But this is not attributable to the cocoa PPP specifically
Gender empowerment**	Participation of women farmers has been increasing because adopting new technology requires more intense farm activities. There are also women's groups for non-farm activities, such as crafts and microfinance. Women's participation in farm activities in READ programme areas has increased to 17%	Women's involvement in farm activities is low. Women's participation is recorded at 5%	READ has encouraged women's participation in farming as well as non-farm activities. Greater participation by women farmers is partly attributable to the PPP since new practices for seedling production and cocoa maintenance are mostly done by women

* Source: READ Programme Outcome Survey 2013

Linking the PPP and the development outcomes

- In addition to the points noted in the table, other elements of how the PPP was designed and implemented seem to have played an important role. The PPP, based on the partnership between the government of Indonesia and Mars, was strongly influenced by IFAD's successful brokering role. IFAD identified Mars as a partner with the right skills and resources to offer, based on its good experiences of collaborating with the company in Papua New Guinea.
- The partnership had a strong focus on delivering training for farmers and giving them better access to inputs (including better-quality seeds, fertiliser, and improved crop management practices to help rehabilitate existing trees) as a means of improving their productivity and incomes.
- Identifying a private partner with strong technical competency was vital to achieving the programme's objectives. It tapped into Mars' considerable technical expertise on cocoa and its strong human resource capacity, which had already been proven in a pilot cocoa initiative in the country.
- **Delays in implementing the PPP:** Delays in constructing the CDCs have affected farmers' access to training, with farmers in some villages (and districts) disadvantaged disproportionately. There have also been delays in procuring the materials required for farmers to adopt improved cocoa production techniques.
- **Key differences between the Mars and READ models:** One of the main differences between the two models is the role of the Cocoa Doctors' Cocoa Village Clinics and the Village Cocoa Centres run by farmers' groups. The Cocoa Doctors have proven technical competence in cocoa production, and the success of their business depends on selling high-quality seeds and stems, key inputs, and providing services (for a fee). Doctors have to own land on a main road so they can run an easily accessible demonstration plot. Within READ, the VCCs are not run as a business or service provider. Most are located in remote areas, so cannot function as 'show windows' for other local farmers. The sustainability of the VCCs after support from the READ programme ends (completion was due in late 2014)⁴ would depend solely on the ability of each farmers' group to continue its activities.

Challenges

Despite some positive impacts of the PPP, there were a number of challenges that constrained implementation. These included limited staffing available from Mars to facilitate training, and delays by READ in constructing all five CDCs.

- **Limited number of trainers:** Mars only made available three field trainers to support the PPP in all five districts of Sulawesi Tengah province (with 207 farmers groups, this works out at one for every 69 farmers' groups), and the Mars training coordinator was overwhelmed by demand. Mars had expected that its training would equip local government extension workers and key farmers with the necessary skills, reducing the burden on its trainers. But the reduced number of training days (compared with the original Mars model) and limited support by extension workers, who lacked clear incentives to focus on cocoa, diminished the impact. This in turn has resulted in activities focusing on Sidole (Parigi Moutong district) and Mayajaya (Poso) – the two districts closest to Mars' main procurement areas. Mars staff rarely visit the other three districts – (Buol, Banggai and Toli-toli), which are home to poorer communities and therefore precisely the areas where farmers most need support.

Capturing the learning from the PPP

- Divergence of interests underlying a broad shared aim:** The two main partners in the cocoa PPP, the Indonesian government and Mars, shared the same overall objectives – achieving sustainable cocoa production by strengthening farmers' capacity, increasing their access to inputs and to technological advances to maximise cocoa yields, ultimately strengthening rural livelihoods and reducing poverty. But despite this shared goal there was also a divergence of interests. For Mars, its main focus was securing sufficient levels of production in its main procurement areas; for the government, the main aim was to reduce rural poverty. Because this divergence was not made explicit and resolved, when training resources became limited, the result was that training was not delivered to more remote regions, where technical support could have had the greatest impact in terms of increasing household incomes.
- The value of private sector involvement through PPPs in Agriculture:** PPPs are an instrument through which to attract investment from the private sector (as the Indonesian government had previously done successfully with major infrastructure developments). However, the experience of the cocoa PPP highlights an important lesson: the gains of involving the private sector may not centre exclusively or even primarily around investment, and may be most notable in terms of technology transfer.
- Involving strong commercial partners is an opportunity to improve farmer access to markets:** Marketing was not identified as a problem by farmers during the first phase of the READ Programme, so the PPP has focused on immediate production challenges and not market access. However, there is a risk that once production challenges are solved, marketing will become a problem unless strong market chain institutional arrangements are developed. In subsequent development of READ, IFAD will however, support a follow up grant activity focused on institutional strengthening, market access and sector coordination.
- Challenges to long-term sustainability:** The CDCs and VCCs form the new arrangement for delivering improved cocoa technology to farmers, and it is intended that farmers' groups and government extension agents will be the key instruments of technology dissemination through these structures. Long-term sustainability depends on the willingness and ability of these actors to carry on these functions. However, at the time of the fieldwork, extension agents lacked incentives and farmers' groups lacked capacity to manage the VCCs without continued technical support. The Government of Indonesia has now issued a decree scaling up and replicating READ. Also, IFAD has initiated a new partnership with a business-oriented independent foundation for development cooperation, Swisscontact, to further strengthen the capacity of farmer groups.
- Promoting women's economic empowerment:** Women were not participants in the PPP, but they have nevertheless seen their participation in farming activities (seedling production and cocoa maintenance) increase. However, the research was not able to establish whether women saw income benefits from this additional work, and how this was balanced with women's workload in the domestic and reproductive spheres. There is a need for better analysis of gender dynamics within the value chain and how women can be empowered to benefit from the opportunities provided by PPPs.

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Endnotes

¹ The first phase covered 50 villages; the second phase, which was the PPP phase, covered 100.

² The Memorandum of Understanding (MoU) was signed by the President Director of Mars Symbioscience. However, during implementation, the project was shifted to Mars International led by regional corporate executives, and supported by regional staff and field coordinators. The project funds come from the Sustainable Cocoa Initiative programme

³ Although this is a considerable improvement, yields are still well below their 2004 levels, for example, of around 250-300kg per tree, according to interviews.

⁴ Since the fieldwork was completed, the government of Indonesia has issued a decree to scale up the READ initiative throughout Central Sulawesi and other provinces, building on the PPP's achievements. IFAD also initiated a partnership with Swisscontact, a business-oriented independent foundation for international development cooperation, to further strengthen the capacity of READ cocoa farmers and to support marketing activities.

Brokering Development:

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Summary of Indonesia Case Study



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