

CHAPTER 5 IMPROVEMENT PLAN

5.1 Contents of the Improvement Plan

For promotion of agricultural processing and finance, the improvement plans are formulated taking the following steps :

- (1) *Improvement directions for each Kelompok Tani* are prepared based on the present condition as well as the basic improvement approaches for processing, marketing and finance.
- (2) Separate *business models* are identified and classified based on the group and commodity features, and improvement direction for each of 13 selected Kelompok Tani and the pool of KPK Gabungan / LKM under P4K in the Study.

As mentioned in the previous chapter, transformation of Kelompok Tani into MFI (Microfinance Institution) through forming federation (*Gabungan*) is one of the main directions for the financial improvement. For this purpose, Gabungan and LKM developed under P4K are included as target, in addition to the 13 Kelompok Tani selected based on the Sample Commodity of the Study.

- (3) *Linkages between business models* for agricultural processing and marketing, and those for microfinance are designed.
- (4) *Implementation Plans* are formulated based on the business models, in the form of project to be implemented in the field. It is assumed to use CF-SKR for funding.

5.2 Improvement Direction and Business Model

5.2.1 Improvement Directions and Business Models for Processing and Marketing

Based on the present condition in chapter 3 and improvement approach in chapter 4, the improvement direction of selected 13 Kelompok Tani is summarized in Table 5.1.1 briefing current conditions, approach/purpose, necessity, the main components. Then, the improvement directions are classified into five (5) business models as shown in Table 5.1.2, and summarized below:

- (1) Duck Industry in Kab. Cirebon and Mojokerto
 - Duck Industry Model 1: Expansion of business scale and renewal of technologies (introduction and strengthening of triangle production system with partnership among Kelompok Tani)
 - Duck Industry Model 2: Expansion of business scale and strengthening of duck industry (new comer and reviving of inactive groups, involvement in partnership)
- (2) Sweet Potato Processing in Kab. Majalengka and Kuningan
 - Sweet Potato Model 1: Primary Processing and Marketing (sweet potato dried chip, partnership with sweet potato flour mill factory)

- Sweet Potato Model 2: Cottage level food processing and marketing (local production and local consumption, traditional and unique products)

(3) Mango Processing in Kab. Kediri

- Mango Model: Fruit processing and marketing with private sector (dried mango and juice, marketing)

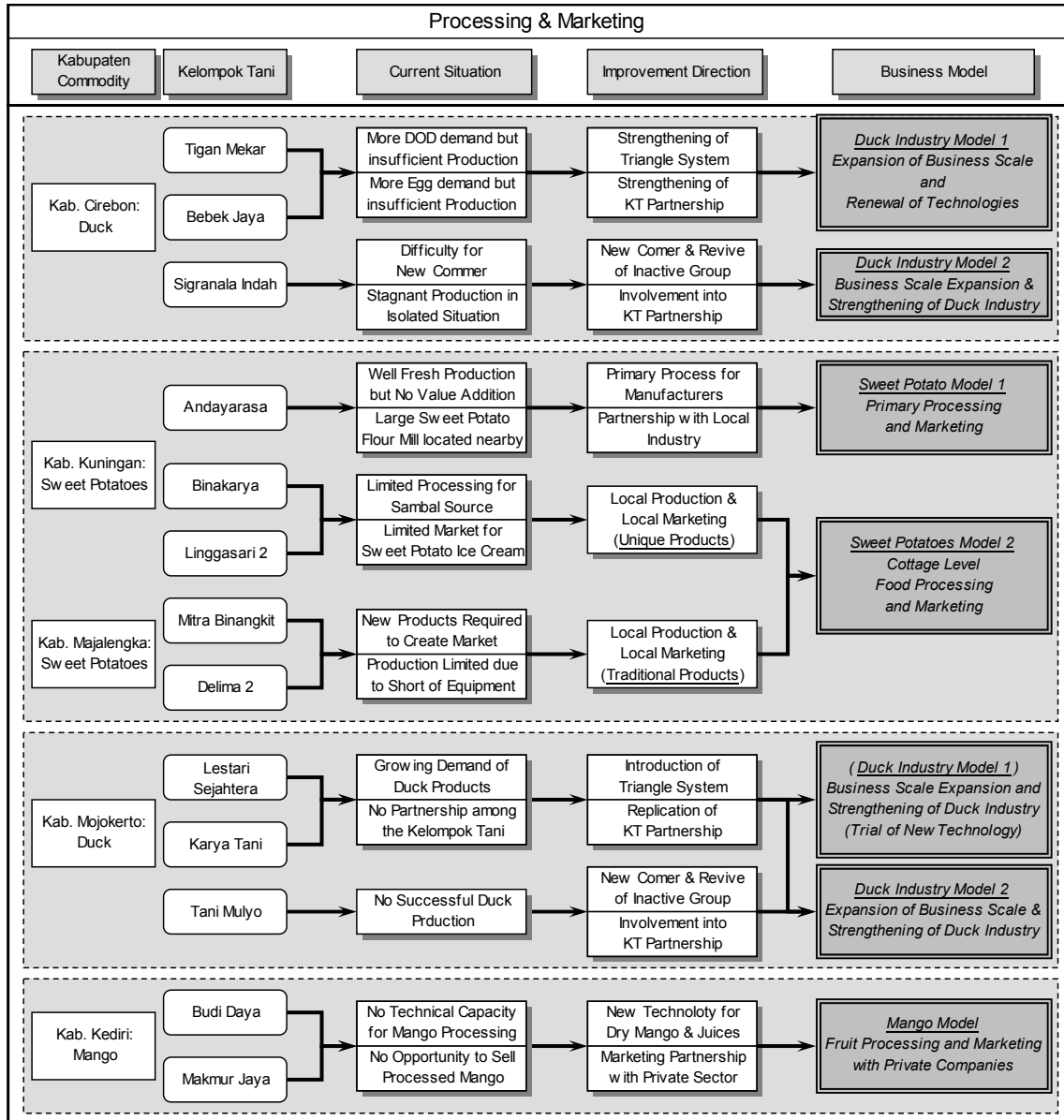


Figure 39 Schematic Image of Business Model for Processing and Marketing

5.2.2 Improvement Directions and Business Models for Finance

Based on the present condition summarized in Chapter 3 and improvement approach proposed in Chapter 4, the improvement direction of selected 13 Kelompok Tani is summarized in Table 5.1.3 briefing current conditions, approach, necessity, main components, and benefit. Then, the improvement directions are classified into three (3) business models as shown in Table 5.1.4, and summarized below:

(1) Model for establishing Community-based Microfinance Institution (MFI)

Under this model, to improve financial access of the Kelompok Tani, MFI in the community is established, but the MFI shall not be developed from the said Kelompok Tani. This MFI shall be established under the different leadership from the KT, and shall embrace the said KT as a member. The way to establish and foster BMT can be the reference for this model.

Kelompok Tani in this category are:

- i) KT Sigranara Indah in Kab. Cirebon
- ii) KT Linggasari 2 in Kab. Kuningan
- iii) KT Mitra Binangkit 2 in Kab. Majalengka

(2) Model for establishing own MFI

This model is for Kelompok Tani which has already demonstrated certain level of savings and loan activity and the high group cohesion. This type of Kelompok Tani shall aim at establishing own MFI led by the same leader as KT. There are two ways of developing this. The first way is to expand the scale of the group itself. Kelompok Tani in this category is:

- i) KT Lestari Sejahtera in Kab. Mojokerto

The second way is to form a federation (Gabungan) with other groups in the community, and transform it into MFI. Kelompok Tani and SHG in this category are:

- ii) KT Andaya Rasa in Kab. Kuningan
- iii) KT Delima 2 in Kab. Majalengka
- iv) KT Karya Tani in Kab. Mojokerto
- v) KT Tani Mulyo in Kab. Mojokerto
- vi) KT Makmur Jaya in Kab. Kediri
- vii) KT Budi Daya in Kab. Kediri (which has a registered cooperative but it has not been active, therefore it is recommended to be activated)
- viii) P4K groups, some of which are already in the form of P4K Gabungan, or P4K LKM, but facing problems to grow as MFI

(3) Model for strengthening existing function of cooperative

This model is for Kelompok Tani where the cooperatives are already established. Kelompok Tani in this category are

- i) KT Tigan Mekar in Kab. Cirebon (which formed a savings & credit unit of multipurpose cooperative)
- ii) KT Bebek Jaya in Kab. Cirebon (which is a member of a savings & credit cooperative)

Apart from the above models, some Kelompok Tani are small and highly business oriented with strong line-up of products. This kind of groups will rather aim at registration as a company to conduct agribusiness, than sticking to the group activity.

Kelompok Tani in this category in the study is KT Bina Karya in Kab. Kuningan.
 The schematic images of business model for finance are summarized in Figure 40.

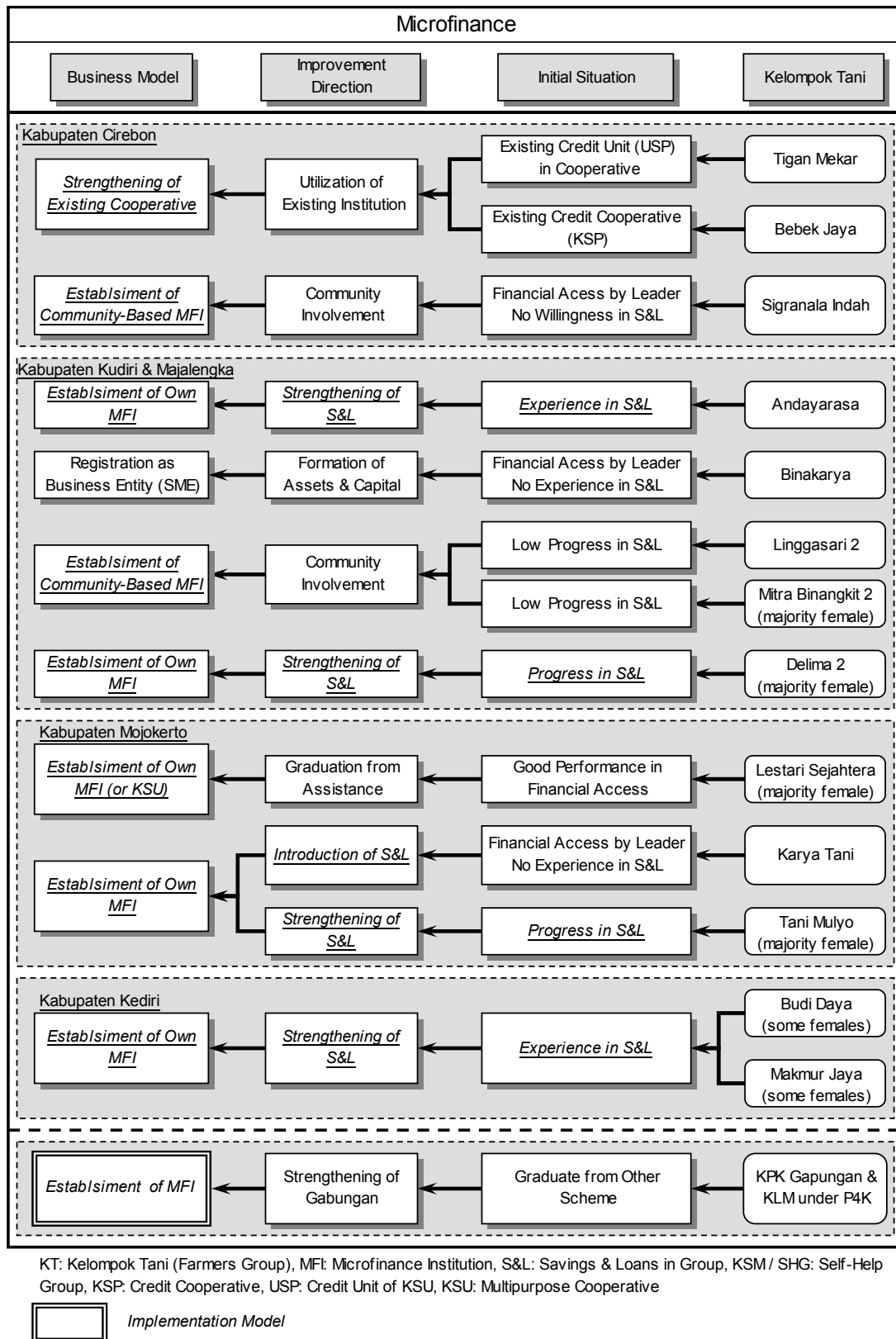


Figure 40 Schematic Image of Business Model for Finance

5.3 Linkage between Business Models for Processing and Marketing, and those for Microfinance

At the Kelompok Tani level, processing, marketing, and finance are closely related, therefore the linkage between both business models are required. In this regard, the following points are considered:

Linkage with Microfinance, and Production and Processing

- (i) MFI to be established in the Finance Models will enable Kelompok Tani to improve and expand their agribusiness through improving the financial access and management capacity.
- (ii) At the same time, financial activities will provide Kelompok Tani members with environment and circumstances to create business mindset.
- (iii) MFI will involve the community members surrounding the Kelompok Tani, who may join or start the processing business. Then, the groups engaging in the processing business will increase and the local processing cluster for the commodity would be formed.

Linkage with Microfinance, and Marketing

Another important point is to involve middlemen and collectors into MFI for sharing information on price, market, and consumers' preference about products. Presently farmers are in weak position against the middlemen and collectors because farmers lack in such marketing information and production capital. This situation gives chance to middlemen and collectors to take advantage through the unfavorable transaction for farmers. For smooth marketing of products, marketing information shall reach farmers, which in turn, will benefit both farmers and traders.

This linkage and its effect are illustrated below:

(1) Linkage of Duck Industry and Finance

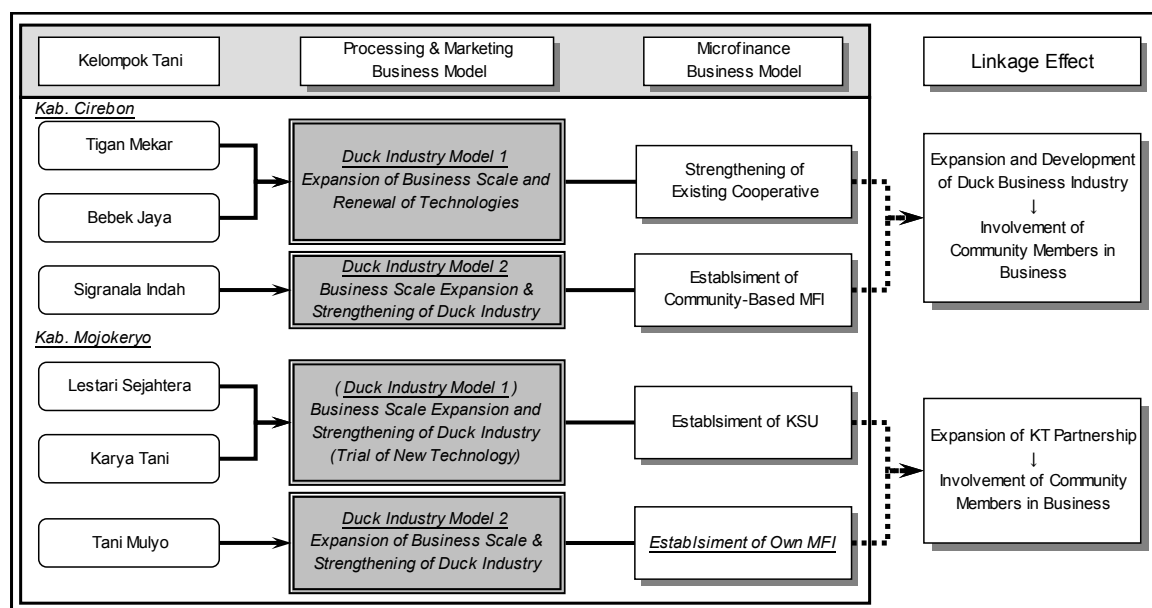


Figure 41 Linkage for Duck Industry and Finance Business Models

(2) Linkage of Sweet Potato Processing and Finance

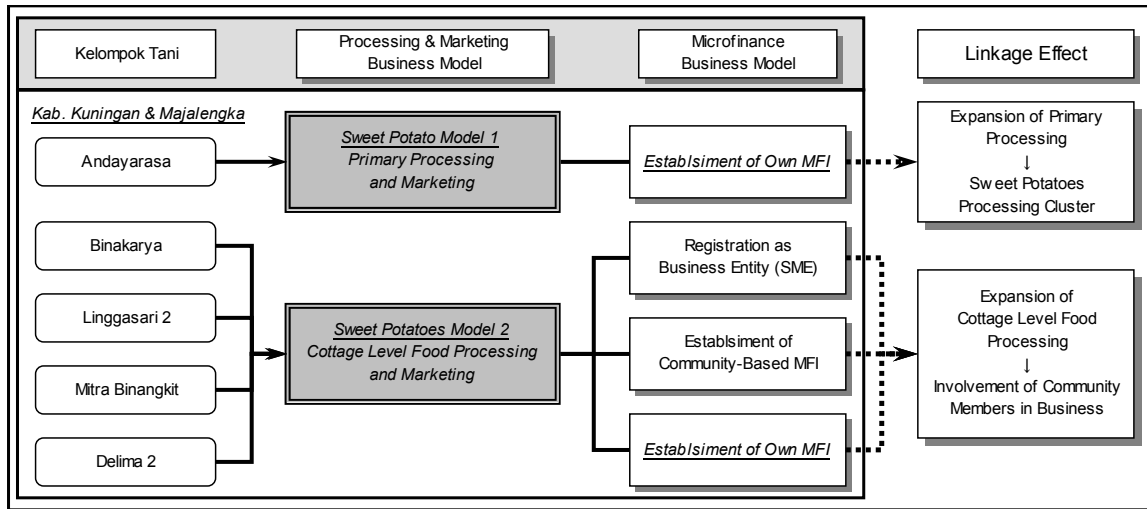


Figure 42 Linkage for Sweet Potato Processing and Finance Business Models

(3) Linkage of Mango Processing and Finance

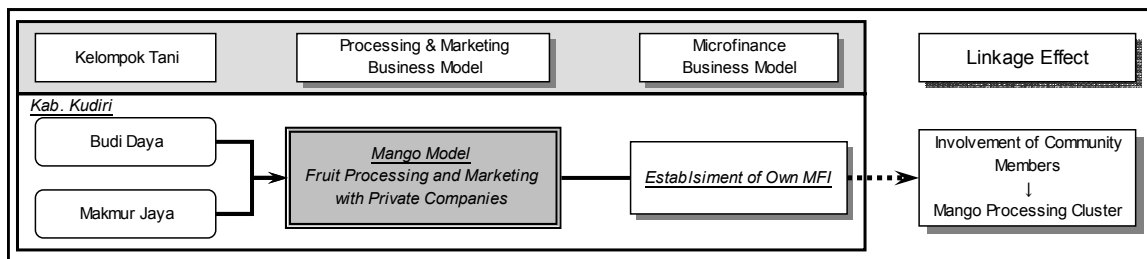


Figure 43 Linkage for Mango Processing and Finance Business Models

(4) Linkage of Income Generation Activities

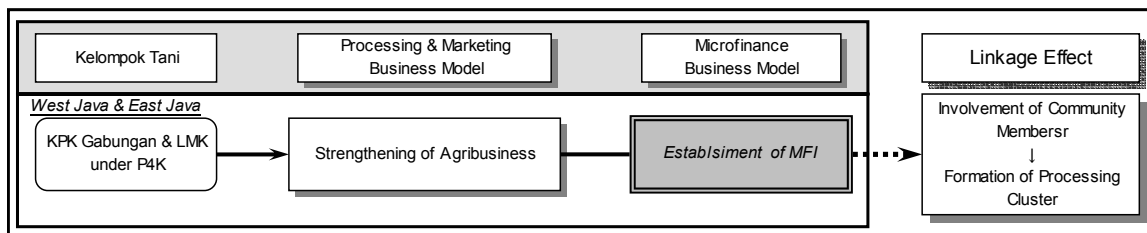


Figure 44 Linkage for Income Generation Activities and Finance Business Models

5.4 Supporting Mechanism considering the Issues arising from Previous Programs

Supporting mechanism is incorporated into the implementation plan to tackle the issues arising from the previous programs as follows:

5.4.1 Target Selection

The Implementation Plans are formulated taking into account the poverty level of the target farm households and the community, and the minimum conditions for the income improvement are strong motivation and potential capacity to improve their agricultural

processing as business, and savings and loan activity. The target Kelompok Tani are expected 1) to have the willingness to be self-reliant, 2) to recognize the importance of organizational management capacity, and 3) to consider the burden of women and gender balance.

The selection criteria for Kelompok Tani explained in Chapter 3 would be referred from the aspect of finance, socio-economy, organization, production and processing, marketing potential, and future plan.

In addition, the target shall also fulfill the minimum financial conditions such as: (i) having no bad record in receiving government program (utilized properly), (ii) no non-performing loan in banking, credit or other financing transactions, (iii) having difficulty in accessing commercial financial sources to implement recommended technology and to exploit market opportunities completely.

Since the implementation plans here are proposed as pilot, they do not completely exclude the Kelompok Tani which is currently under other government financial assistance programs. Instead, such Kelompok Tani is required to submit the convincing explanation how they accommodate different programs at the same time.

5.4.2 Technical Support

The processing and marketing implementation plans aim at synergy effect in supporting hard portion (equipment and processing) with support in soft portion by the 3rd party (marketing and management). This is to avoid the past experience of the government intervention, which tended to concentrate on hard portion support (equipment grant without any conditions) without thorough guidance, and led to insufficient results.

The assumption here is that KT has a certain level of capacity with which they can carry out agro-processing works without difficulty, but KT indispensably needs the assistance from the 3rd party for strengthening marketing and organizational management capacity. Especially those KT which start new business utilizing new technology and establish new market need, not only processing technology / equipment and organizational set-up, but also market development and marketing skills, which should be developed together with the 3rd party.

Therefore, budgets are allocated in the implementation plan for such soft portion of support by the 3rd party, whose service to be extended from the point of starting the business until establishing the stable markets. This concept should be applied especially to dried sweet potato processing and sales agreement, and mango processing and marketing projects, since this business is new for farmers.

5.4.3 Decentralization and the Role of Government Offices

Past experience shows that for the programs which are designed centrally, the intention of the assistance seems to get diluted as it gets to the local government, and then to the grassroots of the community. It is proposed therefore, in the implementation plan these processes shall be controlled through monitoring and evaluation. Regarding monitoring and evaluation, the above mentioned 3rd party can play the role, together with DINAS and MOA. The proposed implementation organization, as shown in Figure 45, is proposed to utilize the leadership of DINAS Province at the beginning, and later, DINAS Kabupaten could possibly take over some roles as they accumulate the experience.

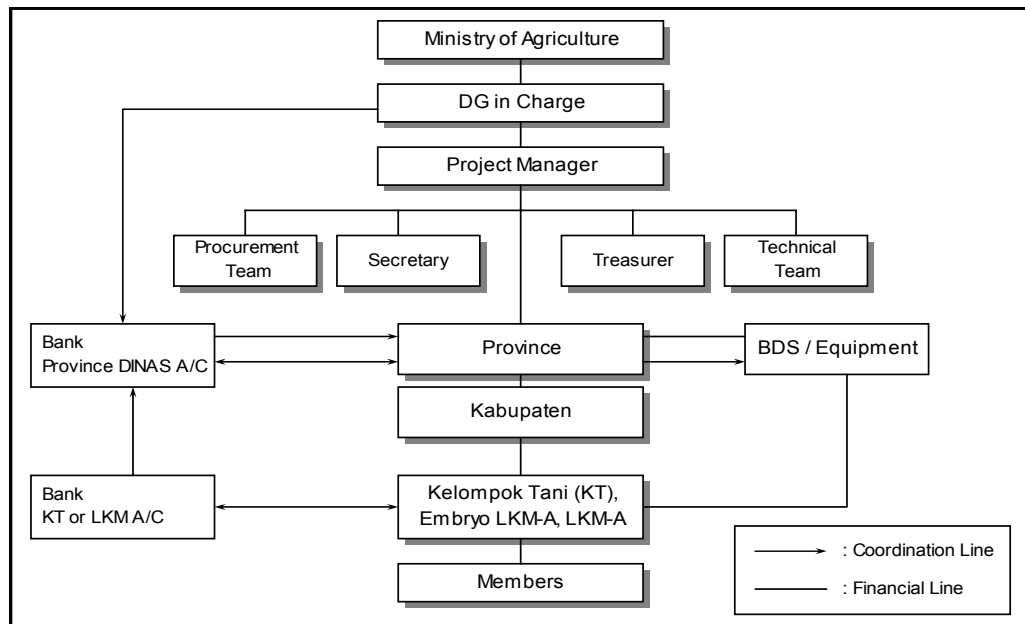


Figure 45 Proposed Implementation organization (Flow of Coordination and Fund Disbursement)

5.4.4 Exit Strategy

Many groups and cooperatives keep receiving the different kinds of assistance from the government office, and they are still stagnant at lower level of capital or asset building, as a result do not have access to finance. The past program design did not have this in mind, neither had an exit or graduation strategy for the beneficiary to be self-reliant after. In the implementation plan proposed here, the goal of the model is to be financially viable entities, which means the exit or graduation from government programs. The components enabling the asset building and leading to the exit is explained below.

5.4.5 Financial Capacity Building

The implementation plans for both processing and marketing, and microfinance incorporated the components for the financial improvement of target KTs as follows:

(1) Loan and grant

The scheme will be financed in the form of loan and grant. The grant portion caters for business development service (BDS) providers who will provide technical and management support. The BDS for Processing and Marketing

Improvement Plan will look after financial management as well.

The capital support to farmers shall take the form of loan from banks to KT, Gabungan and LKM, not in the form of revolving fund directly given to them. This fund for capital support shall revolve at province level, as shown in Figure 47 of proposed implementation organization. The interest rate shall be adjusted according to the change of market rate.

In the implementation plan for processing and marketing, the loan caters firstly for the investment capital, and the initial working capital. The interest rate of the loan is set at around the same level as commercial bank agribusiness loan (currently 14% per year, declining balance), but with the grace period of one year to accommodate the stabilization of production and processing. The interest payment can accommodate the production and processing cycle of the commodity

In the implementation plan for microfinance, the loan caters for the working capital of Gabungan and LKM. The interest rate of the loan is set at around the same level as RIGP (P4K) loan (currently 1% per month), but for the declining balance, and with the grace period of one year to accommodate the stabilization of organizational capacity.

(2) Contribution by the members as savings collateral

For the loan, KT members shall contribute 5%, and members for Gabungan and LKM contribute 10% of the loan amount as frozen savings. The savings will be kept at the time deposit as collateral, and when the loan repayment is confirmed, it will be handed over to the KT, Gabungan and LKM. This will also help KT, Gabungan and LKM to build financial assets during the period.

(3) Incentive for loan repayment

For the implementation plan for processing and marketing, a part of the loan interest will be given back to KT members as incentives for loan repayment at the end of five years. The proposed portion is 2% per year out of 14% interest payment.

For the implementation plan for Microfinance, it is recommended that from the overall profit made by Gabungan and LKM, members shall agree on the portion of profit sharing.

(4) Activity component

For the Implementation Plan for Processing and Marketing, the activity shall be carried out for strengthening financial aspect of KT in parallel as follows:

- (a) Strengthening savings and loan activities (for all KTs)
- (b) Formalizing the organization towards obtaining a legal status (for KT which shall aim for building own MFI and community MFI)
- (c) Identifying key persons for establishing community MFI (for KT community which shall aim for building community MFI)

5.5 Socialization Workshop

5.5.1 General

The socialization workshop are held at five Kabupaten respectively for explanation of the above concepts, business models and draft implementation plans, in order to derive opinions from stakeholders related with agricultural processing and rural microfinance. The socialization program consists of (i) explanation of overview of the study, (ii) explanation of sector-based improvement approach and draft implementation model, (iii) group discussion and (iv) introduction of BDS activities in Kabupaten. Through the group discussion, in particular, previous performance of financial activities and plans of how to manage proposed implementation models by Kelompok Tani is discussed and summarized.



**Socialization Workshop at
Kabupaten Mojokerto
(Date: February 21st, 2007)**

In addition, in order to prepare practical financial scheme, information and situation on LKM in Kabupaten, and loan condition on proposed models are discussed among P4K and LKM related parties.

Participants for each workshop generally consist of national counterpart, Provincial and Kabupaten DINAS, member from selected Kelompok Tani, Bank and so forth:

5.5.2 Socialization Result

Through the series of workshop at the Sample Kabupaten, draft ideas on the improvement of farmers' income through agricultural processing and rural microfinance were presented and discussed among the participants, and the participants have generally understood and shown agreement on draft improvement approach and implementation models. The group discussion results of Kelompok Tani, and P4K and LKM. In addition, some outstanding issues identified from the series of socialization are itemized as follows:

- All the farmers' groups have shown their confidence on the operation of proposed implementation models from financial and technical view point with the understanding of the importance of financial contribution to part of investment cost by Kelompok Tani.
- Most of the farmers' group disclosed the importance of continuous monitoring and evaluation on their proposed activities by relevant DINAS in charge in collaboration with Bank.
- Budget presented is proposed on condition that it will be utilized for specific proposed activities. Insufficient understanding is, however, observed that Kelompok Tani directly receive funds on their own initiative. Their understanding on this matter should be reoriented during preparatory stage of the model.
- Needs on Establishment of LKM is confirmed and agreed among the participants: strengthening existing institution including formal bank and LKM to support farmers activities are necessary as well as pointed out in Kabupaten Mojokerto.

- Draft proposal on LKM development, condition of which is: loan amount of Rp. 50 million; interest rate of 2.0 % per month with monthly installment; Rp. 5 million frozen saving at the bank, is somehow hardly acceptable to participants (P4K and LKM groups). Particularly, three Kabupaten consisting of Cirebon, Mojokerto and Kediri have been already enjoying higher amount of loan under existing LKM and/or relevant finance program. Together with the interest rate as pointed out “high” by the participants, the opinion is incorporated into revised implementation model.
- Level of understanding on BDS is different among Kabupaten. Such like Kabupaten Kediri as actual site is introduced as one of socialization programs makes participants capturing on BDS support and its activities while others where BDS is not so common needs to be prepared from potential BDS list available in Kabupaten to mindset of stakeholders on working with BDS during preparatory phase of the projects.

5.6 Implementation Plan for Processing and Marketing Schemes

5.6.1 Implementation Plans and Kelompok Tani

Based on the business models, implementation plans are proposed for 13 project plans for those Kelompok Tani (KTs) selected by Dinas in each Kabupaten, and the details are described in Appendix.

- (i) KT Sigranala Indah for model: Expansion of Business Scale (Kab. Cirebon)
- (ii) KT Bebek Jaya and KT Tigan Mekar for model: Expansion of Business Scale and Renewal of Technologies (Kab. Cirebon)
- (iii) KT Mitra Binagkit and KT Delima II for Model: Cottage level food processing and marketing of traditional products (Kab. Majalengka)
- (iv) KT Andayarasa for model: Primary processing by appropriate technology and marketing of Sweet Potato (Kab. Kuningan)
- (v) KT Bina Karya and KT Lingga Sari II for model: Cottage level food processing and marketing of unique products (Kab. Kuningan)
- (vi) KT Makmur Jaya and KT Budidaya for model: Fruit processing by appropriate technologies and marketing (Kab. Kediri)
- (vii) KT Karya Tani and KT Tani Mulyo for model: Expansion of Business Scale and Strengthen Duck Industry (Kab. Mojokerto)
- (viii) KT Lestani Sejahtera for model: Trial project of new Hatchery Technology (Kab. Mojokerto)

5.6.2 Implementation Steps and Schedule

Implementation period are assumed for 5 years from 2007 to 2012 as shown below:

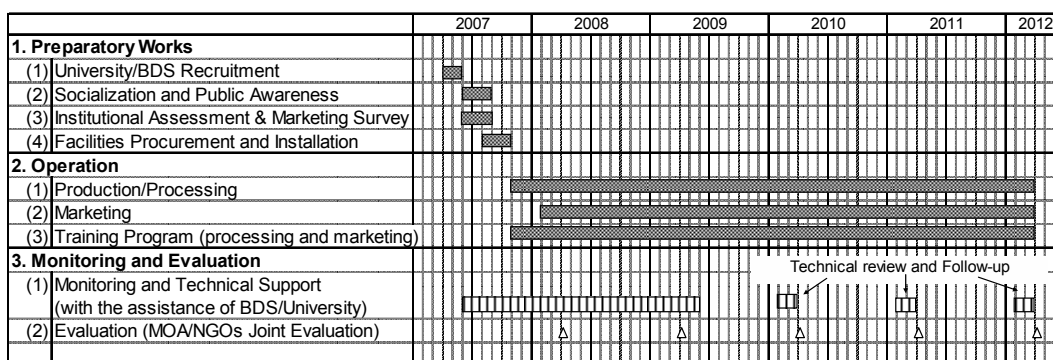


Figure 46 Implementation Schedule of Agricultural Processing and Marketing Model

5.6.3 Financial Analysis

Sweet potato and mango tend to constitute only a part of the income sources for the households. Compared to sweet potato and mango, duck in general, constitutes the main source of income for the households, and they fetch more income than sweet potato and mango households. The income improvement effect for each commodity is as follows:

Table 64 Effect of Household Income Improvement

Sample Commodity and Improvement	Current income from the sample commodity (per household per year)	Additional Income (Profit) from the Implementation Plan (per household per year)
Duck with expansion of breeding scale	Rp.18 – 60 million (except for the few more than Rp.60 million) KT Sigralana Indah: the range is less than Rp.6 to Rp.18 million except for the leader with Rp.120 million	Rp.5.2 million to Rp.18.0 million
Mango dried (based on the harvest of once a year)	Majority less than Rp.6 million except for the few with Rp.18 million	Rp.2.0 million
Sweet potato: primary processing	Less than Rp.6 million (KT Andayarasa)	Rp.7.2 million
Mango juice (based on the harvest of once a year)	Less than Rp.6 million	Rp.3.1 million
Sweet potato: cottage level processing	Rp.0 to Rp.12 million	Rp.1.2 million to 11.4 million

Source: Current income based on the household survey conducted by the JICA Study Team, and additional income estimated in Table 5.6.1.

In summary, at the end of 5 years, income increase of Kelpmpok Tani members (net profit) are Rp.4.8 million ranging from Rp.1.2 million to Rs. 18.0 million per annum.

Other than the profit explained above, the Kelpmpok Tani will have Rp.2.8 million to Rp.38.6 million of own capital from the frozen savings attracting interest. Some of the Kelompok Tani may have enough capital, more than Rp.10 million to start aiming at becoming Embryo MFI. These groups will operate and expand their business based on their own assets, and eventually be accessible to formal financial institution.

In case of the Kelompok Tani whose capital formation is less than Rp.10 million, further assistance will be required to accumulate capital up to the appropriate level.

Utilization of SP-3¹ scheme (Agricultural Financing Services Scheme under MOA) would be recommended as a link to the access to formal financial institution

The financial analysis of the processing and marketing schemes is summarized in Table 5.6.1, and details are described in the Appendix Report.

5.7 Implementation Plan for Rural Finance Scheme

5.7.1 Implementation Plan and Target Gabungan and LKM

For rural microfinance, the implementation plan of “Strengthening of Rural Non-Bank Embryo Microfinance Institutions (Rural Embryo MFIs) developed from Self-Help Group (SHG, Kelompok Petani Kecil: KPK) formed under the previous project” is proposed for 10 KPK Gabungan and LKM formed under RIGP (P4K).

The target candidate KPK Gabungan and LKM of the implementation plan are listed as follows:

Table 65 Target Candidate of KPK Gabungan or LKM

Kabupaten	Number of Gabungan/LKM	Description
Cirebon	13 Gabungan, 1 LKM	<ul style="list-style-type: none"> Total 75 Gabungan and 20 LKM (95 Embryo MFI candidates), covering 533 KPK, 6,802 members Capital size: Rp.0.125 - 161 million Select 10 Embryo MFI candidates from 5 Kabupaten as target
Kuningan	12 Gabungan, 6 LKM	
Majalengka	17 Gabungan, 4 LKM	
Mojokerto	29 Gabungan, 9 LKM	
Kediri	4 Gabungan, 0 LKM	

The purpose of the Implmentation Plan is (a) to increase income and build assets of the Rural Embryo MFI members, (b) to strengthen the capacity of Rural Embryo MFIs to become the real community bank in the remote area, and (c) to establish the Rural Embryo MFI supporting mechanism in the Kabupaten.

5.7.2 Implementation Steps and Schedule

Period is for 5 years in 2007-2012, as shown in Figure 47.

¹ MOA’s suggested SP-3 scheme for 2007 has four categories: (i) Micro I Enterprise , loan amount maximum Rp. 10 million per person via LKM-A, interest rate 12% p.a., and risk sharing 90%, (ii) Micro II Enterprise, loan amount Rp. 10 million to Rp. 50 million, and risk sharing 40%, (iii) Small I Enterprise, loan amount Rp. 50 million to Rp. 250 million, and risk sharing 30%, and (iv) Small II Enterprise, loan amount Rp. 250 million to Rp. 500 million. For (ii) to (iv), the interest rate is 2-3 % below commercial interest rate applied by the Executing Bank.

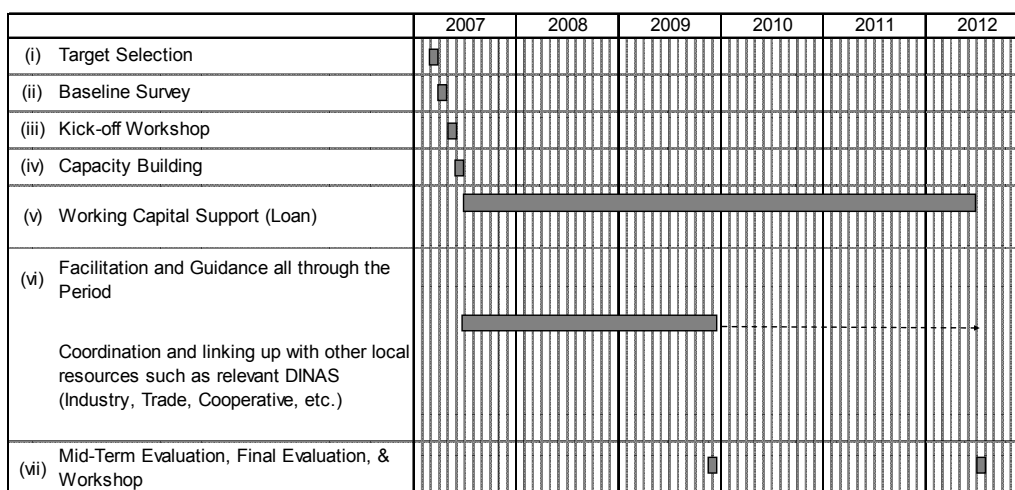


Figure 47 Implementation Schedule of Finance Scheme

5.7.3 Financial Analysis

At the end of 5 years, MFI will have Rp.37 million of own capital for 50 members, and Rp.47 million for 100 members (depends on the repayment schedule and internal rules and regulations on financial management). This means Rp.472,000 to Rp.747,000 per member.

This may be enough capital if income generating activity is conducted as group business, on the other hand, if each member has his/her own business, they may require Rp. 1-2 million at least. Even assuming utilizing their own savings, the members need to have access to another source of funding. Then the utilization of SP-3 as a link to the access to formal financial institution is recommended.

The figures are minimum amount expected to be raised from the Implementation Plan. During the intervention, it is also recommended to (i) increase members and capital base, (ii) consider transforming some portion of compulsory savings into shares, (iii) prepare to register as formal MFI, and (iv) develop other services such as agribusiness marketing for members, so that the capital or asset will be increased more than the amount mentioned above.

5.8 Capacity Development, Monitoring and Evaluation

5.8.1 Overview

The mechanism on capacity development, monitoring and evaluation for supporting Kelompok Tani activities in production and processing of sample commodities are illustrated as follows:

Capacity development will involve (i) Community Institutional Development and (ii) Technical Development as explained as follows:

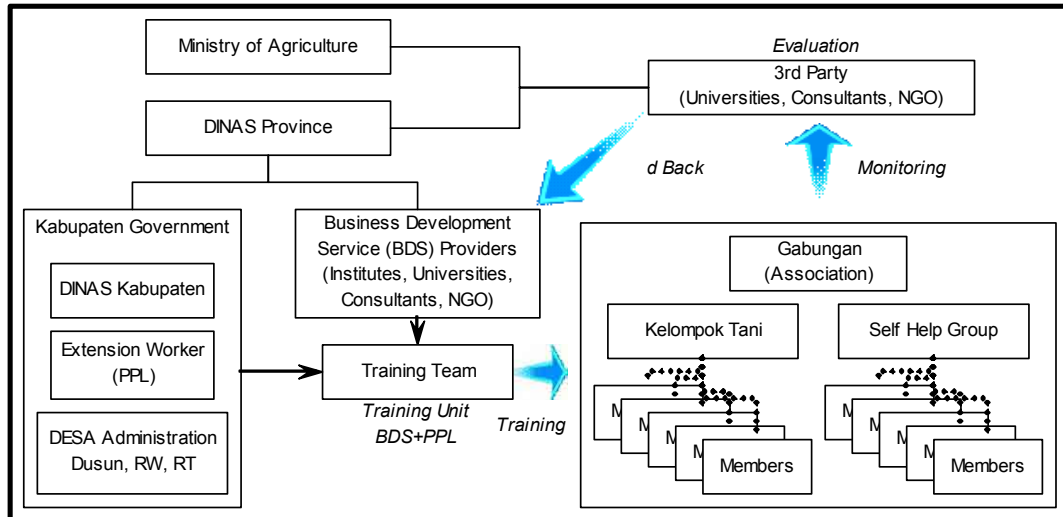


Figure 48 Mechanism of Capacity Development, Monitoring and Evaluation

As having been explained in preceding section, business development service (BDS) providers (research institutes, universities, consultants, NGOs) are introduced to develop technical capability of Kelompok Tani in production and processing. Training unit (BDS providers and extension workers) trains core Kelompok Tani members. Subsequently, training core Kelompok Tani members regularly train members through daily and practical production and processing activities, and specifically design training program. Monitoring and evaluation is periodically made jointly by 3rd parties like universities, consultants and NGO, under the supervision and facilitation by the Central Level particularly DG in charge. Feedback will be made based on the result of training and activities to meet community needs and to revise project activities.

5.8.2 Capacity Development

Capacity development will involve (i) Community Institutional Development and (ii) Technical Development as explained as follows:

(1) Community Institutional Development

Community institutional development is necessary since the linkages among Kelompok Tani, communities and such institutions as village institution, financial institution, government institution, private & business institution and religious institution are strong drive to support community development. The community institutional development aims: (i) to establish a village based facilitation system to dissemination technical subjects to the community through training of Kelompok Tani members, (ii) to establish a planning and procurement process by Kelompok Tani through facilitating the group members to be involved in problem identification, planning, management and implementation of production and processing activities, (iii) to lead to working in collaboration with relevant community organizations. The proposed activities are as shown below:

Table 66 Proposed Activities of Community Institutional Development

- To support raising awareness of Kelompok Tani members toward the project
- To set out institutional baseline through institutional survey
- To prepare and apply Kelompok Tani cadre selection procedure, if necessary
- To participate in recruiting NGO as to attend and support training program for Kelompok Tani
- To prepare and implement Kelompok Tani strengthening program in leadership and organizational management
- To train Kelompok Tani members in meeting and workshop organization, and consensus building techniques among the group based on technical manual and guidelines
- To facilitate deployment of extension workers in the field
- To facilitate establishment of business partnership
- To support development of linkages between Kelompok Tani and community organizations
- To facilitate establishment of Gabungan Kelompok Tani to expand group activities
- To implement gender analysis based on Gender Analysis Pathway (GAP)
- To prepare indicators and implement monitoring & evaluation for community institutional development

(2) Technical Development

Although levels differed depending upon the locality and the group, there is generally low capacity in production and processing skills of Kelompok Tani at present. By introducing BDS providers, technical development is carried out with the objective (i) to strengthen technical capacity of Kelompok Tani in production, processing and marketing of sample commodity and (ii) to create a linkage between BDS providers to encourage constant updating of training programs. The activities are proposed as follows:

Table 67 Proposed Activities of Technical Development

- To recruit BDS providers to provide Kelompok Tani activities with technical advice
- To install processing equipment and necessary kits
- To prepare training module for Kelompok Tani
- To grade harvest products
- To train Kelompok Tani in such documentation as inventory record, financial management, meeting management, etc.
- To strengthen Kelompok Tani member training in such production practice as land preparation, irrigation management, fertilizer and pesticide application, mechanization in farming, grading of harvested products
- To strengthen Kelompok Tani member training in such processing practice as operation of processing equipment, sun-drying, sanitary management, preservation method, packaging etc.
- To provide Kelompok Tani with as marketing training as market research, exhibition, test-marketing, development of marketing network, market data analysis
- To prepare annual activity report and recommendations for monitoring and evaluation
- To raise awareness of Kelompok Tani in environmental management through environmental education (eg. waste treatment, soil erosion etc.)
- To prepare monitoring and evaluation indicators and implement based on the proposed indicators for technical development

5.8.3 Monitoring and Evaluation

Monitoring and evaluation are essential to grasp the level of progress and constraints on a regular basis. The results to be obtained from monitoring and evaluation will give information for operation and management of ongoing or future projects.

In addition, it is of importance to carry out the monitoring and evaluation works for community empowerment, since capacity development of community and Kelompok Tani members, first and foremost, main actors in processing and marketing activities, is expected through monitoring and evaluating their own activities and preparing recommendation based on this process. Joint monitoring and evaluation among MOA, the 3rd parties and Kelompok Tani members is proposed. As in implementation schedule presented in 5.6 and 5.7, monitoring is carried out in the course of the project while evaluation is made once a year jointly by the 3rd party and MOA together with technical review and follow-up to be supported by BDS providers.

Although detailed monitoring and evaluation plan will be designed during the preparatory phase, indicators should be identified according to the objectives and expected outcomes of the implementation. Indicators must be objectively verifiable, and data and information for the verification must be retainable. The monitoring and evaluation process should be participatory, and the results must be disclosed to the groups as to a transparency purpose.

Preliminary idea of monitoring and evaluation indicators consist of: (i) operation indicator and (ii) effect indicator. Operation indicator can be broken down into three: organizational indicator, technical indicator, and social and environmental indicator. Operation indicator represent direct result to be obtained from proposed activities while effect indicator shows consequences from the direct result in the future, which are listed below and shown in Table 5.8.1.

Operation Indicator

Organizational Indicator

- Number of Kelompok Tani members
- Number of Training Program
- Participation Rate in Training Program
- Sufficiency Rate of Government's Annual Budget for the Project

Technical Indicator

- Cropping Intensity of Sample Commodities
- Number of Processing Equipment

Social and Environmental Indicator

- Gender Issue
- Environmental Issue

Effect Indicator

- Sample Commodity Yield

- Ratio of Incubation (Duck)
- Sample Commodity Quality
- Sample Commodity Processing Quantity
- Product Quality sold through the group
- Annual Net Income of Farmer
- Working condition Improvement
- Profit Sharing among the Group

CHAPTER 6 POLICY RECOMMENDATION

6.1 Overview

In this Study, the business models are proposed for agricultural processing business and rural microfinance through formulating the improvement plans for each of 13 Kelompok Tani selected for 3 sample commodities and farmers' federation (Gabungan) formed under the Rural Income Generation Project in 5 sample Kabupatens.

The schematic image of linkage between agricultural processing and rural microfinance is shown in Figure 51 below. From the viewpoint of agribusiness system, agricultural processing are included in the processing and marketing subsystems, and direct incomes for farmers' households are derived from this agribusiness subsystem (on the right in the Figure). On the other hand, rural microfinance is the agribusiness supporting subsystems to create the "business enabling environment" for carrying out income generation activities in the rural area (on the left in the Figure). In addition, rural microfinance will provide the financial services to meet the various demands of farmers and rural households in the rural communities where financial services are not accessible.

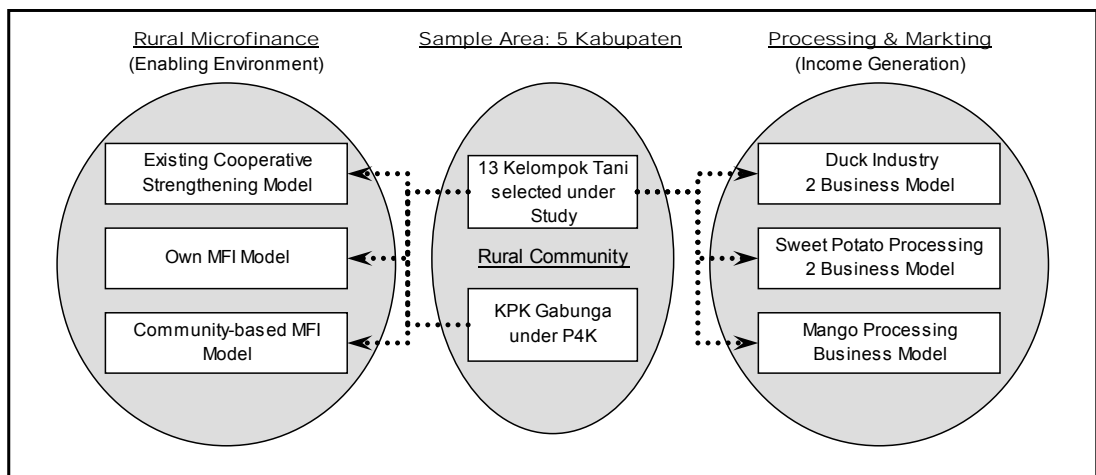


Figure 51 Schematic Image of Rural Microfinance and Processing & Marketing

For agricultural processing, business improvement plans for Kelompok Tani are formulated and categorized into 5 business models consisting of 2 models for duck industry, 2 models for sweet potato processing and 1 model for mango processing, based on i) characteristics of commodities, ii) technical application level, iii) marketing features of processed products, and iv) capacity of Kelompok Tani and farmers.

Regarding rural microfinance, "agro-processing business based" Microfinance Institutions (MFI) is proposed to be established around Kelompok Tani in the rural community, expecting to create the environment to meet various financial demands of the rural community.

Since the process of savings & loan develops the fundamental capacity of running business, Kelompok Tani members may not be able to carry out agribusiness without proper management of the savings & loans. Based on this assumption and the analysis of present situations of Kelompok Tani, 3 business models are proposed microfinance, namely i) Own MFI: to be established based on the existing Kelompok Tani involving other groups and members from the community, ii) Community-based MFI: to be established not based on the Kelompok Tani but in the community with other leaders in the case of group management problem like too strong leaders' dominance, iii) Strengthening of existing cooperatives. In all cases, traders and collectors are recommended to participate in MFI and cooperatives for fairer relationship with farmers on the marketing of products, as well as for fund contribution to the MFI.

As a developed version of Own MFI described above, an implementation plan is formulated to establish MFI based on the existing *Gabungan* of self-help groups formed under other projects such as Rural Income Generation Project (RIGP), as a follow-up and up-lifting of its function and activities.

When the MFI is established, it should also take into consideration the current trend and legal framework of microfinance. At the time of establishment, it is an embryo MFI, but it shall aim to obtain a legal status as an MFI for sustainability and to enhance the possibilities of accessing the commercial banking system for funds. In the process to develop business models, important points surrounding agricultural processing and rural microfinance are identified as shown below:

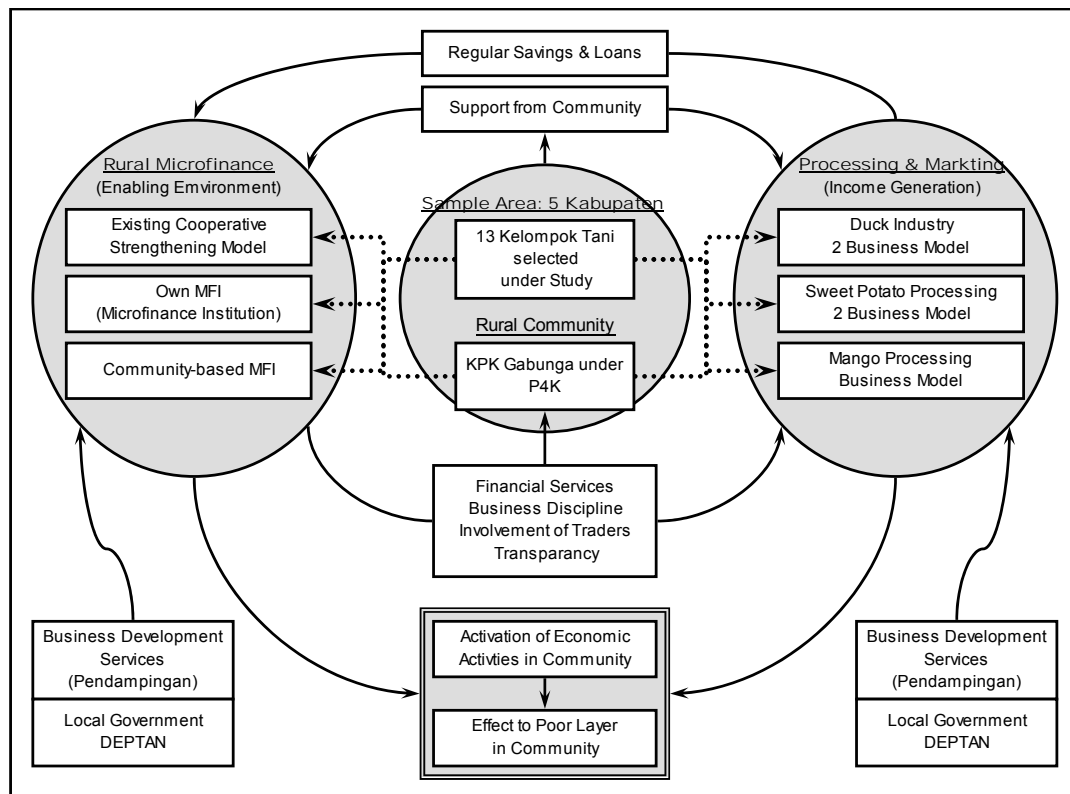


Figure 52 Business Model of Rural Microfinance and Processing & Marketing

After implementation of the models, direct effects of agricultural processing are estimated at average income increase of Rp.4.8 million per annum for total 335 member households in 13 Kelompok Tani. From the linkage with MFI or strengthening of cooperative, improvement of self-reliance level is expected through building assets and own capitals to access commercial finance after the project period of 5 years. From the linkage, indirect effect is expected to 4,200 households in the community, of which 48% or 2000 households are poverty.

6.2 Policy Recommendation

Some of the above improvement plans are expected to be implemented under the Second Kennedy Round-Counterpart Fund (SKR-CF) scheme in 2007 and 2008. It is assumed that the business models and linkage between processing and finance are replicable to other commodities and regions, and to primary agricultural production through modification of models and procedures.

Wide variation of experiences and implications were obtained during the Study process, and these are useful for smooth execution and better results. Among many experiences and implications obtained in the course of the Study, important aspects are selected as policy recommendations in implementing the business models for promotion of agricultural processing and finance as shown in Figure 52:

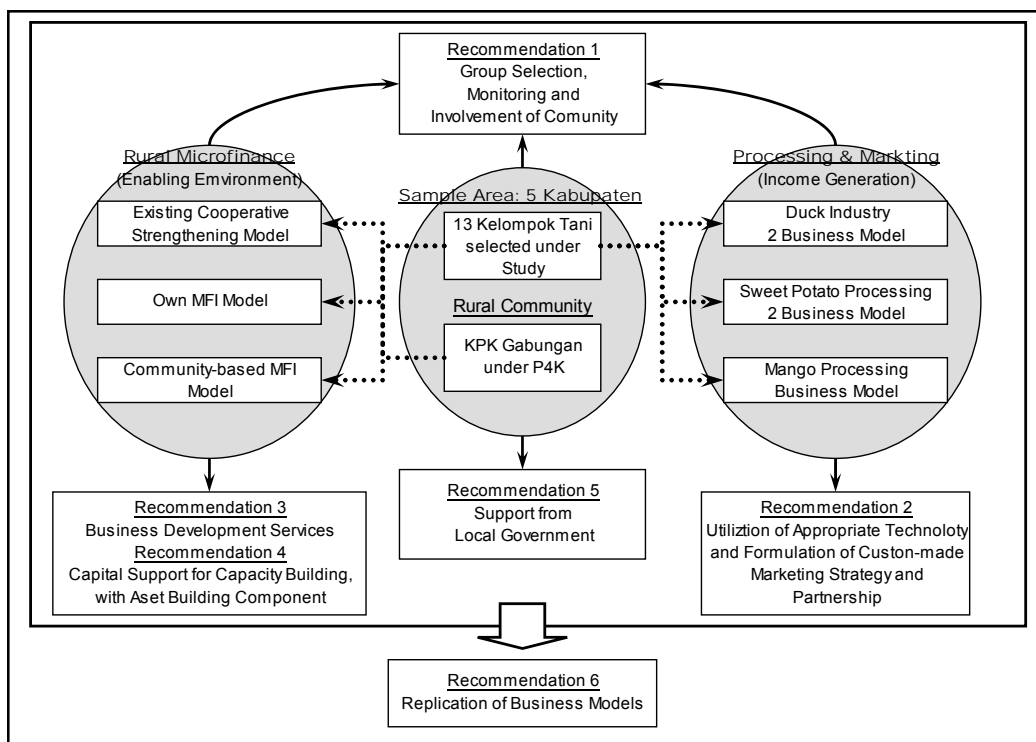


Figure 52 Extraction of Important Aspect as Policy Recommendation

6.2.1 Group Selection, Monitoring and Involvement of Community

In the Study process, it is found that progress of savings and loan in the group is one of the good indicators to measure the group performance. Savings activity in particular, is not only to accumulate money but it is a process to exercise how to manage finance and group. Financial and group management is the fundamental condition for running group business for the purpose of income generation.

Although it takes some time to conduct savings and loan on regular basis, it gives opportunity to the group members to think about how to utilize the savings for their business. Since savings are their own money, and not “bantuan (grant)”, the members shall seriously think about their plan. After proper operation of savings & loans and planning of income generation activity, the group would obtain soft loan assumed in the Study to enhance their agribusiness.

Savings & loan have been introduced long before, and many groups are engaged in savings and loan under the various programs. Utilizing this situation, better groups will be selected based on the progress and performance of the savings and loan activity, so that the period of activating the income generation activities would be shortened. In fact, the proposed improvement plan in this Study sets the conditions of the target *Kelompok Tani* and *Gabungan* to pledge 5 to 10% of the soft loan support as frozen savings.

In case of groups not doing proper savings & loan activity, or not even started the activity, the group should start or strengthen the savings & loan under the careful guidance and practice to increase the capacity of group. Only after confirming the proper process of savings and loan activity, hence the capacity being developed enough to introduce business activity, assistance such as soft loans shall be provided.

Sustainability will be strengthened by community involvement in the process. The groups are usually organized at the community level and they carry out activities in the vicinity of the community. Agriculture processing and marketing utilize raw materials available locally, and products are distributed through collectors and middlemen who are also community members. As for microfinance, an MFI to be established in the rural community will embrace community members as well. Thus community is the main body to support the target group. In order to obtain the support, it is important to make sure the improvement plan is properly understood by the community members. Further, the community itself would be the base for the expansion of the program at later stage, since by that time, they would have seen the benefits and effects of the program.

Monitoring of the group activities is an important element to ensure the sustainability of the group activities. It is not suitable for the persons and institutions directly involved in the activity to conduct monitoring from the viewpoint of transparency and accountability. The third party who is independent from the direct involvement, therefore, is ideal to be in charge of monitoring. They are in the better position to conduct monitoring, obtain necessary information from the neutral standpoint, and giving feedback to the group and

government offices for the improvement of performance. The same third party can be engaged in evaluation as well.

6.2.2 Processing Technology & Other Commodities and Marketing Partnership

In the course of the Study, it was found that each group has different level of processing technology. On the other hand, appropriate technologies suitable for famers' capacity level are available from local technical institutes and universities. It is essential when the improvement plan is implemented, the capacity assessment of the Kelompok Tani shall be conducted so that the appropriate technology for the Kelompok Tani is identified and introduced from those institutes and universities.

For preparing marketing strategy to find the best products to produce and process within the ability of the groups and available raw materials, methodologies for private sector development, such as Value Chain Analysis, SWOT analysis, and Market Mix shall be employed. Value chain analysis is to identify the potentials and constraints of activities by the players in the marketing flow of commodity, as prepared in the Study. SWOT analysis provides specific aspects to be focused through analyzing the strength, weakness, opportunity and threat in the marketing of commodity. Market Mix is a process to determine products and marketing method through analysis of product, price, marketing channel and market promotion. At the group level, simple analysis could be utilized for the determination of product and market.

For linkage of processing and marketing, stakeholders such as middlemen and collectors need to be involved for the sales of processed products, since markets are always changing and it is quite difficult for farmers to collect the market information. These marketing stakeholders are also risk takers. Under the current situation, middlemen and collectors are dominating the transaction of products at the farmgate which puts them in a strong position. Through involving them into the MFI which will be established around Kelompok Tani in the community, the farmers in KT and the market stakeholders will be able to enter into the equal partnership, which will bring in the better results for both parties.

6.2.3 Business Development Services (BDS)

As mentioned above, the groups require support for preparing the marketing strategies and carrying them out. This support covers a wide range of aspects such as financial management,, group management, processing technologies, marketing arrangement, coordination and communication with stakeholders. These aspects cannot be covered by single person and require professional expertise with good communication with stakeholders. This is where the Business Development Service (BDS) providers are expected to come in and give services in these aspects.

As is described in the implementation plans prepared for the selected Kelompok Tani, proper input is expected in the initial stage. The input should be secured not only for capital,

equipment, or infrastructure support, but also for the budget to hire BDS providers. It is only after some time when the group obtained the experience and knowledge, that the input of BDS service providers will be gradually reduced according to the result of monitoring. And eventually the groups are expected to exit or rather, graduate most of the supports. Only when the groups face difficulties, BDS may be required.

In this regard, inventory of BDS providers is recommended to be prepared at the level of Kabupaten and Province along with the information of their performance. Inventory shall always be updated based on the monitoring and evaluation on their services offered to the groups.

6.2.4 Capital Support for Capacity Building, with the Asset Building Component

Capital support to farmers shall take the form of loan from banks to KT or *Gabungan*, not in the form of revolving fund directly given to them. In addition, the KT or *Gabungan* shall pledge 5 to 10% of the loan amount as frozen savings to indicate their commitment and to demonstrate the minimum financial discipline required to perform in the project. The savings will attract interest as time deposit and will be given back to the KT or *Gabungan* as their assets. In addition, for the processing improvement plan, the on-time repayment will be rewarded by the certain percentage of the interest payment to be given back to the KT which can also add to their asset. In this way, it is intended to train farmers' financial management capacity, and entice them to graduate government support and to be self-reliant.

6.2.5 Support from Local Government Services

Among the supports expected from the local government, DINAS Province and Kabupaten, the most important one is the creation of enabling environment for the group activities. This includes fundamental knowledge on microfinance management including savings & loan, and the arrangement of BDS providers.

Different DINAS is promoting group formation, processing and marketing activity, and microfinance. In fact, some of the target Kelompok Tani were developed under the program of DINAS of Industry, Cooperative and SME. Therefore, it is recommended that the experiences and lessons learned under these DINAS are also to be utilized and extended to replications, in addition to those of DINAS Agriculture.

6.2.6 Replication of Business Models

(1) Implementation Models under SKR-CF projects

Improvement plans for 13 Kelompok Tani are assumed to be implemented under SKR-CF, and can be classified into three (3) business patterns according to the requirement of

partnerships and Business Development Service (BDS) providers, namely: (i) Business Pattern A: Enlargement and improvement of the performance of existing business (duck business and cottage level food processing), (ii) Business Pattern B: Creation of new business (primary processing of sweet potato and mango juice processing), and (iii) Business Pattern C: Newcomer to the existing business (dried mango chips processing). Particular points to be considered in implementation are listed in Table 6.2.1.

(2) Replication of Business Models

The effect of the improvement plans for agricultural processing shall be analyzed from the viewpoint of balancing the cost and the benefit. The cost is comprised of the grant and loan portion, whereas the benefit is comprised of the profit from agribusiness, the asset built and the incentives received at the end of 5-year project.

Implementation plans for agricultural processing shows that the group members will obtain profit of Rp.4.8 million per annum against the total cost of Rp.11.1 million per member consisting of investment of Rs.7.0 million (including contribution of saving collateral: Rs.350 thousand) and support by grant of Rp.4.1 million for 5 years.

Regarding asset building in average size of the group (25.8 members), about Rp.12.7 million will be accumulated as the capital of Kelompok Tani after 5 years of the implementation, at the same time, members will get back the part of the interest payment as incentives for repayment, which will amount to Rp.490 thousand (Rp.98 thousand per annum). Out of 13 groups, 5 groups would have enough capital to aim at becoming an embryo MFI, and expected to enlarge their activities to grow MFI for agribusiness (LKM-A).

The cost or budget for replicating the model consists of the grant portion for technical and management support, and the loan portion for capital support. Although it is assumed that technical and management support in grant portion can be reduced because of the scale merit, if replication is made to cover more groups in the certain area. However, this effect of reducing grant portion is not considered at the moment.

Budget scale of DG Processing & Marketing is Rp.413 billion in 2007. If 25% of the budget (Rp.100 billion) was allocated to replicate the proposed models, 350 groups could benefit from the replication projects, which means approximately 9,000 households would participate in the projects. Assuming each DG of Food Crops, Horticulture and Livestock allocated the same amount of budget, another 1,050 groups could implement the projects with 27,000 households participation. More over, 63% of the investment is soft loan and the groups will repay this amount at the end of 5 years, then this fund can be utilized for further expansion of replication.

Regarding implementation plan for microfinance, loan amount of Rp.100 million will be offered to 10 *Gabungan* of small business groups (50 to 100 member households each) as a soft loan to assist capital strengthening. At the end of 5 years, Rp.27 million to Rp.37

million can be accumulated for the operation of MFI. If the budget scale of 100 billion is allocated to replicate the model, 1,000 *Gabungan* of groups (50,000 to 100,000 households) can participate.

Since the total number of Kelompok Tani is about 655,000 over the entire Indonesia in 2001, 2,400 groups (0.4% of total groups) can participate to replicate the model within Rp.500 billion. In case to cover 5% of groups, Rp.6,800 billion of budget would be required.

Table

Table 2.3.1 Priority Area in the Government Work Plan for 2007 under National Medium-Term Development Plan (1/2)

Priority Area	Focus in the Priority Area
01. Poverty Handling	<ul style="list-style-type: none"> - Expansion of Access of Poor People to Education, Health and Basic Infrastructure - Social Protection - Eradication of Lack of Nutrition Problem and Food Emergency - Expansion of Business Opportunities
02. Improvement of Job Opportunities, Investment and Export	<ul style="list-style-type: none"> - Creation of More Flexible Workforce Market - Improvement of Investment and Business Atmosphere - Improvement of Non oil and Gas Export, Expansion of Destination Countries and Export Products - Improvement of Tourism Intensity - Improvement and Productivity and Access of Small & Medium Scale Enterprises to Productive Resource
03. <u>Revitalization of Agriculture, Fishery, Forestry and Village Affairs</u>	<ul style="list-style-type: none"> - <u>National Food Security</u> - <u>Improvement of Quality of Agriculture, Fishery and Forestry Production Growth</u> - <u>Improvement of Economic Diversification and Rural Infrastructures</u> - <u>Development of Natural Resources for Renewable Energy</u>
04. Improvement of Accessibility and Quality of Education and Health	<ul style="list-style-type: none"> - Acceleration of Even Spreading, Improvement of Accessibility and Quality of Nine-Year Primary Education - Improvement of Accessibility, Spreading, Improvement of Relevance of Qualified Secondary and High Education - Improvement of Availability and Quality of Teachers - Reduction of Illiteracy - Improvement of Accessibility, Even Spreading, Affordability and Quality of Health Services particularly for Poor People - Prevention of Eradication of Diseases particularly Contagious Diseases and Equipment including Avian Flu Integrated Handling - Handling of Lack of Nutrition and Bad Nutrition Problems among Pregnant Mothers, Babies and Infants - Improvement of Availability of Essential Generic Medicines, Supervision on Medicines, Food and Food Security
05. Law Enforcement, Corruption Eradication and Bureaucratic Perform	<ul style="list-style-type: none"> - Optimization of Implementation of Corruption Eradication National Action Plan - Acceleration of Settlement of Corruption Cases and Human Right Violation - Acceleration of Institutional Law Reinforcement - Acceleration of Bureaucracy Reform Implementation - Improvement of Accountability of Political and Public Institutions

Source: 1) Presidential Regulation No. 7 / 2005 regarding 2004 -2009 National Medium-Term Development Plan ratified on January 19th 2005 (unofficial translation), 2) Presidential Regulation No. 19 / 2006 regarding Government Work Plan for 2007 ratified on May 15th 2006.

Table 2.3.1 Priority Area in the Government Work Plan for 2007 under National Medium-Term Development Plan (2/2)

Priority Area	Focus in the Priority Area
06. Reinforcement of Defense Ability, Stability of Security and Order as well as Conflict Settlement	<ul style="list-style-type: none"> - Improvement of Ability of the Indonesian National Army and National Police Force - Prevention and Eradication of Drugs - Improvement of Roles of National Defense Industry - Handling and Prevention of Terrorism Actions - Settlement and Prevention of Conflicts - Handling and Prevention of Various Forms of Crimes, either Conventional or Cross Country - Improvement of Intelligence Quality - Acceleration of Construction of State Code Communication Network - Handling and Prevention of Sea Disturbance
07. Mitigation and Disaster handling	<ul style="list-style-type: none"> - Mitigation of Post Disaster Rehabilitation and Reconstruction Activation in NAD and Nias Particularly in Housing and Settlement Sectors and Expansion of Job Opportunities for Disaster Victims - Settlement Post Disaster Rehabilitation and Reconstruction Activities in Alor, Nabire, other Disasters in other Regions - Institutional Reinforcement in Disaster Prevention and Handling in National and Regional Levels - Prevention and Reduction of Disaster Risks - Improvement of Peoples' Alertness in Facing Disasters
08. Acceleration of Construction of Infrastructure	<ul style="list-style-type: none"> - Improvement of Infrastructure Services according to Minimum Service Standards - Achievement of Improvement of Real Sector Competitiveness - Increase of Investment on Infrastructure Projects conducted by Private Sector through Various Cooperation Scheme between Government and Private Sector
09. Construction of Border Regions and Isolated Regions	<ul style="list-style-type: none"> - Confirmation and Arrangement of State Borders on Land and Sea including around the Outermost Small Islands - Improvement of Bilateral Cooperation in Political, Law and Security Sectors with Neighboring Countries - Spatial Arrangement and Management of Resources and Environment in Border Regions and Outmost Small Islands - Support of Policies on Construction for Acceleration of Construction in Border Regions and Outermost Small Islands - Development of Economic Facilities and Infrastructure in Isolated Regions

Source: 1) Presidential Regulation No. 7 / 2005 regarding 2004 -2009 National Medium-Term Development Plan ratified on January 19th 2005 (unofficial translation), 2) Presidential Regulation No. 19 / 2006 regarding Government Work Plan for 2007 ratified on May 15th 2006.

Table 2.3.2 Focus and Priority Activities in the Government Work Plan 2007 under the National Medium-Term Development Plan (RPJMN) (1/2)

Focus	Prioritized Activities
<p>01. National Food Security: sufficient domestic supply of rice, production of vegetables and meat</p>	<ul style="list-style-type: none"> - Improvement of food production and productivity in order to improve domestic food supply, especially rice, through the development of seedlings; intensification of rice, legume and tuber plant production, provision of facilities and infrastructure including improvement of the functions of irrigation networks at the farmer level, expansion of planting and harvesting areas; <u>post-harvest management, processing and marketing of agricultural products</u>; increased intensification and food security; development and protection plants and animals with the support of a quarantine system and food security monitoring system as well as control of avian flu transmission to animals; - Improvement of food distribution system and access to food through the development of inter-region food support, effective model of food distribution and development of food reserves; - Increase of food consumption, diversification and security by developing balanced food consumption pattern, provision of subsidized rice for underprivileged people; - Improvement of food and agricultural production supporting system by developing <u>post-harvest production, processing and development technology for food products and improvement of farmers' and agricultural institutions</u>, including the strengthening of Water Consuming Farmers' Association (P3A) as well as arrangement of agricultural land control, ownership, use and utilization (P4T) in order to create a fair agricultural land control and ownership structure; - Management of dams, rivers, swamps and flood control; - Conservation of rivers, dams and water sources; - Flood control and coast safeguarding; - Improvement of forest and land rehabilitation, especially in prioritize river basins.
<p>02. Improvement of Quality of Agriculture, Fishery and Forestry Production Growth</p> <ul style="list-style-type: none"> - Enhancement of the farmers' production and income - Enhancement of fishery production and increase of income for fishermen, fish cultivators and other coastal communities 	<ul style="list-style-type: none"> - Increase in the productivity and production of plantations, animal husbandries and horticultural businesses; - Development of <u>commodities and processing to increase the value of the products</u> of plantations, animal husbandries and horticultural businesses; - Strengthening of agricultural extension institution, <u>enhancement of service institutions for farmers (finance and saprodi)</u>, capacity building for human resources to be assigned as extension agents and apparatus, farmers and agribusiness entrepreneurs; - Improvement of the development and dissemination of effective technologies to support the enhancement of productivities and quality of agricultural products; - Improvement of competitive power by applying tariff harmonization and synchronization of policies on agribusiness programs, institutional development and market information, international trade cooperation, improvement of quality and quality standards as well as application of a quarantine system to control diseases harmful to production and product safety; - Development of <u>rural agribusiness, business partnership patterns in agricultural sector</u> and development of rural infrastructure (agricultural/production roads, and dry land irrigation facilities); - Strengthening and development of efficient and people-based catch fishing, as well as development of environment-friendly cultivation businesses; - Revitalization of fishery especially for tuna, shrimp and seaweed commodities by increasing the business scale of fishermen and fish cultivators, economic empowerment and strengthening of community institutions; - The development and rehabilitation of fishery facilities and infrastructure as well as other production input; - The development and empowerment of handling and processing industries to improve quality standard and additional value and product marketing.

(continued to the next page)

Source: Presidential Regulation No. 19 / 2006 regarding Government Work Plan for 2007 ratified on May 15th 2006.

**Table 2.3.2 Focus and Prioritized Activities of in the Government Work Plan 2007
under National Medium-Term Development Plan (RPJMN) (2/2)**

Focus	Prioritized Activities
(continued from the previous)	<ul style="list-style-type: none"> - Empowerment of statistical database & fishery information system, applied technological engineering and its dissemination, and also improvement of human resources quality in the fishery sector and the fishery consultation system; - The development of a quarantine system and fish health management system; - The improvement of the fishery business quality and licensing, seed center certification, fishery-based territorial development, and coordination of illegal fishing handling, and other supporting infrastructure; - The management of fishery resources in a responsible and sustainable manner, and also economic, social, cultural empowerment of business actors in the field of fishery and coastal communities.
- Forest Products	<ul style="list-style-type: none"> - The development of the management of natural forests, crop forest, non-wood forest products, environmental services and social forestry; - The development of forest product industries and marketing; - The protection, prevention and mitigation of forest fire; - The management of national parks and other conservation areas; - The deregulation of laws and regulations on forestry to support accelerated development of crop forests; - The coordination of illegal logging handling; - The accelerated formation of KPH; - The prioritization of timber supply for industries having high additional value.
03. Improvement of Economic Diversification and Rural Infrastructures	<ul style="list-style-type: none"> - <u>Facilitate the development of rural economy diversification, rural financial institutions, and the dissemination of effective technology for rural areas;</u> - Develop the infrastructure and facilities of agropolitan areas; - Develop infrastructure in central growth villages and the development of facilities and infrastructure supporting P2KPDT, and the development of rural infrastructure based on the PKPS BBM pattern; - Empower rural community institutions and organizations, improvement of capacity of rural development facilitators, dissemination of information for rural communities, and stabilization of rural government institutions in managing development; - Provide <u>business capital scheme with the interest system, revolving fund profit sharing system</u>, lump sum system, and the guarantee of local opinion leaders as a substitute collateral; - Provide SME credit security scheme, especially investment credit in the agribusiness and industrial sectors; - Install 27,515 new telephone lines in 10,100 villages and develop 100 units of community access point; - Develop central and regional government cooperation pattern in developing rural electricity.
04. Development of Natural Resources for Renewable Energy	<ul style="list-style-type: none"> - Stipulate a master plan for the utilization of biodiesel and biofuel as sources of renewable energy, the stipulation of the price of biodiesel and biofuel according to the economic value, the provision of facilities to business entities that develop the processing of biodiesel and biofuel and the distribution network; - Improve regulations and prepare legal instruments and incentives for innovations in the utilization of biodiesel and biofuel as sources of renewable energy; - Supply biodiesel and biofuel raw materials and strategic reserve by providing supports for the preparation of agricultural land, development of a procedure for the utilization and storage of biodiesel and biofuel as renewable energy, support for the development of coconut palm oil/castor oil processing plants for biodiesel and ethanol processing plants for gasohol (biofuel) at small and medium production scale (pilot scale), and the improvement of research in discovery renewable energy sources (biodiesel and biofuel) and the processing application technology

Source: Presidential Regulation No. 19 / 2006 regarding Government Work Plan for 2007 ratified on May 15th 2006.

Table 4.2.1 Marketing Activities applicable to each Type of Business Unit

How to read this table:

1. Left columns indicate many types of marketing activities, and classified into three (3) categories; <1> Activities for finding Customers' Requirement, <2> Activities for Creation and Development of Customers (Sales Promotion), and <3> Activities for these two (2) objectives.
2. Middle columns show actual examples of activities (Only name of Kabupaten and Kecamatan and commodities indicated), which have been observed in the Study (interview survey).
3. Right columns are divided to four (4) types of Business Unit. Marketing activity applicable to each Business Unit is marked with the symbol "O" in the corresponding column.
4. Actual examples of activities are described in detail for each Kabupaten in Appendix C.

Business Unit Type A: Local Production (Processing) and Local Marketing

Business Unit Type B: Partnership between Kelompok Tani and Local Processing Industry

Business Unit Type C: Partnership between Kelompok Tani and Private Sector (Marketing)

Business Unit Type D: Business Expansion for Wide Areas

Marketing Activities to be Conducted	Actual Examples of Activities observed in the Basic Research Survey	Applicable Type of Business Unit			
		A	B	C	D
1. Activities for finding Customers' Requirement					
1-1 Market Research (for demand & supply, price, market needs, etc.)					
1-1-1 Small-scale Inquiry Survey (targeting relatives, neighbors, Desa & Kecamatan consumers, acquaintance, private friends, business friends; by means of phone/ visit/ mail)	Kec. Geban, Kab. Cirebon (Duck Fresh Eggs), Kota Cirebon (Salted Eggs), Kec. Cigandamekan, Kab. Kuningan (Sweet Potato)	○			
1-1-2 Medium-scale Inquiry Survey (targeting different categories of consumers within and outside the kabupaten, for wide area)				○	○
1-1-3 Large-scale Inquiry Survey (outsourcing (market research company), targeting different categories of consumers for wide areas)				○	○
1-1-4 Buying behavior survey at pasar, supermarkets, etc.		○		○	○
1-2 Establish own antenna shops (fixed or mobile type) at appropriate points				○	○
1-3 Participation in local events (display, sample tasting, etc.)	Kec. Mojosari, Kab. Mojokerto (Salted Eggs) / Kec. Pacet, Kab. Mojokerto (Sweet Potato)	○		○	○
1-4 Production areas survey for hinting of product development	Kab. Serawang (Processed Rice) / Kec. Banyakan, Kab. Kediri (Processed Mango)	○		○	○
1-5 Collect relevant information from newspapers, magazines, internet		○	○	○	○
1-6 Group meetings (to be held periodically and as required, for market information and improvement/ development of product)		○	○	○	○

Table 4.2.1 Marketing Activities applicable to each Type of Business Unit

Marketing Activities to be Conducted	Actual Examples of Activities observed in the Basic Research Survey	Applicable Type of Business Unit			
		A	B	C	D
2. Activities for Creation and Development of Customers					
2-1 Search for buyers or business partners through various channels (visit target areas, acquaintance, friends, exhibitions, business partners, trade organizations, local government organizations like DINAS, etc.)	Kec.kapetakan, Kab.Cirebon (Salted Eggs) / Kec. Losari, Kab. Cirebon (DOD) / Kab. Indramayu (Salted Eggs) / Kec. Cigandamekan, Kab. Kuningan (Sweet Potato) / Kec. Mojosari, Kab. Majalengka (DOD) / Kec. Bangsal, Kab. Majalengka (Duck Fresh Eggs) / Kec. Banyakan, Kab. Kediri (Mango) / Kec. Banyakan, Kab. Kediri (Mango Processing) / Kec. Tarokan, Kab. Kediri (Mango)		○	○	○
2-2 Sales promotion by bringing sample product in retailers	Kota Cirebon (Salted Eggs)	○		○	○
2-3 Sales campaign in various way (product exhibition, bargain sale, privilege giving sale, etc.)		○		○	○
2-4 Mouth-to-mouth advertisement through relatives, neighbors, acquaintance, private friends, business friends, individual consumers, etc.	Kec.Cilimus, Kab. Kuningan (Processed Sweet Potato) / Kec. Banyakan, Kab. Kediri (Mango)	○		○	
2-5 Commitment basis marketing (Sell raw materials and buy its processed product)	Kec. Mojosari, Kab. Mojokerto (Duck) / Kec. Pungging, Kab. Mojokerto (Duck)				○
2-6 Establish the website for PR to broad marketing target				○	○
2-7 Advertisement on radio/ TV		○		○	
2-8 Advertisement on newspapers/ magazines/ internet				○	
2-9 Salespersons qualification & incentive system for raising their motivation		○		○	○
2-10 Group meetings (to be held periodically and as required, for narrowing down target areas and customers and approach to create and develop customers)		○	○	○	○
3. Activities for both I and II					
3-1 Establish Kelompok Tani's own shops with attractive design at marketplaces such as pasar		○		○	○
3-2 Door-to-door sales in desa/ kecamatan level	Kec. Cigasong, Kab. Majalengka (Processed Sweet Potato)	○			
3-3 Create and increase solid customers (retailers/ individual consumers)					
3-3-1 Establish solid customers' network for exchange of market information		○		○	○
3-3-2 Order-taking activities ("goyokiki") for solid customers	Kec. Cigasong, Kab. Majalengka (Processed Sweet Potato)	○		○	○
3-4 Test-marketing at supermarkets, etc. (by consignment & space rental, etc.)	Kec. Bangsal, Kab. Mojokerto (Salted Eggs)	○		○	○
3-5 Participate in relevant training programs and put it in practice	Kab. Kediri (Mango Processing)	○	○	○	○

Table 5.1.1 Summary of Improvement Plan for Selected Kelompok Tani (1/5)

West Jawa Province

Kabupaten	Kelompok Tani	Member	Back ground	Approach/Purpose	Necessity and Importance of the Project	Project Component (a. Input)	Project Component (b. Activity/ Marketing)	Benefit and Effect of the Project
Cirebon	Sigranala Indah	7 nos. Men 6 Women 1	Due to current increase of gasoline price, many of the farmers gave up duck feeding. No saving & loan is observed. They need financial supports.	Current 7 members are the initial targets for the development of KT. Consultants/BDS/NGO will be introduced for the strengthening the capability. This is a kind of KT revitalization model.	To meet GOI policy. Revitalization model for the small-scale farmers business.	Soft loan amounting 86 Million for the investment. BDS by grant. Governmental various supports.	To purchase 100 pullets for each members totaling 700 tails and 70 male ducks. To invest facilities such as cages, water supply, fence and feed mixing machine.	To strengthen small-scale farmers business. To improve effectiveness on marketing for duck commodity. The management will be improved through BDS.
	Bebek Jaya	37 nos. Men 20 Women 0	Partnership agreement (MOU) was made among Tigan Mekar, Bebek Jaya, Sari Sejahtera and Branjangan Putih. Due to lack of capital, KT cannot expand the business scale. The group is national No. 1 Kelompok Tani (duck) in 2002.	Using soft loan, they enlarge the current business scale. New technologies such as electrical heat and humidity controller or semi-automatic hatchery will be introduced together with technical supports. Consultants/BDS/NGO will be introduced for the strengthening the capability.	To meet GOI policy. To disseminate new technology.	Soft loan amounting 427 Million for the investment. One set of semi-automatic hatchery under pilot project (grant) BDS by grant. Governmental various supports.	To purchase 100 pullets for each members totaling 3,700 tails and 400 male ducks. To invest facilities such as cages, water supply, fence and feed mixing machine.	To strengthen small-scale farmers business. To introduce modern technologies for better profitability. To improve effectiveness on marketing for duck commodity. The research development by Institutes (BPTP, IPB, etc.) will contribute farmers' income. The management will be improved through BDS.
	Tigan Mekar	36 nos. Men 33 Women 3	This KT is famous DOD supplier in Kabupaten. Demand for DOD is high but supply of fertile egg is limited. KT wants to produce fertile eggs for DOD production. Due to lack of capital, KT cannot expand the business scale.	Using soft loan, they enlarge the current business scale. New technologies such as electrical heat and humidity controller or semi-automatic hatchery will be introduced together with technical supports. Consultants/BDS/NGO will be introduced for the strengthening the capability.	To meet GOI policy. To disseminate new technology.	Soft loan amounting 523 Million for the investment. One set of semi-automatic hatchery under pilot project (grant) BDS by grant. Governmental various supports.	To purchase 5,000 pullets and 500 tails of male ducks for fertile egg production. To invest facilities such as cages, water supply, fence and feed mixing machine.	To strengthen small-scale farmers business. To introduce modern technologies for better profitability. To improve effectiveness on marketing for duck commodity. The research development by Institutes (BPTP, IPB, etc.) will contribute farmers' income. The management will be improved through BDS.
Majalengka	Mitra Binangkit	37 nos. Men 0 Women 37	The group was originally established by merging five farmers' group as a federation. Out of five, two groups are still active as processing sub-group. Due to lack of capital, they cannot expand the business scale. The group received credit through P4K.	Using soft loan, they can enlarge the current business scale. Consultants/BDS/NGO will be introduced for the strengthening the capability.	To meet GOI policy. To extend similar projects to other KT's.	Soft loan amounting 43 Million for the investment. BDS by grant. Governmental various supports.	To purchase facilities such as engine driven milling machine, kerosene burner, moulding for kerames, gas cooker and gas cylinder.	Local produces are processed locally and consumed locally for the income generation. The small-scale food processing for income generation will be strengthened and be expanded to other KT's. The management will be improved through BDS.

Table 5.1.1 Summary of Improvement Plan for Selected Kelompok Tani (2/5)

Kabupaten	Kelompok Tani	Member	Back ground	Approach/Purpose	Necessity and Importance of the Project	Project Component (a. Input)	Project Component (b. Activity/ Marketing)	Benefit and Effect of the Project
	Defima II	16 nos. Men 5 Women 11	Market is limited, only at Talaga market located 5 km from the village. KT sells 20 sacks of processed product everyday. Due to lack of capital, they cannot expand the business scale. Group is supported under P4K.	Using soft loan, they can enlarge the current business scale. Consultants/BDS/NGO will be introduced for the strengthening the capability.	<p>➤ To meet GOI policy.</p> <p>➤ To extend similar projects to other KT's.</p>	<p>➤ Soft loan amounting 43 Million for the investment.</p> <p>➤ BDS by grant.</p> <p>➤ Governmental various supports.</p>	<p>➤ To purchase facilities such as large cooking pan, kerosene stove, and cutting board.</p> <p>➤ To purchase motorcycle for transportation of raw materials and products.</p>	<p>Local produces are processed locally and consumed locally for the income generation.</p> <p>➤ The small-scale food processing for income generation will be strengthened and be expanded to other KT's.</p> <p>➤ The management will be improved through BDS.</p>
Kuningan	Andayarasa	25 nos. Men 20 Women 5	Group is well formalized. Presently, they are focusing on production. Saving & Loan is currently carried out. Farm-gate prices of sweet potato fluctuate from 400 - 1,000 Rp/kg. Farmers have no choice but to sell fresh one to collectors at their rates. Group purchase waste from Gali Esetika to prepare fish feed for 20 m x 21 m of land is available for the sweet potato drying business.	<p>➤ Selling pre-processed product such as dried sweet potato chips to nearby factory will be effective strategy to increase income of the group.</p> <p>➤ Using soft loan, they can start value addition activity.</p> <p>➤ New technologies such as Solar Dryer developed by IPB will be introduced.</p> <p>➤ Consultants/BDS/NGO will be introduced for the strengthening the capability.</p>	<p>➤ To meet GOI policy to develop food processing by small-scale farmers for income generation.</p> <p>➤ To disseminate such new approach to other KT's and other produces.</p>	<p>➤ Soft loan amounting 190 Million for the investment.</p> <p>➤ Technical assistance by IPB, BPTP Bogor for the solar dryer under grant scheme.</p> <p>➤ BDS by grant.</p> <p>➤ Governmental various supports.</p>	<p>➤ To invest drying facility such as Solar Dryers, Working Storage, Slicing machines, Moisture Meter, Table Scale, etc.</p> <p>➤ To enter into long term agreement for the supply of dried chips with sweet potato flourmill company such as PT Global Agro-Indi. This agreement covers purchase price, specification, quantity, time of delivery and etc.</p>	<p>Value addition for farmers by primary processing will be materialized.</p> <p>➤ The research development by Institutes (BPTP, IPB, etc.) will contribute farmers' income.</p> <p>➤ The value addition activities by KT Andayarasa will be disseminated to other KT's.</p> <p>➤ This type value addition through primary processing will be expanded to other produces.</p>
	Bina Karya	20 nos. Men 19 Women 1	Sauce production (<i>Sambal</i>) using sweet potato is a unique activity by KT Bina Karya. Due to limited facility currently they are using, the production capacity is limited. The price of the sauce produced by KT is comparatively lower than the products by larger manufacturers. The group activities as KT are limited they need business development services from outside for the brisk group activity.	<p>➤ Expansion or stabilization of sauce production is required.</p> <p>➤ Using soft loan, they can enlarge current activity.</p> <p>➤ Consultants/BDS/NGO will be introduced for the strengthening the capability.</p>	<p>➤ To meet GOI policy to develop food processing by small-scale farmers for income generation.</p>	<p>➤ Soft loan amounting 55 Million for the investment.</p> <p>➤ BDS by grant.</p> <p>➤ Governmental various supports.</p>	<p>➤ To purchase facilities such as Cooking Drum, Stove, Plastic Basin, Chiller and Blending equipment.</p> <p>➤ To rehabilitate existing storage, kitchen and work-yard.</p>	<p>Local produces are processed locally and consumed locally for the income generation.</p> <p>➤ The small-scale food processing for income generation will be strengthened.</p> <p>➤ The management will be improved through BDS.</p>

Table 5.1.1 Summary of Improvement Plan for Selected Kelompok Tani (3/5)

Kabupaten	Kelompok Tani	Member	Back ground	Approach/Purpose	Necessity and Importance of the Project	Project Component (a. Input)	Project Component (b. Activity/ Marketing)	Benefit and Effect of the Project
	Lingga Sari II	20 nos. Men 20 Women 0	<p>▶ The product by this group includes ice cream and dodol are unique in Kabupaten. Products are frequently presented in the exhibition, however market is still limited.</p> <p>▶ Currently, processed product is sold on order basis.</p> <p>▶ Difficulty of marketing development is most serious constraints for the group.</p> <p>▶ The group activities as KT are limited they need business development service from outside for the brisk group activity.</p>	<p>▶ Consultants/BDS/NGO will be introduced for the strengthening the capability especially for the marketing activity.</p> <p>▶ Using soft loan, they can enlarge current activity.</p>	<p>▶ To meet GOI policy to develop food processing by small-scale farmers for income generation.</p>	<p>▶ Soft loan amounting 20 Million for the investment.</p> <p>▶ BDS by grant.</p> <p>▶ Governmental various supports.</p>	<p>▶ To purchase facilities such as Freezers, Ice boxes, Blender, Mixer and Motorcycle.</p> <p>▶ To rehabilitate existing storage, kitchen and work-yard.</p>	<p>▶ Local produces are processed locally and consumed locally for the income generation.</p> <p>▶ The small-scale food processing for income generation will be strengthened.</p> <p>▶ The management will be improved through BDS.</p>

Table 5.1.1 Summary of Improvement Plan for Selected Kelompok Tani (4/5)

East Jawa Province

Kabupaten	Kelompok Tani	Member	Back ground	Approach/Purpose	Necessity and Importance of the Project	Project Component (a. Input)	Project Component (b. Activity/ Marketing)	Benefit and Effect of the Project
Kediri	Makmur Jaya	105 nos. Men 75 Women 30	<p>Farm-gate prices of mango sharply drop during peak season of harvest.</p> <p>Dry mango processing is just started by one KT in 2006 under pilot project by NGO, KT received soft loan from P4K program.</p>	<p>Dried mango chips production will start under pilot basis.</p> <p>Institutions will provide technical supports to KT.</p> <p>Consultants/BDS/NGO will assist this new business.</p>	<p>To meet GOI policy.</p> <p>To extend similar projects to other KTs.</p>	<p>Soft loan amounting 40 Million for the investment.</p> <p>Subsidy amounting 160 Million for the facility as a pilot project.</p> <p>BDS by grant.</p> <p>Governmental various supports.</p>	<p>To purchase facilities such as fruit dryer, packaging machine, washing/peeling equipment.</p> <p>To renovate existing warehouse for the working yard.</p> <p>In off-season of mango, other fruit drying and marketing using the facility will be carried out.</p> <p>The 3rd party who will enter into an agreement with KT will conduct marketing or KT will enter into MOU with the NGO as an outside supplier of dried mango.</p>	<p>Value addition to farmers by processing perishable product such as mango will be materialized.</p> <p>The research development by Institutes (BPTP, IPB, etc.) will contribute farmers' income.</p> <p>The value addition activities by KT will be disseminated to other KTs.</p> <p>This type processing activity should be developed for other produces.</p> <p>New marketing approach will succeed.</p>
	Budidaya	160 nos. Men 90 Women 70 <i>Wanita tani</i> Women 20	<p>Vacuum flyer for mango was provided by DINAS in 2005 however, it is not currently in use due to shortage of power supply.</p> <p>One KT in Kediri started pineapple juice processing successfully with technical supports from institutes in Malang.</p> <p>Support from DINAS has been insufficient until now due to KT's physical location.</p>	<p>Mango juices/ Jelly and Puree production will start under pilot basis.</p> <p>Institutions will provide technical supports to KT.</p> <p>Consultants/BDS/NGO will assist this new business.</p>	<p>To meet GOI policy.</p> <p>To extend similar projects to other KTs.</p>	<p>Soft loan amounting 40 Million for the investment.</p> <p>Subsidy amounting 160 Million for he facility as a pilot project.</p> <p>BDS by grant.</p> <p>Governmental various supports.</p>	<p>To purchase facilities such as fruit pulping, pasteurizing, packaging machine, washing/peeling equipment</p> <p>To renovate existing warehouse for the working yard.</p> <p>In off-season of mango, other fruit processing and marketing using the facility will be carried out.</p> <p>The 3rd party who will enter into an agreement with KT will conduct marketing.</p>	<p>Value addition to farmers by processing perishable product such as mango will be materialized.</p> <p>The research development by Institutes (BPTP, IPB, etc.) will contribute farmers' income.</p> <p>The value addition activities by KT will be disseminated to other KTs.</p> <p>This type processing activity should be developed for other produces.</p> <p>New marketing approach will succeed.</p>
Mojoekerto	Karya Tani	11 nos. Men 10 Women 1	<p>KT has 18,300 ducks by 11 members.</p> <p>Main product is young duck meat supply in addition to salty egg of infertile.</p> <p>Due to lack of capital they cannot expand their business scale though the market demand is stable and expanding.</p>	<p>Using soft loan, they can enlarge the current business scale.</p> <p>Consultants/BDS/NGO will be introduced for the strengthening the capability.</p>	<p>To meet GOI policy.</p> <p>This KT is a candidate of the triangle scheme.</p>	<p>Soft loan amounting 285 Million for the investment in addition to the contribution of 15 Million.</p> <p>BDS by grant.</p> <p>Governmental various supports.</p>	<p>To purchase 30,000 tails of DOD for meat production and 2,500 layer ducks for egg production.</p> <p>To invest facilities such as hatchery, cages, water supply, fence and feed mixing machine.</p>	<p>To strengthen small-scale farmers business.</p> <p>To improve effectiveness on marketing for duck commodity.</p> <p>The management will be improved through BDS.</p>

Table 5.1.1 Summary of Improvement Plan for Selected Kelompok Tani (5/5)

Kabupaten	Kelompok Tani	Member	Back ground	Approach/Purpose	Necessity and Importance of the Project	Project Component (a. Input)	Project Component (b. Activity/Marketing)	Benefit and Effect of the Project
	Tani Mulyo	28 nos. Men 5 Women 23	Duck business was originally started using grant from DINAS. However, many members quit membership due to its low profitability.	<p>Current 28 members are the initial targets for the development of KT.</p> <p>Consultants/BDS/NGO will be introduced for the strengthening the capability.</p> <p>This is a kind of KT revitalization model.</p>	<p>To meet GOI policy. Revitalization model for the small-scale farmers business.</p>	<p>Soft loan amounting 275 Million for the investment.</p> <p>BDS by grant.</p> <p>Governmental various supports.</p>	<p>To purchase 100 pullets for each members totaling 2,800 tails and 300 male ducks.</p> <p>To invest facilities such as cages, water supply, fence and feed mixing machine.</p>	<p>To strengthen small-scale farmers business.</p> <p>To improve effectiveness on marketing for duck commodity.</p> <p>The management will be improved through BDS.</p>
	Lestari Sejahtera	47 nos. Men 0 Women 47	This KT is a famous and a leading group of duck business in Kabupaten. This KT can be a core member of the triangle scheme in Mojokerto.	<p>Continuing and expanding current duck business.</p> <p>New technologies such as electrical heat and humidity controller or semi-automatic hatchery will be introduced together with technical supports.</p> <p>Consultants/BDS/NGO will be introduced for the strengthening the capability.</p>	<p>To meet GOI policy.</p> <p>To disseminate new technology.</p>	<p>Two sets of semi-automatic hatchery under pilot project (grant).</p> <p>BDS by grant.</p> <p>Governmental various supports.</p>	<p>Trial operation of semi-automatic hatchery under pilot project (grant).</p>	<p>To strengthen small-scale farmers business.</p> <p>To introduce modern technologies for better profitability.</p> <p>The research development by BPTP, IPB will contribute farmers' income.</p>

Table 5.1.2 Classification of Business Model in Processing and Marketing

Kabupaten: Commodity	Features and Improvement Direction	Business Model
Kab. Cirebon: Duck		
1. Sigranala Indah	<ul style="list-style-type: none"> - Duck activities declined due to hike of input price, and remained by limited members. - Reviving duck business after strengthening of group discipline 	Model for expansion of business scale and strengthen of duck industry
2. Bebek Jaya 3. Tigan Mekar	<ul style="list-style-type: none"> - Strengthening of existing triangle system through increased supply of fertile eggs and DOD to support duck industry - Introduction of new technologies (semi-automatic hatchery, etc.) available domestically to improve technical level for DOD production 	Model for expansion of business scale and renewal of technologies in duck Business
Kab. Majalengka: Sweet Potatoes		
4. Mitra Binagkit 5. Delima II	<ul style="list-style-type: none"> - Higher group discipline through group formation under P4K program (Delima II) - Increase of products and improvement of marketing activities through applying locally available technology for food processing (Local Processing and Local Marketing) 	Model for cottage level food processing and marketing of sweet potatoes (unique products)
Kab. Kuningan: Sweet Potatoes		
6. Andayarasa	<ul style="list-style-type: none"> - Well formalized, mainly focusing on sweet potato production - Sweet potato flour mill located nearby and ready to procure sweet potato dried chip as raw material 	Model for primary processing and marketing of sweet potatoes
7. Bina Karya 8. Lingga Sari II	<ul style="list-style-type: none"> - Limited activities as Kelompok Tani and require group discipline - Unique products (Bina Karya: sauce, Lingga Sari II: ice cream) by cottage level food processing - Improvement of products and marketing using locally available technology for food processing after strengthening of group discipline (Local Processing and Local Marketing) 	Model for cottage level food processing and marketing of sweet potatoes (traditional products with group strengthening)
Kab. Kediri: Mango		
9. Makmur Jaya 10. Budi Daya	<ul style="list-style-type: none"> - Well formalized, better group discipline through group formation under P4K program - Technical and marketing support required for mango processing - Challenge for new fruits processing technologies available in local institutions 	Model for fruit processing and marketing with 3 rd Parties
Kab. Mojokerto: Duck		
11. Karya Tani	<ul style="list-style-type: none"> - Increase and stabilization of supply of young duck meat and salty eggs, to form - Higher group discipline and no support from public so far. 	Model for expansion of business scale and strengthen of duck industry
12. Tani Mulyo	<ul style="list-style-type: none"> - Low sustainability of existing duck business and low support from the community - Reviving duck business after obtaining proper support from the community 	Model for revival and new comer in the duck business after group strengthening
13. Lestari Sejahtera	<ul style="list-style-type: none"> - Duck business and group discipline developed through past public support, and high level of business - Increase of supply of DOD and pullet for support other duck farmers - Introduction of new technologies (semi-automatic hatchery, etc.) available domestically to improve technical level for DOD production 	Trial of new hatchery technology (expected involvement for establishment of duck triangle system)

Table 5.1.3 Summary of Finance Improvement Direction for Selected Kelompok Tani (1/4)

West Jawa Province

Kabupaten	Kelompok Tani	Member	Back ground	Approach	Necessity and Importance of the Project	Project Component (a. Input)	Project Component (b. Activity Steps)	Benefit and Effect of the Project
Cirebon	Sigramala Indah	7 nos. Men 6 Women 1	<p>Leader and his family dominate the group. Members dependence on the leader observed</p> <p>Only leader borrows money from BRI and buying hatchery machine, which is the base of group production activity</p> <p>Group members' financial experience is with non-bank (pawnshop, traders, and artisan) and less savings. No group savings and loan activity</p>	<p>Approach 1: <i>Processing and Marketing Model</i></p> <p>1-1: Improve financial awareness and discipline of members through group savings and loan activity.</p> <p>1-2: Improve duck production technology of members</p> <p>Approach 2: <i>Establishing Community-based MFI Model</i></p> <p>For the members to have accessible finance, establish membership organization which provides savings and loan services.</p> <p>For the members to be more independent mind, establish MFI outside KT but in the community</p>	<p>Improve financial discipline</p> <p>Improve profitability of duck agribusiness</p> <p>Each member becomes more self-reliant and confident</p>	<p>Approach 1</p> <p>As a component of <i>Processing and Marketing Model</i></p> <p>Approach 2</p> <p>Establishing Community MFI Model</p> <p>Soft loan for working capital support</p> <p>Monitoring & guidance by BDS</p> <p>Various support by the government</p>	<p>Approach 1</p> <p>To introduce group savings and loan activity</p> <p>Approach 2</p> <p>(1) To mobilize community and raise fund for embryo MFI</p> <p>(2) To form an embryo MFI</p> <p>(3) Training and apprenticeship</p> <p>(4) Monitoring and Guidance</p> <p>(5) Support towards formalization</p>	<p>Financial awareness and disciplines instilled into the members</p> <p>Self reliance and business mindset of the members strengthened</p> <p>Community provided with the accessible financial service</p> <p>The capacity of KT and the management of MFI improved</p> <p>Asset of individuals and MFI built</p>
Bebek Jaya		37 nos. Men 20 Women 0	<p>KT is a member of Syariah KSP: Al Qomariah, where members save and borrow</p> <p>Excellent group activity, record of duck productivity and income, business plan kept</p> <p>Members feel money they can borrow now is not enough for improving duck production. Government program recipient</p>	<p>Approach 1: <i>Processing and Marketing Model</i></p> <p>Improve duck business to be more profitable</p> <p>Increase members' income (and asset) to be more financially viable, so that (i) more investment shall come from own funding, (ii) more asset to be rendered as collateral for institutional loan</p> <p>Approach 2: <i>Strengthening Existing Cooperative</i></p> <p>Intervene in Syariah KSP to increase loan amount for duck farmers</p>	<p>Improve profitability of duck agribusiness</p> <p>Increase financial self-reliance of farmers</p> <p>Graduate from government assistance</p> <p>Increase loan for duck farmers through Syariah KSP</p>	<p>Approach 1</p> <p>As a component of <i>Processing and Marketing Model</i></p> <p>Approach 2</p> <p>Strengthening Existing Cooperative Model</p> <p>Soft loan for working capital support</p> <p>Monitoring & guidance by BDS</p> <p>Various support by the government</p>	<p>Approach 1</p> <p>Initial deposit or frozen savings by members as a condition to join the model</p> <p>Approach 2</p> <p>Awareness raising and training of Syariah KSP</p>	<p>Self-reliance and business mindset of the members strengthened</p> <p>MFI in the community, which already finances farmers' agribusiness, strengthened</p> <p>Asset of individuals and MFI built</p>
Tigan Mekar		36 nos. Men 33 Women 3	<p>KT formed a multi-purpose duck cooperative, where they have savings and loan activity from BRI</p> <p>The duck cooperative has incorporated 5 KTIs and traders, and has since focused on marketing</p> <p>Members want more capital to increase number of ducks</p>	<p>Approach 1: <i>Processing and Marketing Model</i></p> <p>Improve duck business to be more profitable</p> <p>Increase members' income (and asset) to be more financially viable, so that (i) more investment shall come from own funding, (ii) more asset to be rendered as collateral for institutional loan</p> <p>Approach 2: <i>Strengthening Existing Cooperative Model</i></p> <p>Strengthen the role of savings and loan activity</p> <p>Expand the membership</p> <p>Strengthen the linkage with banks</p>	<p>Improve profitability of duck agribusiness</p> <p>Increase financial self-reliance of farmers</p> <p>Graduate from government assistance</p>	<p>Approach 1</p> <p>As a component of <i>Processing and Marketing Model</i></p> <p>Approach 2</p> <p>Strengthening Existing Cooperative Model</p> <p>Soft loan for working capital support</p> <p>Monitoring & guidance by BDS</p> <p>Various support by the government</p>	<p>Approach 1</p> <p>Initial deposit or frozen savings by members as a condition to join the model</p> <p>Approach 2</p> <p>Building asset</p> <p>Guidance and training</p>	<p>Self-reliance through the services of duck cooperative achieved</p> <p>Asset of individuals and MFI built</p>

Table 5.1.3 Summary of Finance Improvement Direction for Selected Kelompok Tani (2/4)

Kabupaten	Kelompok Tani	Member	Back ground	Approach	Necessity and Importance of the Project	Project Component (a. Input)	Project Component (b. Activity Steps)	Benefit and Effect of the Project
Majalengka	Mitra Binangkit II	37 nos. Men 0 Women 37	<p>KT used to be a P4K KPK, which was a part of KPK Gabungan. All of them had NPL and it was written off by BRI.</p> <p>KT has savings and loan activity</p> <p>Leader (also Head of <i>Dusun</i>) dominates the group</p> <p>Leader uses BPR.</p>	<p>Approach 1: <i>Processing and Marketing Model</i></p> <p>Improve sweet potato processing business to be more profitable</p> <p>Approach 2: Establishing Community-based MFI Model</p> <p>For the members to have accessible finances, establish membership organization which provides savings and loan services.</p> <p>For the members to be more independent mind, establish MFI outside KT but in the community</p> <p>To eliminate the leader's domination, third party intervention is required to set up the community MFI</p>	<p>Improve financial discipline</p> <p>Improve profitability of agribusiness</p> <p>Each member becomes more self-reliant and confident</p> <p>Dilute the control of the current leader in the activity</p>	<p>Approach 1</p> <p>As a component of <i>Processing and Marketing Model</i></p> <p>Approach 2</p> <p>Establishing Community MFI Model</p> <p>Soft loan for working capital support</p> <p>Monitoring & guidance by BDS</p> <p>Various support by the government</p>	<p>Approach 1</p> <p>To introduce group savings and loan activity</p> <p>Approach 2</p> <p>To have third party to facilitate the whole process to dilute the influence of the leader as Kepala Dusun</p> <p>To mobilize community and raise fund for embryo MFI</p> <p>To form an embryo MFI</p> <p>Training and apprenticeship</p> <p>Monitoring and Guidance</p> <p>Support towards formalization</p>	<p>Financial awareness and discipline into the members instilled</p> <p>Self reliance and business mindset of the members strengthened</p> <p>Community is provided with the accessible financial service</p> <p>Bad influence of the leader on the improvement process of agribusiness and finance is eliminated</p> <p>Asset of individuals and MFI built</p>
	Delima II	16 nos. Men 5 Women 11	<p>KT is a P4K KPK, and has a good leadership and team work</p> <p>KT members conduct <i>arisan</i></p> <p>The community has difficult access to the nearest bank (access road is not good)</p>	<p>Approach 1: <i>Processing and Marketing Model</i></p> <p>Improve sweet potato processing business to be more profitable</p> <p>Approach 2: Establishing Own MFI Model</p> <p>For the members to have accessible finance, grow KT, involving other community members, and develop to MFI</p>	<p>Improve profitability of agribusiness</p> <p>Establish accessible financial service in the community.</p>	<p>Approach 1</p> <p>As a component of <i>Processing and Marketing Model</i></p> <p>Approach 2</p> <p>Establishing Own MFI Model</p> <p>Soft loan for working capital support</p> <p>Monitoring & guidance by BDS</p> <p>Various support by the government</p>	<p>Approach 1</p> <p>To increase group asset</p> <p>Approach 2</p> <p>To mobilize other groups and community members and raise fund for embryo MFI</p> <p>To form an embryo MFI</p> <p>Training and apprenticeship</p> <p>Monitoring and Guidance</p> <p>Support towards formalization</p>	<p>Community is provided with the accessible financial service</p> <p>The MFI to be the base for economic activity promotion in the area</p> <p>Asset of individuals and MFI is built</p>
Kuningan	Andayarasa	25 nos. Men 20 Women 5	<p>Good leadership and group discipline</p> <p>Savings & Loan is currently carried out.</p> <p>Weak bargaining power against traders</p> <p>Land share-cropping</p>	<p>Approach 1: <i>Processing and Marketing Model</i></p> <p>Improve sweet potato processing business to be more profitable</p> <p>Approach 2: Establishing Own MFI Model</p> <p>For the members to have accessible finance, grow KT to MFI with traders, other community members, and develop MFI. MFI can have agribusiness supporting service</p>	<p>Improve profitability of agribusiness</p> <p>Establish accessible financial services in the community</p> <p>Change the power relation with traders</p>	<p>Approach 1</p> <p>As a component of <i>Processing and Marketing Model</i></p> <p>Approach 2</p> <p>Establishing Own MFI Model</p> <p>Soft loan for working capital support</p> <p>BDS</p> <p>Various support by the government</p>	<p>Approach 1</p> <p>To increase group asset</p> <p>Approach 2</p> <p>To mobilize other groups and community members and raise fund for embryo MFI</p> <p>To form an embryo MFI</p> <p>Training and apprenticeship</p> <p>Monitoring and Guidance</p> <p>Support towards formalization</p>	<p>Community is provided with the accessible financial service</p> <p>The MFI to also work as agribusiness supporting provider</p> <p>Bargaining power of farmers increased</p> <p>Asset of individuals and MFI is built</p>
	Bina Karya	20 nos. Men 19 Women 1	<p>KT is rather like a company, where the leader is a president and other members are employee. A disguised group.</p> <p>No group savings and loan activity</p> <p>Leader borrows from commercial banks</p> <p>Land share-cropping</p>	<p>Approach 1: <i>Processing and Marketing Model</i></p> <p>Improve sweet potato processing business to be more profitable</p> <p>Approach 2: Establishing a company</p> <p>To formalize KT by company registration</p>	<p>Improve profitability of agribusiness</p> <p>Have access to bank service by formalization</p>	<p>Approach 1</p> <p>As a component of <i>Processing and Marketing Model</i></p> <p>Approach 2</p> <p>Establishing a Company</p> <p>Soft loan for working capital support after registration</p> <p>Monitoring & guidance by BDS</p> <p>Various support by the government</p>	<p>Approach 1</p> <p>To increase profitability</p> <p>Approach 2</p> <p>To prepare the initial capital</p> <p>Training and apprenticeship</p> <p>To register it as a company</p> <p>Monitoring and Guidance</p>	<p>The self-reliant and profitable agribusiness model is embodied</p> <p>Asset of individuals and a company is built</p>

Table 5.1.3 Summary of Finance Improvement Direction for Selected Kelompok Tani (3/4)

Kabupaten	Kelompok Tani	Member	Back ground	Approach	Necessity and Importance of the Project	Project Component (a. Input)	Project Component (b. Activity Steps)	Benefit and Effect of the Project
	Lingga Sari II	20 nos. Men 20 Women 0	Limited activity as a group. No regular meetings held, and savings and loan not observed clearly. Traders' finance observed Land share-cropping	<p>Approach 1: <i>Processing and Marketing Model</i></p> <ul style="list-style-type: none"> 1-1: Improve financial awareness and discipline of members through group savings and loan activity. 1-2: Improve sweet potato processing agribusiness technology and marketing of members <p>Approach 2: Establishing Community MFI Model</p> <ul style="list-style-type: none"> For the members to have accessible finance, establish membership organization which provides savings and loan services. For the members to be more independent mind, establish MFI outside KT but in the community KT to maintain agribusiness marketing base. 	<ul style="list-style-type: none"> Improve financial discipline Improve profitability of agribusiness Each member becomes more self-reliant and confident 	<p>Approach 1</p> <ul style="list-style-type: none"> As a component of <i>Processing and Marketing Model</i> <p>Approach 2</p> <ul style="list-style-type: none"> Establishing Community MFI Model Soft loan for working capital support Monitoring & guidance by BDS Various support by the government 	<p>Approach 1</p> <ul style="list-style-type: none"> To introduce group savings and loan activity <p>Approach 2</p> <ul style="list-style-type: none"> To mobilize community and raise fund for embryo MFI To form an embryo MFI Training and apprenticeship Monitoring and Guidance towards formalization 	<ul style="list-style-type: none"> Financial awareness and discipline into the members instilled Self reliance and business mindset of the members strengthened Community provided with the accessible financial service The capacity of KT and the management of MFI improved Asset of individuals and MFI built
East Java Province								
Kabupaten	Kelompok Tani	Member	Back ground	Approach	Necessity and Importance of the Project	Project Component (a. Input)	Project Component (b. Activity Steps)	Benefit and Effect of the Project
Kediri	Makmur Jaya	105 nos. Men 75 Women 30	<p>Leader (Head of Dusun) is a mango producer, but also acts as a trader.</p> <p>45 members form P4K.KPK</p> <p>Other than P4K, no group savings and loan activity</p> <p>Leader uses various financial institutions (banks and cooperatives)</p> <p>Some members use BPR, others rely on traders finance (before harvest), pawnshop, and <i>waring</i>.</p>	<p>Approach 1: <i>Processing and Marketing Model</i></p> <ul style="list-style-type: none"> Improve duck business to be more profitable <p>Approach 2: Establishing Own MFI Model</p> <ul style="list-style-type: none"> For the members to have accessible finance, grow KT to MFI with traders, other community members, and develop MFI. MFI can have agribusiness supporting service 	<ul style="list-style-type: none"> Improve profitability of agribusiness Establish accessible financial service in the community Change the power relation with traders 	<p>Approach 1</p> <ul style="list-style-type: none"> As a component of <i>Processing and Marketing Model</i> <p>Approach 2</p> <ul style="list-style-type: none"> Establishing Own MFI Model Soft loan for working capital support Monitoring & guidance by BDS Various support by the government 	<p>Approach 1</p> <ul style="list-style-type: none"> To increase group asset <p>Approach 2</p> <ul style="list-style-type: none"> To mobilize other groups and community members and raise fund for embryo MFI To form an embryo MFI Training and apprenticeship Monitoring and Guidance towards formalization 	<ul style="list-style-type: none"> To provide community with the accessible financial service The MFI to also work as agribusiness supporting provider Bargaining power of farmers increased Asset of individuals and MFI built
Budidayaya	Kelompok Wanita Tani	160 nos. Men 90 Women 70	<p>Some members formed P4K.KPK.</p> <p>KT has an inactive (but once registered) cooperative which is a main section for savings and loan activity</p> <p>KT has a women's group which has <i>arisan</i></p> <p>KT members duplicate Forestry Farmers Group members, which has savings and loan activity</p> <p>Physical access to banks is difficult</p> <p>Farmers more worried about mango price fluctuation than lack of finance</p>	<p>Approach 1: <i>Processing and Marketing Model</i></p> <ul style="list-style-type: none"> Improve mango processing business to be more profitable <p>Approach 2: Establishing Own MFI Model</p> <ul style="list-style-type: none"> For the members to have accessible finance, grow KT to MFI 	<ul style="list-style-type: none"> Improve profitability of agribusiness Establish accessible financial service in the community 	<p>Approach 1</p> <ul style="list-style-type: none"> As a component of <i>Processing and Marketing Model</i> <p>Approach 2</p> <ul style="list-style-type: none"> Establishing Own MFI Model through reactivating an existing cooperative Soft loan for working capital support Monitoring & guidance by BDS Various support by the government 	<p>Approach 1</p> <ul style="list-style-type: none"> To increase group asset <p>Approach 2</p> <ul style="list-style-type: none"> To mobilize other groups and community members and raise fund for activating an existing cooperative Training and apprenticeship Monitoring and Guidance towards formalization 	<ul style="list-style-type: none"> Community provided with the accessible financial service The MFI to be the base for economic activity promotion in the area Asset of individuals and MFI built

Table 5.1.3 Summary of Finance Improvement Direction for Selected Kelompok Tani (4/4)

Kabupaten	Kelompok Tani	Member	Back ground	Approach	Necessity and Importance of the Project	Project Component (a. Input)	Project Component (b. Activity Steps)	Benefit and Effect of the Project
Mojokerto	Karya Tani	11 nos. Men 10 Women 1	<p>Leader is a duck producer but also acts as a trader</p> <p>Financial access by the leader re-lending bank loan</p> <p>Strong leadership and good group discipline</p> <p>No group savings and loan activity</p> <p>Due to lack of capital they cannot expand their business scale</p>	<p>Approach 1: <i>Processing and Marketing Model</i></p> <p>1-1: Improve financial awareness and discipline of members through group savings and loan activity.</p> <p>1-2: Improve duck production technology of members</p> <p>Approach 2: Establishing Own MFI Model</p> <p>For the members to have accessible finance, grow KT to MFI with traders, together with agribusness supporting service</p>	<p>Improve profitability of duck agribusness</p> <p>Establish accessible financial service in the community</p> <p>Each member becomes more self-reliant and confident</p>	<p>Approach 1</p> <p>As a component of <i>Processing and Marketing Model</i></p> <p>Approach 2</p> <p>Establishing Own MFI Model</p> <p>Soft loan for working capital support</p> <p>Monitoring & guidance by BDS</p> <p>Various support by the government towards formalization</p>	<p>Approach 1</p> <p>To introduce group savings and loan activity</p> <p>Approach 2</p> <p>To mobilize other groups and community members and raise fund for embryo MFI</p> <p>To form an embryo MFI</p> <p>Training and apprenticeship</p> <p>Monitoring and Guidance</p> <p>Support towards formalization</p>	<p>Community provided with the accessible financial service</p> <p>The MFI to be the base for economic activity promotion in the area</p> <p>Asset of individuals and MFI built</p>
				<p>Approach 1: <i>Processing and Marketing Model</i></p> <p>1-1: Improve financial awareness and discipline of members through group savings and loan activity.</p> <p>1-2: Improve duck production technology of members</p> <p>Approach 2: Establishing Own MFI Model</p> <p>For the members to have accessible finance, grow KT to MFI with traders, together with agribusness supporting service</p>	<p>Improve profitability of duck agribusness</p> <p>Establish accessible financial service in the community</p>	<p>Approach 1</p> <p>As a component of <i>Processing and Marketing Model</i></p> <p>Approach 2</p> <p>Establishing Own MFI Model</p> <p>Soft loan for working capital support</p> <p>Monitoring & guidance by BDS</p> <p>Various support by the government towards formalization</p>	<p>Approach 1</p> <p>To activate group savings and loan, and agribusness support function</p> <p>To accumulate asset of KT</p> <p>Approach 2</p> <p>To mobilize other groups and community members and raise fund for embryo MFI</p> <p>To form an embryo MFI</p> <p>Training and apprenticeship</p> <p>Monitoring and Guidance</p> <p>Support towards formalization</p>	<p>To provide community with the accessible financial service</p> <p>The MFI to also work as agribusness supporting provider</p> <p>Bargaining power of farmers increased</p> <p>Asset of individuals and MFI built</p>
Mulyo	Tani	28 nos. Men 5 Women 23	<p>Duck business was originally started using grant from DINAS. However, many members quit membership due to its low profitability.</p> <p>Savings and loan not very active</p> <p>Some use commercial banks, some transact with feed traders (bondage), some in <i>arisan</i> circle.</p>	<p>Approach 1: <i>Processing and Marketing Model</i></p> <p>1-1: Improve financial awareness and discipline of members through group savings and loan activity.</p> <p>1-2: Improve duck production technology of members</p> <p>Approach 2: Establishing Own MFI Model</p> <p>For the members to have accessible finance, grow KT to MFI with traders, together with agribusness supporting service</p>	<p>Improve profitability of duck agribusness</p> <p>Have access to bank service by formalization of the organization</p> <p>Establish accessible financial service in the community</p>	<p>Approach 1</p> <p>As a component of <i>Processing and Marketing Model</i></p> <p>Approach 2</p> <p>Establishing own MFI (register as a multi-purpose cooperative)</p> <p>Soft loan for working capital support</p> <p>Monitoring & guidance by BDS</p> <p>Various support by the government towards formalization</p>	<p>Approach 1</p> <p>To increase profitability</p> <p>Approach 2</p> <p>To prepare the initial capital</p> <p>Training and apprenticeship</p> <p>To register it as a cooperative</p> <p>Monitoring and Guidance</p>	<p>Self-reliant and profitable agribusness model embodied</p> <p>Asset of individuals and MFI built</p> <p>To provide community with the accessible financial service</p> <p>The MFI to also work as agribusness supporting provider</p>
				<p>Approach 1: <i>Processing and Marketing Model</i></p> <p>Increase duck business to be more profitable</p> <p>Increase members' income (and asset) to be more financially viable, so that (i) more investment shall come from own funding, (ii) more asset to be rendered as collateral for institutional loan</p> <p>Approach 2: Establishing Own MFI Model</p> <p>Formalize KT as a cooperative</p> <p>For the members to have accessible finance, grow KT to MFI with traders, together with agribusness supporting service</p>	<p>Improve profitability of agribusness</p> <p>Have access to bank service by formalization of the organization</p> <p>Establish accessible financial service in the community</p>	<p>Approach 1</p> <p>As a component of <i>Processing and Marketing Model</i></p> <p>Approach 2</p> <p>Establishing own MFI (register as a multi-purpose cooperative)</p> <p>Soft loan for working capital support</p> <p>Monitoring & guidance by BDS</p> <p>Various support by the government towards formalization</p>	<p>Approach 1</p> <p>To increase profitability</p> <p>Approach 2</p> <p>To prepare the initial capital</p> <p>Training and apprenticeship</p> <p>To register it as a cooperative</p> <p>Monitoring and Guidance</p>	<p>Self-reliant and profitable agribusness model embodied</p> <p>Asset of individuals and MFI built</p> <p>To provide community with the accessible financial service</p> <p>The MFI to also work as agribusness supporting provider</p>
Sejahtera	Lestari	47 nos. Men 0 Women 47	<p>This KT is a famous and a leading group of duck business in Kabupaten.</p> <p>Members used to be a P4K KPK.</p> <p>Good financial discipline, group savings and loan activity</p> <p>Some members use commercial banks as individual</p>	<p>Approach 1: <i>Processing and Marketing Model</i></p> <p>Increase duck business to be more profitable</p> <p>Increase members' income (and asset) to be more financially viable, so that (i) more investment shall come from own funding, (ii) more asset to be rendered as collateral for institutional loan</p> <p>Approach 2: Establishing Own MFI Model</p> <p>Formalize KT as a cooperative</p> <p>For the members to have accessible finance, grow KT to MFI with traders, together with agribusness supporting service</p>	<p>Improve profitability of agribusness</p> <p>Have access to bank service by formalization of the organization</p> <p>Establish accessible financial service in the community</p>	<p>Approach 1</p> <p>As a component of <i>Processing and Marketing Model</i></p> <p>Approach 2</p> <p>Establishing own MFI (register as a multi-purpose cooperative)</p> <p>Soft loan for working capital support</p> <p>Monitoring & guidance by BDS</p> <p>Various support by the government towards formalization</p>	<p>Approach 1</p> <p>To increase profitability</p> <p>Approach 2</p> <p>To prepare the initial capital</p> <p>Training and apprenticeship</p> <p>To register it as a cooperative</p> <p>Monitoring and Guidance</p>	<p>Self-reliant and profitable agribusness model embodied</p> <p>Asset of individuals and MFI built</p> <p>To provide community with the accessible financial service</p> <p>The MFI to also work as agribusness supporting provider</p>

Table 5.1.4 Classification of Business Model in Finance

Kabupaten: Commodity	Features	Improvement Direction	Business Model
Kab. Cirebon: Duck			
1. Sigranala Indah	<ul style="list-style-type: none"> - Financial access by the leader to commercial bank (BRI Unit) - Strong leadership but low self-reliance of members - No savings & loans activities 	<ul style="list-style-type: none"> - Empowering members through group savings and loan - MFI shall be established outside the group but in the community 	Model to establish community-based MFI
2. Bebek Jaya 3. Tigan Mekar	<ul style="list-style-type: none"> - Credit cooperative and credit unit in multi-purpose cooperative available. - High group discipline, savings & loans or arisan by some members - Financial access by some members to commercial bank (BPR, BRI unit) 	<ul style="list-style-type: none"> - Strengthening cooperatives to be more efficient and effective in finance and agribusiness support services. 	Model to strengthen existing cooperatives
Kab. Majalengka: Sweet Potatoes			
4. Mitra Binagkit 2 (majority is female)	<ul style="list-style-type: none"> - Savings & loans, but experience of non-performing loan under P4K program - Dominating by a leader and passive attitude of members 	<ul style="list-style-type: none"> - Empowering group members through activating savings and loan activity - MFI shall be established outside the group but in the community 	Model to establish community-based MFI
5. Delima 2 (majority is female)	<ul style="list-style-type: none"> - Higher group discipline through P4K program - Savings & loan in progress under P4K - Low physical access to banks 	<ul style="list-style-type: none"> - MFI shall be developed from the KT. 	Model to establish own MFI
Kab. Kuningan: Sweet Potatoes			
6. Andayarasa	<ul style="list-style-type: none"> - Savings & loans in progress, well organized group and high group discipline - Savings account for the group is opened under the leader's name, and loan from KUD in yarnen - Weak bargaining power to traders (yarnen) 	<ul style="list-style-type: none"> - Grow KT to MFI with traders and other community members, which may have agribusiness supporting services 	Model to establish own MFI (involving traders, middlemen and collectors)
7. Bina Karya	<ul style="list-style-type: none"> - Financial access by the leader to the commercial bank (Bank Jabar and BRI Unit) - Members working as employees - No savings & loan 	<ul style="list-style-type: none"> - Improve profitability of KT and formalize it by company registration 	Register as business entity, which will enable them to have access to a financial institution
8. Lingga Sari 2	<ul style="list-style-type: none"> - Limited activities as Kelompok Tani and low group discipline - Low level in savings & loans 	<ul style="list-style-type: none"> - Empower members through activating savings and loan activity - MFI shall be established outside the group but in the community 	Model to establish community-based MFI

Table 5.1.4 Classification of Business Model in Finance

Kabupaten: Commodity	Features	Improvement Direction	Business Model
Kab. Kediri: Mango			
9. Makmur Jaya (some females)	<ul style="list-style-type: none"> - Savings & loan in progress by a part of the members who are under P4K program - Financial access by the leader to the credit cooperative, individual loans from BRI Unit & BPR by members - Low physical accessibility to banks 	<ul style="list-style-type: none"> - Grow KT to MFI with traders and other community members, which may have agribusiness supporting services 	Model to establish own MFI
10. Budi Daya (some females)	<ul style="list-style-type: none"> - Savings & loans in progress a part of the members who are under P4K program - Savings & loan sub-group was registered as a cooperative, but not active - Low physical accessibility to banks 	<ul style="list-style-type: none"> - Re-activate the cooperative and develop it into MFI, which may also have agribusiness support services 	Model to establish own MFI (reactivating a cooperative)
Kab. Mojokerto: Duck			
11. Karya Tani	<ul style="list-style-type: none"> - Financial access by the leader to the commercial bank (re-lending to members) - Strong leadership and higher group discipline - No experience in savings & loans - Leader act as a producer and trader 	<ul style="list-style-type: none"> - Grow KT to MFI with traders and other community members, which may have agribusiness supporting services 	Model to establish own MFI
12. Tani Mulyo (majority is female)	<ul style="list-style-type: none"> - Progress in savings & loan and arisan - Bank accounts BRI Unit and BNI by leader and treasurer - Financial bondage by feed traders 	<ul style="list-style-type: none"> - Grow KT to MFI with traders and other community members, which may have agribusiness supporting services 	Model to establish own MFI
13. Lestari Sejahtera (majority is female)	<ul style="list-style-type: none"> - Good performance in financial access (access to BRI Unit and BNI by some members), and P4K experience - Savings & loan in progress 	<ul style="list-style-type: none"> - Formalize KT as a cooperative with traders, which will have both financial and agribusiness services 	Model to establish own MFI (multipurpose cooperative)

Table 5.3.1 Summary of Investment and Profit in Each Project

(Unit: Rp.'000)

Kelompok Tani	Member	Business model	Soft Loan	Grants	Total Project Cost	KT member = Savings Collateral (%)	Total Project including KT contribution	Sales per annum	Net Profits per annum	Net profits ratio	Net Profits per member	Incentive for Members or Capital		Savings Collateral after 5 years
												5 years	per annum	
A			B	C	D=B+C	E	F=D+E	G	H	I=H/G	J=H/A			
West Java														
Cirebon														
* Sigranala Indah	7	Revival and new comer	66,000	58,000	124,000	3,300	127,300	221,000	36,300	16.4%	5,190	4,620	924	4,630
* Bebek Jaya	20	Expansion of business scale & renewal of technologies	450,000	174,000	624,000	22,500	646,500	705,900	84,200	11.9%	4,210	31,500	6,300	31,600
* Tigan Mekar	36	Expansion of business scale & renewal of technologies	550,000	212,000	762,000	27,500	789,500	1,578,800	228,200	14.5%	6,340	38,500	7,700	38,600
Majalengka														
* Mitra Binangkit	30	Cottage level food processing (Traditional products)	45,000	51,500	96,500	2,250	98,750	375,000	117,400	31.3%	3,920	3,150	630	3,160
* Delima II	16	Cottage level food processing (Traditional products)	45,000	51,500	96,500	2,250	98,750	600,000	182,300	30.4%	11,400	3,150	630	3,160
Kuningan														
* Andayarasa	25	Primary Processing & marketing	200,000	153,000	353,000	10,000	363,000	810,000	179,800	22.2%	7,190	14,000	2,800	14,000
* Bina Karya	20	Cottage level food processing (Sambal sauce)	67,000	58,000	125,000	3,350	128,350	360,000	80,000	22.2%	4,000	4,690	938	4,700
* Lingga Sari II	20	Cottage level food processing (Ice Cream, Cake)	43,000	58,000	101,000	2,150	103,150	90,000	24,400	27.1%	1,220	3,010	602	3,020
East Java														
Kediri														
*Makmur Jaya	45	Fruit processing and marketing (Dried mango chips)	40,000	241,000	281,000	2,000	283,000	600,000	90,100	15.0%	2,000	2,800	560	2,810
* Budidaya	30	Fruit processing and marketing (Juice/puree)	40,000	232,000	272,000	2,000	274,000	396,000	93,500	23.6%	3,120	2,800	560	2,810
Mojoerto														
* Karya Tani	11	Expansion of business scale (Young duck meat)	190,000	60,000	250,000	9,500	259,500	1,035,500	197,500	19.1%	18,000	13,300	2,660	13,300
* Tani Mulyo	28	Revival and new comer	300,000	120,000	420,000	15,000	435,000	797,900	163,900	20.5%	5,850	21,000	4,200	21,000
* Lestari Sejahtera	47	Model for introduction of new technologies	0	200,000	200,000	0	200,000	-	-	-	-	-	-	-
TOTAL	335	Total	2,036,000	1,669,000	3,705,000	101,800	3,806,800	7,570,100	1,477,600	19.5%	-	142,520	28,504	142,790
		per Household	6,078	4,982	11,060	304	11,364	22,597	-	-	4,411	425	85	426

Table 5.5.1 List of Major Operation and Effect Indicators for Model Projects

Operation Indicators

No.	Indicator	Definition	Objective	Source of Data	Monitoring frequency
Organizational Indicators					
O-1	Number of Kelompok Tani members	The number of farmers benefited by the project and who join to (i) a Kelompok Tani and (ii) processing activities	To know status of Kelompok Tani activity and farmers' perception including women's	Baseline survey and data from DINAS	Every year
O-2	Number of Training Program	The number of training program organized for Kelompok Tani	To confirm the activities of supporting agent (DINAS / Extension Workers NGOs / University)	Baseline survey and data from DINAS	Every year
O-3	Participation Rate in Training Program	The number of Kelompok Tani member who participate in the training program	To know status of Kelompok Tani activity and farmers' perception	Baseline survey and data from DINAS	Every year
O-4	Sufficiency Rate of Government's Annual Budget for the Project	The ratio of fund required from the Government institutions to total cost required for the implementation of the	To know the degree of cost sufficiency and ensure proper management of the	Baseline survey and data from DINAS	Every year
Technical Indicators					
T-1	Cropping Intensity of Sample Commodities	The ratio of actual sample commodity, particularly sweet potato cropped area to entire farm owned by Kelompok Tani	To confirm change of cropping pattern based on project implementation	Baseline survey and data from DINAS	Every cropping season
T-2	Number of Processing Equipment	The number of increase in processing equipment introduced to Kelompok Tani and operated by them	To confirm change of Kelompok Tani activities particularly how dgrees Kelompok Tani are involved in processing	Baseline survey and data from DINAS	Every year
Social and Environmental Indicator					
SE-1	Gender Issue	Gender impact from proposed activities such as (i) changes in the ratio of men and women member of Kelompok Tani, (ii) changes in the ratio of men and women member in the board of director of Kelompok Tani, and (iii) changes in the number and the ratio of farmers who	To confirm the gender impact from proposed project	Baseline survey and data from DINAS	Every year
SE-2	Environmental Issue	aware the importance of environment-related impact such as (i) soil erosion, (ii) treatment of waste from processing such as water quality (organic / nicrobial pollution, rubbish and trash, nutrient enrichment and electric conductivity and pH etc.)	To confirm the environmental impact from processing activities	Baseline survey and data from DINAS	Every year

Effect Indicators

No.	Indicator	Definition	Objective	Source of Data	Monitoring frequency
1	Sample Commodity Yield	The volume of sample commodities (duck, sweet potato or mango) produced by season	To assess the degree of production increase by project implementation	Baseline survey and data from DINAS	Every cropping season
2	Ratio of Incubation (Duck)	The ratio of successful incubation to all eggs in hatchery	To confirm technical improvement of Duck Kelompok Tani	Baseline survey and data from DINAS	Every year
2	Sample Commodity Quality	The ratio of better quality of sample commodities to total production	To evaluate quality improvement of sample commodities	Baseline survey and data from DINAS	Every cropping season
3	Sample Commodity Processing Quantity	The volume of sample commodities (duck, sweet potato or mango) processed product by season	To assess the degree of processing increase by project implementation	Baseline survey and data from DINAS	Every year
4	Product Quality sold through the Group	The volume and the ratio of harvested and/or processed product sold through the group as a group collective activity, not through middlemen	To assess how project enhance capability of the group in marketing	Baseline survey and data from DINAS	Every year
5	Annual Net Income of Farmer	Annual income of the farmer earned by the farming and processing activity	To evaluate degree of contribution to alleviating poverty by implementation of the project	Baseline survey and data from DINAS	Every year
6	Working Condition Improvement	Reduction in the amount of time by men and women of Kelompok Tani to earn certain amount of income	To evaluate how project improve working condition of farmers by assessing the time to earn certain degree of income	Baseline survey and data from DINAS	Every year
7	Profit Sharing Among the Group	How distribution of costs and benefits among the members and between men and women is made in transparent manner	To evaluate how project improve transparency among the group	Baseline survey and data from DINAS	Every year

Table 6.2.1 Points to be Considered for Implementation under SKR-CF (1/2)

Pattern	Points to consider
<p>Business Pattern A: Enlargement and improvement of the performance of existing business (duck business and cottage level food processing)</p>	<p>The objective of these projects is to improve farmers' income through agricultural processing and marketing by capacity development of organization, technology and marketing of their existing economic activities. For this purpose, most appropriate BDS should be selected. NGO (Pinbok) type BDS will be suitable for the enlargement and strengthening of existing business and University/ Research Institute type BDS such as IPB and BALTNAK will be suitable for the projects covering application of new technologies.</p>
<p>Business Pattern B: Creation of new business (primary processing of sweet potato and mango juice processing)</p>	<p>1. Primary processing of Sweet Potato (KT Andayarasa)</p> <ul style="list-style-type: none"> · First of all, the sales contract for dried sweet potato chips for flour should be concluded. At this stage, PT Global Agro-Inti in Kuningan is a candidate of dried chips but other candidates such as Bogasari should be included as a purchaser. It will be best for KT to secure plural numbers of customer for such special product. · IPB will be most suitable BDS for this project as IPB has technology of solar dryer for sweet potato chip drying. IPB once be selected as BDS should fix up supporting team comprising drying technology, product management, empowering the organization and LKM facilitation. · Proposed equipment is not available in a market. Detailed confirmation on the specification is required between KT and BDS. · Procurement of equipment and construction of working area should be carried out by KT with assistance by BDS. The purchasing procedure should follow the regulation set force by Deptan/ Dinas Provice. <p>2. Mango processing and marketing of juice/ jelly (KT Budidaya)</p> <ul style="list-style-type: none"> · For the success of this Mango processing business, securement of the market is the most important issue. For this purpose, BDS should be capable enough to cover such all required aspects. · Brawijaya University or BPTP Malang will be most suitable BDS for this project as they have technology of mango processing as well as experience of supports to farmers groups. BDS should fix up supporting team comprising marketing, processing technology, product management, empowering the organization and LKM facilitation. · Procurement of equipment and construction of working area should be carried out by KT with assistance by BDS. The purchasing procedure should follow the regulation set force by Deptan/ Dinas Provice. · As the harvesting period of mango is limited for max. 3 months/ year, other fruit processing such as pineapple should be promoted by BDS for the maximization of farmers' income generation and utilization of equipment.

Table 6.2.1 Points to be Considered for Implementation under SKR-CF (2/2)

Pattern	Points to consider
<p>Business Pattern C: Newcomer to the existing business (dried mango chips processing)</p>	<ul style="list-style-type: none"> · This mango dry chip project is supposed to tie-up with REI project. Therefore entering into MOU between KT and REI with thorough supports to KT by BDS before starting this project is essential. It is better for KT to have own market in East-java province hence REI takes responsibility for the marketing in other area in Indonesia including Jakarta and Bali as well as export market. · Brawijaya University or BPTP Malang will be most suitable BDS for this project as they have technology of dried mango chip processing as well as experience of supports to KT. BDS should fix up supporting team comprising marketing, processing technology, product management, empowering the organization and LKM facilitation. · Procurement of equipment and construction of working area should be carried out by KT with assistance by BDS. The purchasing procedure should follow the regulation set force by Deptan/ Dinas Provice. · As the harvesting period of mango is limited for max. 3 months/ year, other fruit processing such as pineapple should be promoted by BDS for the maximization of farmers' income generation and utilization of equipment.

Figure

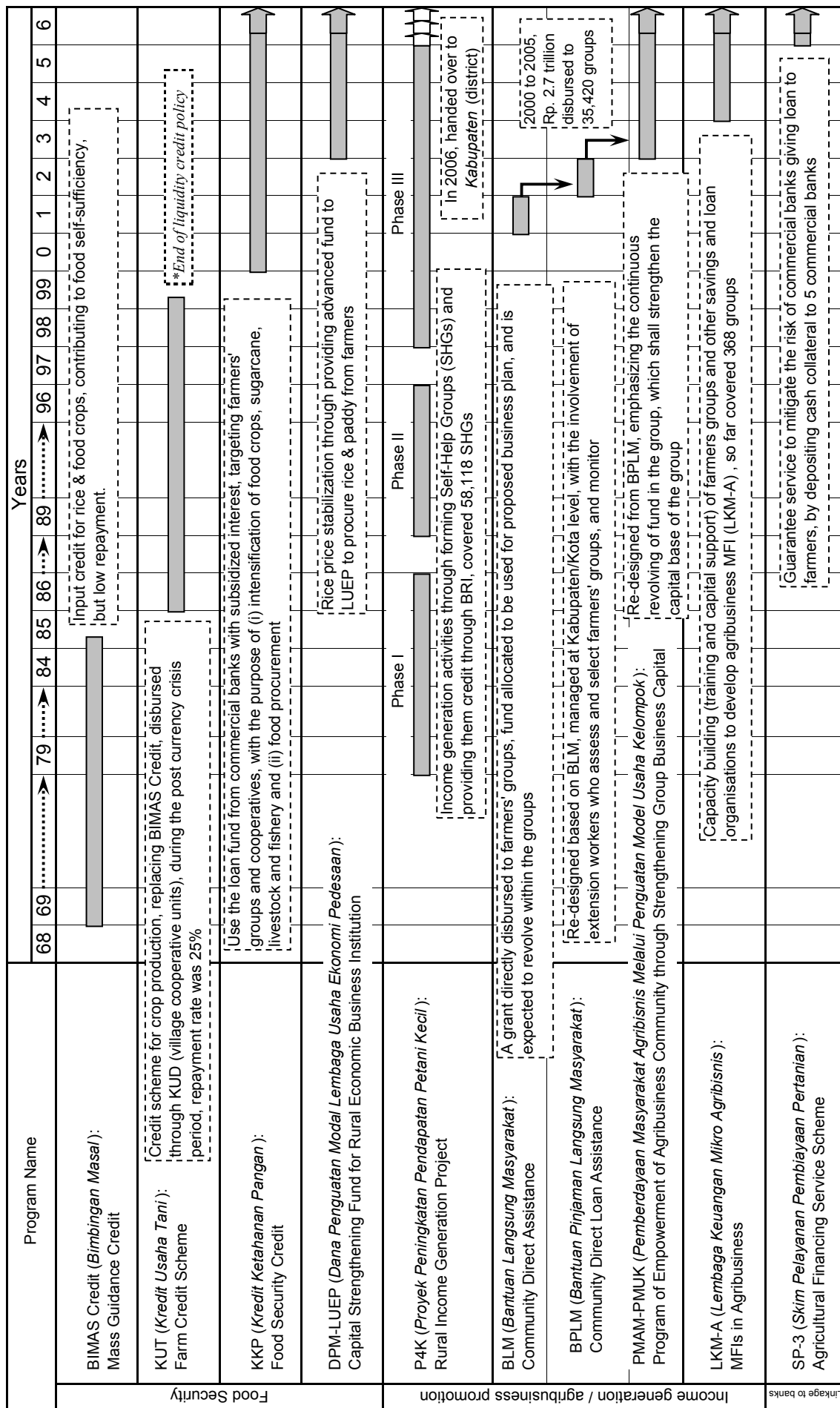


Figure 2.3.1 Major Finance Program under the Ministry of Agriculture



Figure 4.1.1 Result of Poverty Ranking at Farmers Communities (1/2)

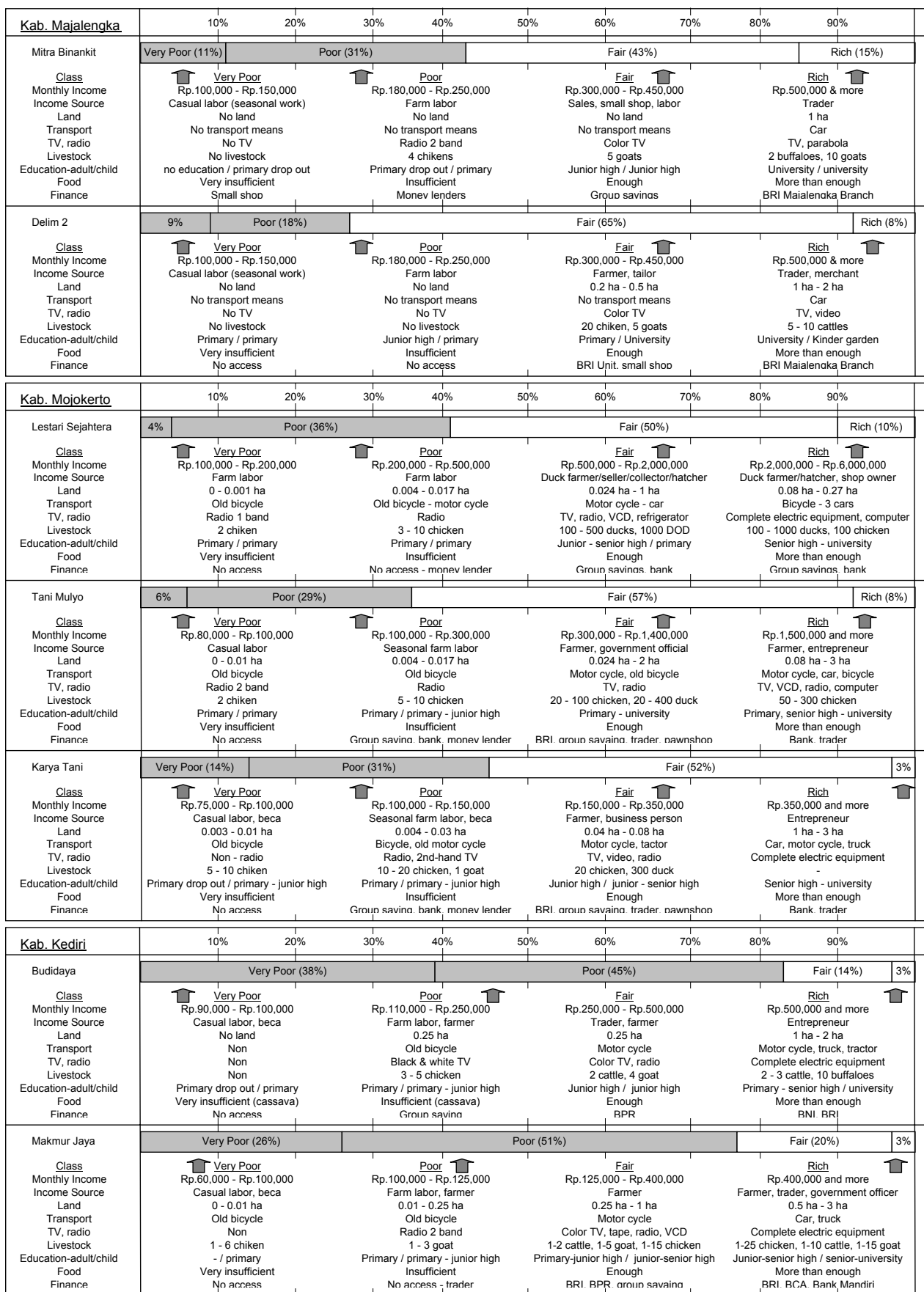


Figure 4.1.1 Result of Poverty Ranking at Farmers Communities (2/2)

Attachment

Attachment-1
Scope of Work

SCOPE OF WORK

FOR

THE STUDY ON THE IMPROVEMENT OF FARMERS' INCOME:
AGRICULTURAL PROCESSING AND RURAL MICRO-FINANCE
IN THE REPUBLIC OF INDONESIA

AGREED UPON BETWEEN

MINISTRY OF AGRICULTURE


AND

JAPAN INTERNATIONAL COOPERATION AGENCY

Jakarta, 5 November 2004



Dr. Tahlim Sudaryanto
Director
Bureau of Planning and Finance
Ministry of Agriculture



Mr. Shinji TOTSUKA
Leader
Preparatory Study Team
Japan International Cooperation Agency

I. INTRODUCTION

In response to the request from the Government of the Republic of Indonesia (hereinafter referred to as "GOI"), the Government of Japan (hereinafter referred to as "GOJ") decided to conduct the Study on the Improvement of Farmers' Income: Agricultural Processing and Rural Micro-Finance (hereinafter referred to as "the Study") in accordance with relevant laws and regulations in force in Japan.

Accordingly, Japan International Cooperation Agency (hereinafter referred to as "JICA") the official agency responsible for the implementation of the technical cooperation of the GOJ, will undertake the Study in close cooperation with the authorities concerned of GOI.

The present document sets forth the Scope of Work with regards to the Study.

II. OBJECTIVES OF THE STUDY

The Objectives of the Study are:

1. To prepare policy recommendations for the GOI in its formulating/implementing possible future policies for the promotion of agricultural processing and rural micro-finance to improve farmers' income.
2. To transfer relevant technical skills/knowledge to the Indonesian counterpart personnel through on-the-job training during the course of the Study.

III. STUDY AREA

To facilitate the Study related to agricultural processing, sample commodities (Sweet potato, Duck, and Mango) were selected by the GOI, and based on the production area of the said commodities, the following sample sites are selected as study area. The total study area is approximately 4,322.04 km², and relevant maps are attached in ANNEX 1.

West Java Province	Kuningan District (Sweet Potato)	216.88km ²
	Majalengka District (Sweet Potato)	1,068.69km ²
	Cirebon District (Duck)	958.27km ²
East Java Province	Kediri District (Mango)	1,386.05km ²
	Mojokerto District (Duck)	692.15km ²

In terms of rural micro-finance, the Study may collect information outside the sample sites.

IV. SCOPE OF THE STUDY

In order to achieve the above objectives, the framework of the Study will be as follows:

1. Review Existing Information/Data
 - 1) Agricultural Processing
 - (1) Review existing information/data on current system, policies, government planning, on-going activities related to agricultural processing.
 - 2) Rural Micro-finance
 - (1) Review existing information/data on current law/regulations, policies, government planning, on-going practice related to rural micro-finance.

2. Collection of Basic Information of the Sample Sites
 - (1) Collect basic information/data on each sample site and obtain general picture of the sites: (i) natural conditions, (ii) economic and social conditions, (iii) on-going activities on agricultural processing and rural micro-finance.

3. Promotion of Agricultural Processing
 - 1) Clarification of the Current Situation
 - (1) Conduct supplement field survey to obtain clear picture of the general situation of each sample site.
 - (2) Clarify the current situation of agricultural processing at each sample site.
 - 2) Needs of Stakeholders
 - (1) Conduct a workshop for the farmers and clarify their needs as well as constraints on agricultural processing.
 - (2) Collect the view/needs of other relevant stakeholders related to agricultural processing.
 - (3) Identify common problems/issues on agricultural processing at sample sites and clarify the critical points, which should be considered when preparing the recommendations for agricultural processing.
 - 3) Identification of Possible Solutions for each Sample Site
 - (1) Based on the findings thus far, identify possible solutions for the promotion of agricultural processing at each sample site.
 - 4) Preparation of Recommendations for the Promotion of Agricultural Processing at each Sample Site
 - (1) Prepare draft recommendations for the promotion of agricultural processing at each sample site.
 - (2) Obtain comments from relevant stakeholders on the draft recommendations.
 - (3) Based on the comments, finalize the recommendations.
 - 5) Based on the recommendations for each sample site, prepare common recommendations for the promotion of agricultural processing in general.

4. Development of new Rural Micro-finance Scheme
 - 1) Clarification of the Current Situation
 - (1) Conduct supplement field survey to collect further information on existing rural micro-finance schemes, which could be used as a useful reference for the Study.
 - (2) Analyze the existing rural micro-finance scheme and clarify the reason for success/failure of each scheme.
 - (3) Based on the analysis above, identify the problems/constraints of rural micro-finance.
 - 2) Needs of Stakeholders
 - (1) Conduct a workshop for the farmers and clarify their needs as well as constraints on rural micro-finance.
 - (2) Collect the view/needs of other relevant stakeholders related to rural micro-finance.
 - (3) Based on the stakeholder analysis, clarify the critical points, which should be considered when developing new rural micro-finance scheme.
 - 3) Identification of Possible Solutions
 - (1) Based on the findings thus far, identify possible solutions.
 - 4) Development of new Rural Micro-finance Scheme
 - (1) Draft new rural micro-finance scheme.
 - (2) Obtain comments on the draft rural micro-finance scheme from relevant stakeholders.
 - (3) Based on the comments received, finalize the new rural micro-finance scheme.

5. Linkage between Agricultural Processing and Rural Micro-finance
 - (1) Based on the recommendations for the promotions of agricultural processing and the newly developed rural micro-finance scheme, present a sample model, combining the two components, as a guidance how to operate the two components at the field.
6. Policy Recommendations
 - (1) Make policy recommendations for the promotion of agricultural processing.
 - (2) Make policy recommendations for the establishment of new rural micro-finance scheme.

V. STUDY SCHEDULE



The Study shall be carried out in accordance with the Tentative Work Schedule as attached in ANNEX 2.

VI. REPORTS

JICA shall prepare and submit the following reports to GOI:

1. Inception Report (Ic/R)
Thirty (30) copies in English at the commencement of the Study
2. Progress Report (1) (Pr/R 1)
Thirty (30) copies in English at the end of the first field work
3. Interim Report (It/R)
Thirty (30) copies in English at the beginning of the second field work
4. Progress Report (2) (Pr/R 2)
Thirty (30) copies in English at the end of the second field work
5. Draft Final Report (Df/R)
Thirty (30) copies in English at the beginning of the third field work
GOI-side shall submit written comments on the Draft Final Report to JICA within one (1) month after the receipt of the said Report.
6. Final Report (F/R)
Fifty (50) copies each, in English and Indonesian, within in two (2) months after the receipt of the comments on the Df/R from GOI

VII. UNDERTAKING OF THE GOI

1. To facilitate the smooth conduct of the Study, GOI shall take necessary measures, including the following:
 - (1) To permit the members of the Study Team to enter, leave and sojourn in Indonesia for the duration of their assignment therein, and exempt them from alien registration requirements and consular fees.
 - (2) To exempt the members of the Study Team from taxes, duties and other charges on equipment, machinery and other materials to be brought into and out of Indonesia for the conduct of the Study.
 - (3) To exempt the members of the Study Team from income tax and charges of any kind imposed on or in connection with any emoluments of allowances paid to the members of the Study Team for their services in connection with the implementation of the Study
 - (4) To provide necessary facilities to the Study Team for remittance as well as utilization of the funds introduced into Indonesia from Japan in connection with the implementation of the Study.
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2. GOI shall bear claims, if any arises, against members of the Study Team resulting from, occurring in the course of, or otherwise connected with the discharge of their duties in the implementation of the Study, except when such claims arise from gross negligence or willful misconduct on the part of the members of the Study Team.
3. Bureau of Planning and Finance, Ministry of Agriculture, shall act as the counterpart agency for the Study Team and also as the coordinating body in relations with other governmental and non-governmental organizations for the smooth implementation of the Study.
4. Ministry of Agriculture, at its own expense, provide the Study Team with the following, in cooperation with other organizations concerned:
 - (1) Security-related information as well as measures to ensure the safety of the Study Team
 - (2) Information as well as support in obtaining medical service
 - (3) Available data and information related to the Study
 - (4) Counterpart personnel
 - (5) Suitable office space and necessary equipment in Jakarta
 - (6) Credentials or identification cards

VIII. UNDERTAKING OF JICA

For the implementation of the Study, JICA shall take the following measures:

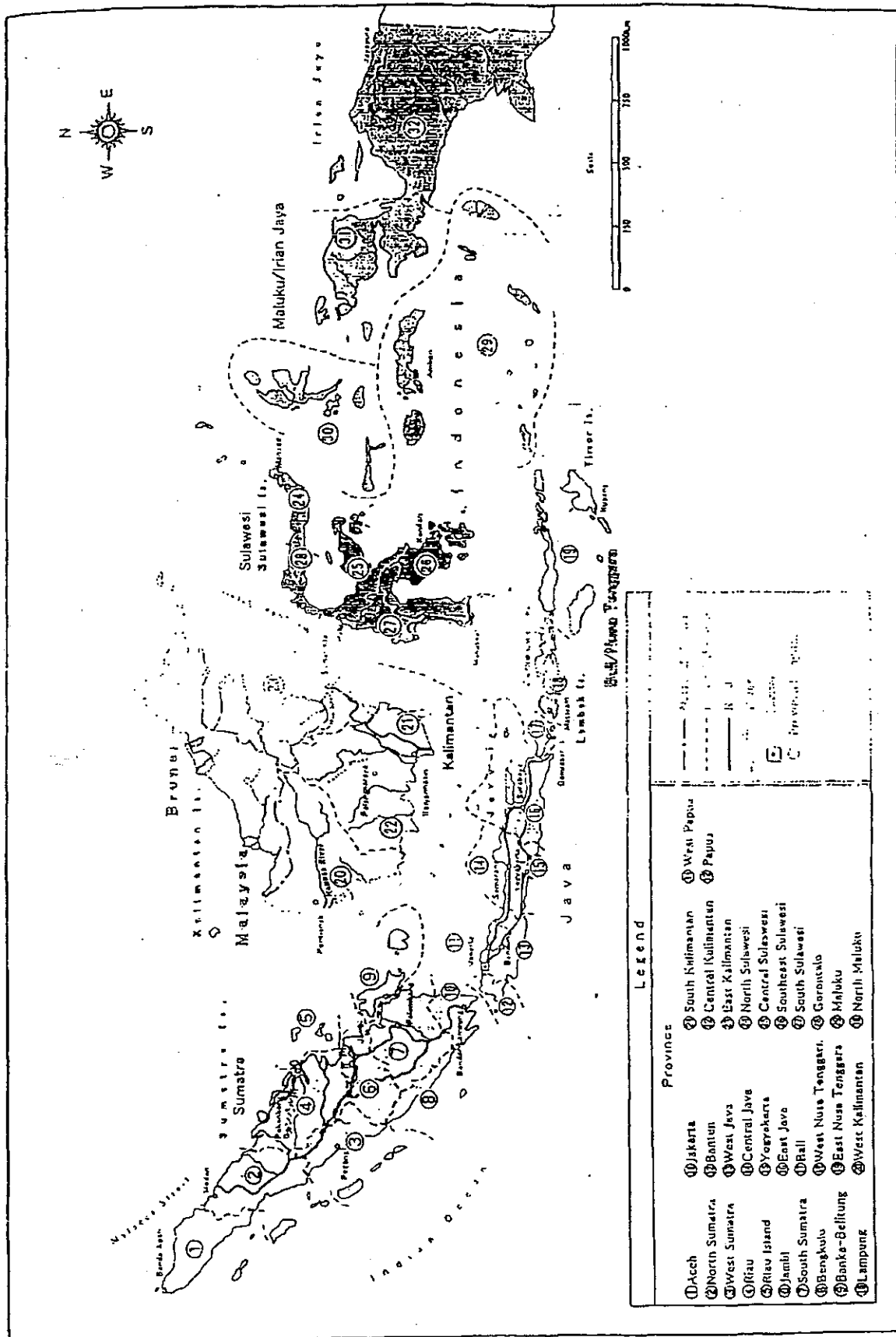
1. To dispatch, at its own expense; Study Team to Indonesia
2. Pursue transfer to technical skills/knowledge to the Indonesian counterpart personnel through on-the-job training during the course of the Study

IX. CONSULTATION

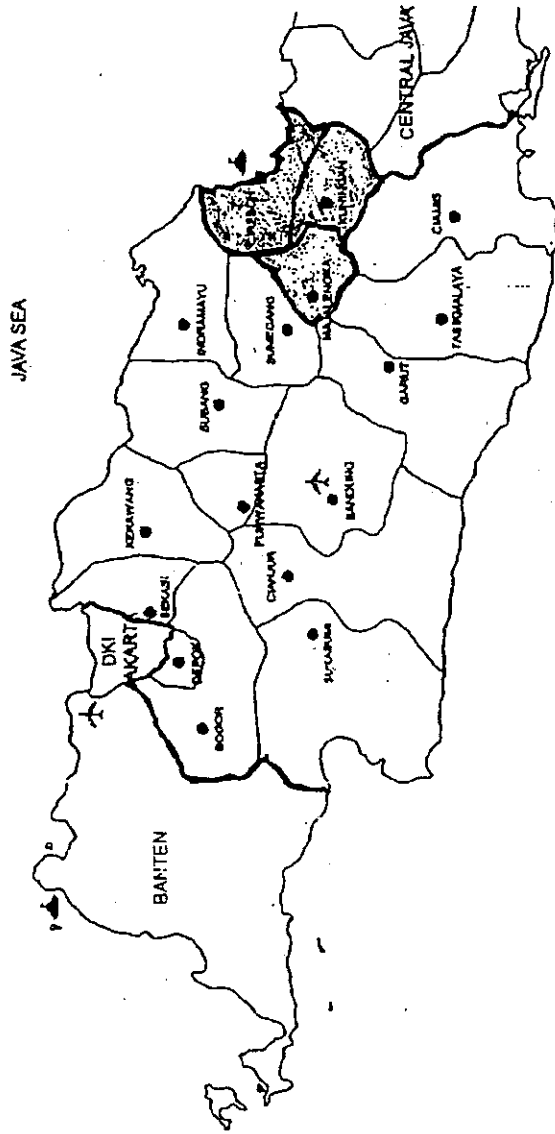
JICA and the Ministry of Agriculture shall maintain close communication and consult with each other in respect to any matters that may arise from or in connection with the Study.

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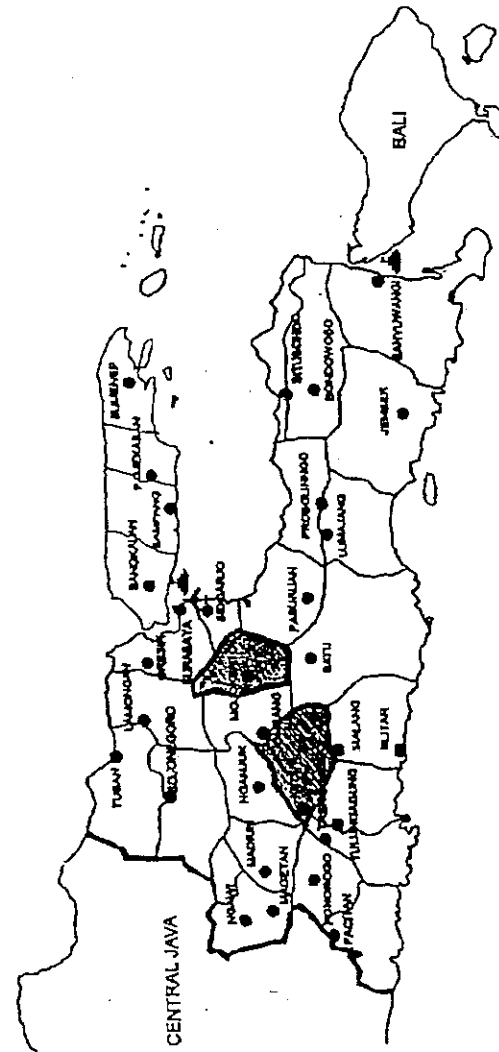


WEST JAVA (JAWA BARAT)



EAST JAVA (JAWA TIMUR)

JAVA SEA



INDIAN OCEAN



TENTATIVE SCHEDULE

Months	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Study in Indonesia														
Study in Japan														
Reports	Δ Ic/R					Δ P/I/R(1)		Δ I/W/R		Δ P/I/R(2)		Δ D/I/R	⊙	Δ F/I/R

<Remarks>

- Ic/R
- P/I/R
- I/W/R
- D/I/R
- ⊙
- F/R

- Inception Report
- Progress Report
- Interim Report
- Draft Final Report
- Comments on the D/I/R by the Government of Indonesia
- Final Report

MINUTES OF MEETING

ON THE SCOPE OF WORK FOR

THE STUDY ON THE IMPROVEMENT OF FARMERS' INCOME:
AGRICULTURAL PROCESSING AND RURAL MICRO-FINANCE

IN THE REPUBLIC OF INDONESIA

AGREED UPON BETWEEN

MINISTRY OF AGRICULTURE

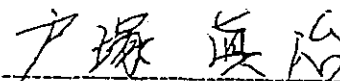
AND

JAPAN INTERNATIONAL COOPERATION AGENCY

Jakarta, 5 November 2004



Dr. Tahlim Sudaryanto
Director
Bureau of Planning and Finance
Ministry of Agriculture



Mr. Shinji TOTSUKA
Leader
Preparatory Study Team
Japan International Cooperation Agency

I. INTRODUCTION

In response to the request from the Government of the Republic of Indonesia (hereinafter referred to as "GOI"), the Preparatory Study Team (hereinafter referred to as "the Team") organized by Japan International Cooperation Agency (hereinafter referred to as "JICA") and headed by Mr. Shinji TOTSUKA, conducted the preparatory study from 18 October to 10 November 2004 for the purpose of discussing and confirming the Scope of Work for the Study on the Improvement of Farmers' Income: Agricultural Processing and Rural Micro-Finance (hereinafter referred to as "the Study").

The Team held series of discussions with the officials concerned from the Ministry of Agriculture and other relevant agencies on the Scope of Work for the Study. The list of participants who attended in those meetings is attached in the ANNEX.

As the result of the discussion, the Ministry of Agriculture and the Team agreed upon the Scope of Work for the Study.

The following summarizes the major points discussed between the Team and the Ministry of Agriculture concerning the Scope of Work for the Study.

II. RESULT OF DISCUSSION

1. Title of the Study

The title of the Study is changed to *The Study on the Improvement of Farmers' Income: Agricultural Processing and Rural Micro-Finance* to better reflect the objectives of the Study.

2. Implementing Arrangement

Bureau of Planning and Finance, Ministry of Agriculture, will be the counterpart agency for the Study and will be responsible for coordinating with relevant Directorate Generals, including Directorate General of Agriculture Facilities, Directorate General of Food Crop Production, Directorate General of Horticulture Production, Directorate General of Livestock Services, Directorate General of Agricultural Processing and Marketing as well as other agencies.

3. Assignment of Counterpart Personnel

Ministry of Agriculture will assign counterpart personnel for each Japanese Expert before the arrival of the Japanese Study Team. JICA will inform the Ministry of Agriculture in which technical fields counterpart personnel will be necessary prior to the initiation of the Study.

4. Establishment of Coordination Committee

To ensure smooth and effective implementation of the Study, Coordination Committee will be established by the Indonesian Side to provide guidance to the Study. The Coordination Committee will be chaired by the Director of Bureau of Planning and Finance, with the following members:

Bureau of Planning and Finance
Directorate General of Agriculture Facilities
Directorate General of Food Crops Production
Directorate General of Horticulture Production
Directorate General of Livestock Services

Directorate General of Agricultural Processing and Marketing
Agency for Agriculture Human Resources Development

The Coordination Committee will meet whenever new study reports are prepared by the Japanese Study Team, and/or necessity arises. The First Coordination Committee meeting will be held at the arrival of the Japanese Study Team to present the Inception Report.

5. Office Space and Necessary Equipment for the Japanese Study Team

Bureau of Planning and Finance, Ministry of Agriculture will prepare an office space at the Ministry of Agriculture for the use of the Japanese Study Team before the initiation of the Study. The office space will be equipped with telephone line and basic furniture.

It was discussed that following equipment will be needed for the Japanese Study Team. The Team took note of the request for consideration.

- (1) Fax Machine
- (2) Copy Machine

6. Training of Counterpart Personnel in Japan

Ministry of Agriculture requested that JICA conduct Counterpart Training in Japan. The Team will convey the request to JICA Indonesia Office and JICA Headquarters for consideration.

7. Organizing Dissemination Seminar

Dissemination seminar will be jointly organized by the two parties at the end of the Study to disseminate the findings of the Study.

8. Opening of Final Report to the Public

Both parties agreed that the Final Report be opened to all interested parties.

9. Initiation of the Study

Taking into consideration of the harvest season of Mango, the Study is expected to begin in middle of 2005.

10. Post-Study Possibility

Ministry of Agriculture expressed keen interest in implementing a Pilot Project upon completion of the Study, by utilizing the Second Kennedy Round Counterpart Fund (2KR-C/F).

11. Effectuation of Scope of Work

Scope of Work of the Study will come into effect after receiving endorsement from JICA Headquarters as well as after completing necessary arrangement between GOJ and GOI.

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LIST OF PARTICIPANTS

*1. Indonesian Side*Ministry of Agriculture

(Bureau of Planning and Finance)

Dr. Tahlim Sudaryanto	Director
Dr. Muchjidin Rachmat	Head, Division of Agricultural Development Planning
Mr. Maringan Rumahorbo	Division of Agricultural Development Planning
Mr. Masanori KOZONO	JICA Expert

(Directorate General of Agriculture Facilities)

Mr. Yandri Ali	Head, Sub-Directorate of Institutional and Cooperation, Directorate of Finance
Ms. Magdalena	Sub-Directorate of Institutional and Cooperation, Directorate of Finance
Mr. Hendri Simarmata	Sub-Directorate of Institutional and Cooperation, Directorate of Finance

(Directorate General of Food Crop Production)

Mr. Widjatmiko	Head, Sub-Directorate of Other Tubers, Directorate of Legumes and Tubers
Mr. Gatut Sumbogodjati	Head, Cooperation Sub-Division, Division of Planning

(Directorate General of Horticulture Production)

Mr. Bambang Hardiantono	Directorate of Fruit Crops
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(Directorate General of Livestock Services)

Ms. Tite Krisnawati	Sub-Directorate of Poultry, Multi-various Animals & Favorite Pets Culture, Directorate of Livestock Farming
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(Directorate General of Agriculture Processing and Marketing)

Dr. Kusharyono	Head, Cooperation Sub-division, Division of Planning
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(Agency for Agriculture Human Resources Development: AAHRD)

Mr. Ridwan Yahya	Center for Entrepreneurship Agribusiness
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*2. Japanese Side*Preparatory Study Team

Mr. Shinji TOTSUKA	Team Leader
Ms. Machiko KAMIYA	Coordinator/Preliminary Evaluation
Mr. Katsutoshi SAEGUSA	Rural Micro-finance
Ms. Tomoko HONDA	Rural Development/Community-based Economic Activities
Mr. Akikazu AOYAGI	Agricultural Processing

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Attachment-2
Minutes of Meeting for Inception Report

**MINUTES OF MEETING ON
COORDINATION COMMITTEE ON THE INCEPTION REPORT
FOR
THE STUDY ON THE IMPEOVEMENT OF FARMERS' INCOME:
AGRICULTURAL PROCESSING AND RURAL MICRO FINANCE
IN THE REPUBLIC OF INDONESIA**

**AGREED UPON
BETWEEN
MINISTRY OF AGRICULTURE (MOA)
AND
JAPAN INTERNATIONAL COOPERATION AGENCY (JICA)**

Jakarta, December 8th, 2005

The Scope of Work for the Study on the Improvement of Farmers' Income: Agricultural Processing and Rural Micro Finance (hereinafter referred to as "the Study") was agreed upon between the Ministry of Agriculture (hereinafter referred to as "MOA") and the Japan International Cooperation Agency (hereinafter referred to as "JICA") on November 5th, 2004. In accordance with the Scope of Work, JICA dispatched the Study Team (hereinafter referred to as "the JICA Study Team") for execution of the 1st Work in Indonesia during the period from December 6th to 10th, 2005.


The meeting on the Inception Report was held between the Coordination Committee for the Study (hereinafter referred to as "the Committee") and JICA Study Team on December 7th, 2005. The attendants of the meeting are listed in the attachment.

The meeting was chaired and opened by Dr. Ir. Abdul Basit, Head of Policy & Planning, Bureau of Planning, Secretariat General, MOA. Then, Mr. N. Morioka, Team Leader/Rural Development/Assistance Trend of the JICA Study Team, provided the presentation on the Inception Report.

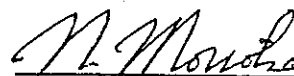
After a series of discussions with the Committee members, the Inception Report was in principle agreed and received by the Indonesian side, and the main points discussed are as follows:

- (1) Bureau of Planning requested to implement a pilot project for follow up of the Study. The Study Team replied that implementation of the recommendation will be discussed in the course of the study since the plan has not been prepared yet.

- (2) Center of Agricultural Financing explained that farmers can not access the micro-finance because of demand – supply gap, and MOA announced a policy to institutionalize micro-finance based on revolving fund groups already organized in each DG. In this regard, policy recommendation of the Study will be formulated taking the existing revolving fund groups into account. The JICA Study Team agreed to examine the existing revolving fund groups.
- (3) Bureau of Planning stated that rural micro-finance would be studied from the view point of cultural background in Indonesia. The Study Team replied to consider cultural aspects like “Syariah” mentioned in the Inception Report. Bureau of Planning pointed out that generalization in agricultural processing needs more explanation on its level as well as commodities and sites to be applied. The Study Team answered that generalization will be discussed through compilation of commodity profiles, site profiles, processing levels and other information.
- (4) JICA Study Team inquired regarding the situation of bird flu since duck is one of the sample commodities. MOA explained that the bird flu does not affect the study activity currently, but the situation of bird flu will be examined before starting the second field survey in Indonesia.
- (5) Regarding the undertaking by GOI, it was confirmed that Bureau of Planning will prepare the counterpart list and inform JICA Indonesia Office in June 2006 one month before starting the second field survey. It was also confirmed that Bureau of Planning will provide office space for the Study Team.



Dr. Ir. Abdul Basit
Head of Policy & Planning Division
Bureau of Planning
MOA



Mr. MORIOKA Naoto
Team Leader/Rural Development
/Assistance Trend
JICA Study Team

LIST OF ATTENDANTS

- I. Ministry of Agriculture**
1. Abdul Basit : Bureau of Planning
 2. Susilo Widodo : Bureau of Planning
 3. Maringan. R : Bureau of Planning
 4. Yandri : Center for Agricultural Financing
 5. Ruth Napitupulu : Bureau of Foreign Cooperation
 6. Lilis : Directorate General of Food Crop Production
 7. Lisa Fransisca : Directorate General of Food Crop Production
 8. Sawing Ibane : Directorate General of Food Crop Production
 9. Bhari : Directorate General of Horticulture
 10. Yenny Nurcahya S. : Directorate General of Horticulture
 11. Lilik Kristiani : Directorate General of Processing and Marketing for Agricultural Product
 12. KOZONO Masanori : JICA Expert in Bureau of Planning (Advisor on Agriculture Policy and Programme Coordination)
 13. SHIMOHIRA Itsuo : JICA Expert in Directorate General of Livestock Production (Livestock Development Policy Advisor)
- II. JICA Indonesia Office**
14. KAMIYA Machiko : Assistant Resident Representative
 15. Lingga Kartika : Program Officer
- III. JICA Study Team**
16. MORIOKA Naoto : Team Leader of the Study Team / Rural Development / Assistance Trend
 17. KOBAYASHI Yuki : Rural Micro Finance A
 18. NAKAGAWA Takuya : Institution / Social Consideration

Attachment-3
Minutes of Meeting for Progress Report 1

MINUTES OF MEETING ON
COORDINATION COMMITTEE MEETING ON THE PROGRESS REPORT 1
FOR
THE STUDY ON THE IMPEOVEMENT OF FARMERS' INCOME:
AGRICULTURAL PROCESSING AND RURAL MICRO-FINANCE
IN THE REPUBLIC OF INDONESIA

AGREED UPON
BETWEEN
MINISTRY OF AGRICULTURE
AND
JAPAN INTERNATIONAL COOPERATION AGENCY

Jakarta, December 28th, 2006

The Scope of Work for the Study on the Improvement of Farmers' Income: Agricultural Processing and Rural Micro-Finance (hereinafter referred to as "the Study") was agreed upon between the Ministry of Agriculture (hereinafter referred to as "MOA") and the Japan International Cooperation Agency (hereinafter referred to as "JICA") on November 5th, 2004. In accordance with the Scope of Work, JICA dispatched the Study Team (hereinafter referred to as the "JICA Study Team") for execution of the 2nd Work in Indonesia during the period from July 24th to 29th December, 2006.

The JICA Study Team submitted the Progress Report 1 (hereinafter referred to "the Report") on December 26th 2006, and the Indonesian side in principle agreed and received the Report with the following comments raised in the Coordination Committee held on November 28th 2006 on the draft proposals for the "Counterpart Fund – the Second Kennedy Round":

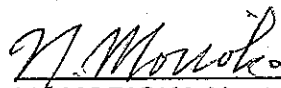
- (1) Bureau of Planning suggested to JICA Study Team to prepare operational and practical policy recommendations on agriculture processing and rural micro-finance to improve farmers' income, so that MOA could implement policy recommendations by both national budget and foreign assistance. The JICA Study Team agreed to consider the suggestion.
- (2) Bureau of Planning inquired about the effectiveness of semi-automatic hatchery equipment of duck DOD (day old duck) from the view point of workability and profitability, and such aspect would be elaborated through the course of the Study. JICA Study Team replied that no farmers' groups are utilizing this type of equipment at the moment and semi-automatic machine are included in the SKR proposal at the farmers level, then its effectiveness would be confirmed through

its operation by farmers.

- (3) Bureau of Planning requested JICA Study Team to consider gender aspect for preparation of improvement plan since the role of men and women is different in agricultural processing and finance activities. JICA Study Team answered that gender aspect has been already considered in selection of sample Kelompok Tani, and also agreed to carefully analyze gender impact to prepare improvement plan.
- (4) Bureau of Planning stated that poverty alleviation is of importance in promotion of agriculture processing. In this regard, statistical data would be carefully utilized since Provincial or District level data do not necessarily represent the actual situation of farmers. JICA Study Team answered that both statistical data and field condition collected through poverty ranking at the site were utilized to assess the poverty level of the communities at each farmers' group.
- (5) Center of Agricultural Finance recommended that the linkage would be considered between micro-finance schemes and farmers' group activities so as to enable micro-finance schemes to support farmers' production and processing works. JICA Study Team agreed to incorporate the suggestion in the plan.
- (6) Center of Agricultural Finance requested JICA Study Team to consider strengthening farmers' group (Kelompok Tani) by establishing Federation (Gabungan Kelompok Tani: Gapoktan) to support the above linkage. JICA Study Team replied that Gapoktan would be taken into consideration for preparation of the plan.
- (7) DG of Processing and Marketing for Agricultural Product stated that the Study Team should consider both supply-side (producers: farmers' group) and demand-side (markets & consumers) to prepare the plan. JICA Study Team agreed the comments to take into consideration.
- (8) Comments on the Report will be sent to JICA Study Team by Bureau of Planning through coordinating the concerned agencies by January 5th 2007.



Dr. Ir. Mappaona
Head
Bureau of Planning
Ministry of Agriculture



Mr. MORIOKA Naoto
Team Leader
JICA Study Team

Attachment-4
Minutes of Meeting for Interim Report

**MINUTES OF MEETING ON
COORDINATION COMMITTEE ON THE INTERIM REPORT
FOR
THE STUDY ON THE IMPEOVEMENT OF FARMERS' INCOME:
AGRICULTURAL PROCESSING AND RURAL MICRO FINANCE
IN THE REPUBLIC OF INDONESIA**

**AGREED UPON
BETWEEN
MINISTRY OF AGRICULTURE (MOA)
AND
JAPAN INTERNATIONAL COOPERATION AGENCY (JICA)**

Jakarta, January 30th, 2007

The Scope of Work for the Study on the Improvement of Farmers' Income: Agricultural Processing and Rural Micro Finance (hereinafter referred to as "the Study") was agreed upon between the Ministry of Agriculture (hereinafter referred to as "MOA") and the Japan International Cooperation Agency (hereinafter referred to as "JICA") on November 5th, 2004. In accordance with the Scope of Work, the Study Team (hereinafter referred to as "the JICA Study Team") carried out the 1st Work in Japan during the period in early to mid January, 2007 to prepare the Interim Report.

The meeting on the Interim Report was held between the Coordination Committee for the Study (hereinafter referred to as "the Committee") and JICA Study Team on January 25th, 2007. The attendants of the meeting are listed in the attachment.

The meeting was chaired and opened by Mr. Basit, Head of Division of Policy & Program Planning, MOA on behalf of the Director of Bureau of Planning. Then, Mr. N. Morioka, Team Leader of the JICA Study Team, and the Members provided the presentation on the Interim Report.

After a series of discussions with the Committee the Interim Report was in principle agreed and received by the Indonesian side with the mutual confirmation on the following issues:

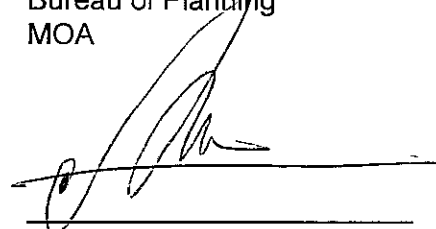
- (1) Center of Agricultural Financing pointed out that the Interim Report is still along the way to explain the linkage between processing and micro-finance. JICA Study Team agreed that the ideas on the linkage will be developed and explained in Progress Report (2).
- (2) Center of Agricultural Financing mentioned that investment needs for proposed business model of processing and marketing would be studied so as to enable

MOA to prepare future program. The Study Team answered that this matter will be discussed with MOA during the Study.

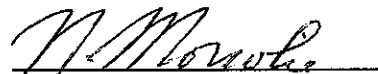
- (3) In association with (2) above, Center of Agricultural Financing also stated that the budget scale should be estimated for micro-finance scheme based on the implementation model presented in the Interim Report. The Study Team answered that the budget scale as well as the plan will be discussed with MOA in the course of the Study.
- (4) Bureau of Planning requested JICA Study Team to finalize policy recommendation to be pursued by MOA based on respective proposed implementation models. The Study Team replied that the policy recommendation will be finalized through the discussion with MOA.
- (5) Bureau of Planning requested that the Study Team be careful in the explanation during socialization meeting in each Kabupaten since SKR applications, the basis of implementation models, have not been approved yet otherwise socialization meeting will build up stakeholders' superfluous expectation. The Study Team answered that the explanation in socialization meeting will be made with carefully bearing status of SKR application and implementation models in mind.



Dr. Ir. Mappaona
Director
Bureau of Planning
MOA



Dr. Ir. Abdul Basit
Head, Policy & Planning Division
Bureau of Planning
MOA



Mr. MORIOKA Naoto
Team Leader
JICA Study Team

LIST OF ATTENDANTS

I. Ministry of Agriculture

1. Mr. Abdul Basit : Bureau of Planning
2. Mr. Maringan R : Bureau of Planning
3. Ms. Yulistiana Utami : Bureau of Planning
4. Ms. Cut Ratna : Bureau of Planning
5. Ms. Rika A : Bureau of Planning
6. Mr. B Darwis : Bureau of Planning
7. Mr. Yandri : Center of Agricultural Financing
8. Ms. Priliani Setiyaningsih : Bureau of Foreign Cooperation
9. Ms. Feroza Silvia : Directorate General of Food Crop Production
10. Ms. Renata D. N. Damanik : Directorate General of Food Crop Production
11. Mr. A. Widodo Heru : Directorate General of Horticulture
12. Mr. Samsuardi : Directorate General of Horticulture
13. Mr. Sv. Primadona : Directorate General of livestock
14. Ms. Ati Rohaeti : Directorate General of livestock
15. Ms. Asih : Directorate General of livestock
16. Mr. Sudarwanto : Directorate General of Processing and Marketing for Agricultural Product
17. Mr. Katrun Nida : Directorate Estate Crops
18. Mr. Teguh Senoadji : Secretariat General of Ministry of Agriculture

II Participants from JICA Study Team:

19. Mr. MORIOKA Naoto : Team Leader of the Study Team / Rural Development / Assistance Trend
20. Ms. KOBAYASHI Yuki : Rural Microfinance
21. Mr. AKUTSU Takao : Agriculture / Agricultural Processing
22. Mr. OTSUKA Shigeya : Institution / Social Consideration
23. Ms. Maya Augustin : Assistant for Rural Microfinance
24. Ms. Retno Wijayanti : Assistant for Rural Microfinance
25. Mr. Kasnanto : Assistant for Processing and Marketing

Attachment-5
Minutes of Meeting for Progress Report 2

**MINUTES OF MEETING ON
COORDINATION COMMITTEE ON THE PROGRESS REPORT (2)
FOR
THE STUDY ON THE IMPEOVEMENT OF FARMERS' INCOME:
AGRICULTURAL PROCESSING AND RURAL MICRO FINANCE
IN THE REPUBLIC OF INDONESIA**

**AGREED UPON
BETWEEN
MINISTRY OF AGRICULTURE (MOA)
AND
JAPAN INTERNATIONAL COOPERATION AGENCY (JICA)**

Jakarta, March 16th, 2007

The Scope of Work for the Study on the Improvement of Farmers' Income: Agricultural Processing and Rural Micro Finance (hereinafter referred to as "the Study") was agreed upon between the Ministry of Agriculture (hereinafter referred to as "MOA") and the Japan International Cooperation Agency (hereinafter referred to as "JICA") on November 5th, 2004. In accordance with the Scope of Work, the Study Team (hereinafter referred to as "the JICA Study Team") carried out the 3rd Work in Indonesia during the period from late January to the beginning of March, 2007 to conduct socialization in the Study Area and prepare the Progress Report (2).

The meeting on the Progress Report (2) was held between the Coordination Committee for the Study (hereinafter referred to as "the Committee") and JICA Study Team on March 9th, 2007. The attendants of the meeting are listed in the attachment.

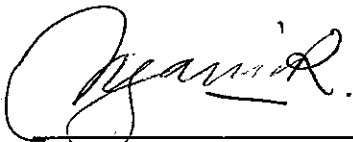
The meeting was opened by Mr. Maringan, Bureau of Planning and chaired and by Mr. Agustin Z. Karnaen, Director of Post Harvest, DG Processing and Marketing for Agricultural Product, on behalf of Director of Bureau of Planning Bureau, MOA. Then, Mr. N. Morioka, Team Leader of the JICA Study Team provided the presentation on the Progress Report (2).

After a series of discussions with the Committee the Progress Report (2) was in principle agreed and received by the Indonesian side with the mutual confirmation on the following issues:

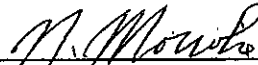
- (1) Directorate of Post Harvest Handling requested to include the post harvest aspect in the plan. The Study Team explained that input and time are limiting to conduct the study on post harvest, but would include in the plan along with the context of processing requirement.
- (2) Center of Agricultural Financing and Bureau of Foreign Cooperation pointed out that the implementation steps and investment scale should be further studied and

estimated based on the model presented in the Progress Report (2). The Study Team answered that the steps and investment scale will be assumed based on the business models in the course of the Study.

- (3) Counterpart from DG Processing and Marketing for Agricultural Product expressed the appreciation for the effort on socialization meetings carried out in each Kabupaten during the 3rd work in Indonesia. The Study Team reciprocally appreciated the cooperation for the arrangement of socialization meetings made by MOA & concerned DINAS, and replied that the process of socialization pursued in this Study is surely important step to derive opinion from stakeholders and to prepare practical improvement plan.
- (4) Bureau of Planning expected Study Team to consider the comments given in the meeting to prepare Draft Final Report in May. In addition, participants are requested to forward additional comments to Bureau of Planning, if any, by March 16th, 2007.



Mr. Maringan R.
Bureau of Planning
MOA



Mr. MORIOKA Naoto
Team Leader
JICA Study Team

LIST OF ATTENDANTS

I. Ministry of Agriculture

1. Agustin Z. Karnaen : Director, Post Harvest Handling Directorate General of Processing and Marketing for Agricultural Product
2. Maringan. R : Bureau of Planning
3. Yandri : Center for Agricultural Financing
4. Yusral Tahir : Bureau of Foreign Cooperation
5. Andi Arnida M. : Directorate General of Processing and Marketing for Agricultural Product
6. Renny : Directorate General of Processing and Marketing for Agricultural Product
7. Destilisna : Directorate General of Processing and Marketing for Agricultural Product
8. Ani R. : Directorate General of Processing and Marketing for Agricultural Product
9. Danier : Directorate General of Processing and Marketing for Agricultural Product
10. Kasmin Nadeak : Directorate General of Food Crop Production
11. Warsito : Directorate General of Food Crop Production
12. Tania : Directorate General of Horticulture
13. Samsuaridi : Directorate General of Horticulture
14. Tommy : Directorate General of Horticulture
15. Marindu : SKR Secretariat

II Participants from JICA Study Team:

16. Mr. MORIOKA Naoto : Team Leader of the Study Team / Rural Development / Assistance Trend
17. Mr. AKUTSU Takao : Agriculture / Agricultural Processing
18. Mr. OTSUKA Shigeya : Institution / Social Consideration
19. Ms. Maya Augustin : Assistant for Rural Microfinance
20. Dudi Fahmadi : Assistant for Institution
21. Mr. Kasnanto : Assistant for Processing and Marketing

Attachment-6
Minutes of Meeting for Draft Final Report

MINUTES OF MEETING ON
COORDINATION COMMITTEE ON THE DRAFT FINAL REPORT
FOR
THE STUDY ON THE IMPEOVEMENT OF FARMERS' INCOME:
AGRICULTURAL PROCESSING AND RURAL MICRO FINANCE
IN THE REPUBLIC OF INDONESIA

AGREED UPON
BETWEEN
MINISTRY OF AGRICULTURE (MOA)
AND
JAPAN INTERNATIONAL COOPERATION AGENCY (JICA)

Jakarta, June 7th, 2007

In accordance with the Scope of Work, the Study Team (hereinafter referred to as "the JICA Study Team") carried out the 4th Work in Indonesia during the period from May 13th to June 11th, 2007 for dissemination of the Draft Final Report.

Dissemination Seminar was held in Jakarta on May 31st 2007, as the Coordination Committee meeting on the Draft Final Report inviting the Committee members, counterparts and personnel concerned in the Ministry, after a series of dissemination seminars in West Java and East Java Provinces.

Dissemination Seminar was opened by Dr. Ir. Mappaona, Head of Bureau of Planning, MOA, and chaired by Dr. Ananto Kusuma Seta, Directorate General of Processing & Marketing of Agricultural Products) and Mr. Yandri, Center of Agricultural Finance. Then, the JICA Study Team provided the presentation on the Draft Final Report.

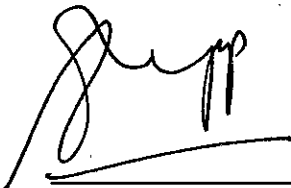
After a series of discussions with the participants the Draft Final Report was in principle agreed and received by the Indonesian side with the mutual confirmation on the following issues, including issues raised at provincial seminars:

(1) Directorate General of Horticulture inquired about the proposed business model, particularly from the following view points: (i) mechanism of proposed projects including term, revolving procedure, implementation organization etc. and (ii) whether the fund will cover not only processing equipment but also marketing and other activities. The Study Team briefly reiterated as follows:

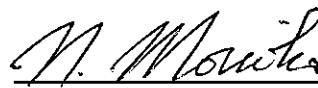
- Overall project period will be 5 years with 1 year CF-SKR support;
- The fund for farmers group is divided into two portion, loan and grant portions. Loan portion is for procurement of equipment, machinery, materials for initial operation. Grant portion covers such support for farmers like employment of

Business Development Service (BDS) Providers. Procurement under loan and grant would be made under the initiative of farmers' group with the support of DINAS.

- The fund repaid from the farmers group is to be accumulated and revolved in Province or Central level and to be extended to other groups;
 - In some farmers' group, marketing equipment is included in loan, but marketing activities are not included in the fund. Marketing activities will be supported by BDS and DINAS under grant portion; and
 - Memorandum of Understanding would be made between DINAS Province and farmers' group for activity plan and fund utilization.
- (2) Directorate General of Processing and Marketing for Agricultural Product inquired whether proposed budget can be disbursed only for sample commodities or other activities as well. This matter was also discussed in the East Java seminar. The Study Team replied that fund is not for other purpose, and farmers groups will expand their activities after accumulating assets and capital from the proposed project.
- (3) The JICA Study Team reported that in the provincial seminars some farmers' groups expressed that interest rate in the proposed model is high, and requested consideration. The Study Team explained that business-minded groups have been selected as sample groups for proposed business model in the Study, and exit strategy is applied to create their own assets and capitals after the project to access the commercial banking services.
- (4) The Study Team explained that in the seminar in West Java automatic hatchery machine for duck farming was emphasized to be effective at prospective capable groups in reducing work load as well as avoiding simple mistakes caused under their hard working condition so as to eventually improve incubation productivity. In addition, the Team pointed out that quality standardization of commodities will not function unless market demands such standard. The participants in the above seminar agreed to these points.
- (5) The Study Team stated that the Final Report will be prepared based on the discussion and comments and opinions made in the dissemination seminar by the middle of July.



Dr. Ir. Mappaona
Head, Bureau of Planning
Ministry of Agriculture



Mr. MORIOKA Naoto
Team Leader
JICA Study Team

LIST OF ATTENDANTS

I. Ministry of Agriculture

1. Mr. Mappaona : Director Bureau of Planning
2. Mr. Ananto K Seta : Directorate General of Processing and Marketing for Agricultural Product
3. Mr. Yandri : Center of Agricultural Financing
4. Mr. Abdul Basit : Head, Policy & Planning Division Bureau of Planning
5. Mr. Maringan : Bureau of Planning
6. Ms. Yuli Sri Wilanti : Center of Agricultural Financing
7. Ms. Andi Arnida : Directorate General of Processing and Marketing for Agricultural Product
8. Ms. Renata DN Damanik : Directorate General of BUKABI
9. Mr. Freddy : Directorate General of Horticulture
10. Ms. Yenny N.C : Secretariat Directorate General of Horticulture
11. Mr. Djuli : Directorate General of Livestock
12. Mr. M. Nasrul : Directorate General of Processing and Marketing for Agricultural Product
13. Mr. Katrun Nida : Directorate of Estate Crops
14. Mr. Syafrudin TP : Directorate General of Food Crops
15. Mr. Joseph Reksa : Bureau of Planning
16. Mr. Candra : Bureau Foreign Cooperation
17. Ms. Eka Susanti : Secretariat Directorate General Land and Water Management
18. Ms. Yenny NS : Secretariat General Horticulture
19. Mr. Gatut S : Directorate General Food Crops
20. Mr. Susiany : Directorate General Fruits
21. Mr. Dina R. : Directorate General Fruits
22. Ms. Anna : Bureau of Planning
23. Mr. B. Darwis : Bureau of Planning
24. Ms. Cut Rama : Bureau of Planning
25. Ms. Ratna Sariati : Directorate General of Processing and Marketing for Agricultural Product
26. Ms. Shinta D : Secretariat Directorate General Livestock
27. Ms. Aslila R Daulay : Secretariat Directorate General Livestock

- 28. Mr. Bambang P. : BKP (Badan Ketahanan Pangan/ Food Security Board)
- 29. Mr. Setyo Adhi : Directorate General of Processing and Marketing for Agricultural Product
- 30. Mr. Ketut M. : Research and Development
- 31. Ms. Rika A : Bureau of Planning
- 32. Mr. Maringan : Bureau of Planning
- 33. Ms. Murtini : Bureau of Planning
- 34. Ms. Ati Rohaeti : Directorate General of Livestock
- 35. Mr. Primadona : Directorate General of Livestock

II Participants from JICA Study Team:

- 36. Mr. MORIOKA Naoto : Team Leader of the Study Team / Rural Development / Assistance Trend
- 37. Mr. AKUTSU Takao : Agriculture / Agricultural Processing Expert
- 38. Ms. KOBAYASHI Yuki : Rural Microfinance Expert
- 39. Mr. OTSUKA Shigeya : Institution / Social Consideration
- 40. Ms. Maya Augustin : Assistant for Rural Microfinance
- 41. Ms. Retno Wijayanti : Assistant for Rural Microfinance
- 42. Mr. Tonton S. : Facilitator
- 43. Mr. Kasnanto : Assistant for Processing and Marketing

III Others

- 44. Mr. YAMANE Makoto : JICA Indonesia Office
- 45. Mr. WATANABE Kenji : JICA Expert
- 46. Mr. SATO Masahito : JICA Expert
- 47. Mr. Charles Nicholson : REI-Indonesia
- 48. Mr. Wahyu Tri Mulyo : REI-Indonesia
- 49. Mr. M. Yusuf : BALITKABI
- 50. Mr. Yudi Widodo : BALITKABI
- 51. Ms. Erliana Ginting : BALITKABI
- 52. Mr. Agus Praptomo : PINBUK