Case Study
Partnership for Indonesia’s Sustainable Agriculture
Corn Working Group (Dompu)
The Journey
Introduction

Grow Asia

Grow Asia is a multi-stakeholder partnership that aims to reach 10 million smallholder farmers by 2020, helping them access knowledge, technology, finance, and markets to increase their productivity, profitability, and environmental sustainability by 20%. Grow Asia brings together Southeast Asia’s smallholders, governments, companies, NGOs, and other stakeholders, to develop inclusive and sustainable value chains that benefit farmers. Value chain projects, or Working Groups (WGs), are locally-driven, often private-sector led, and bring together stakeholders from different disciplines to leverage their expertise.

Purpose of the Case Study

As part of a series, this case study is a tool to help new and prospective partners better understand how Working Groups (WGs) are launched, evolve, and function. It documents the journey of how multi-stakeholders came together to co-create value chain projects on-the-ground. The case study also highlights partners’ contributions and leadership and provides anecdotal evidence of the benefits derived from working in partnership.

This case study explores the process of operationalizing the Partnership for Indonesia’s Sustainable Agriculture (PISAgro) Corn Dompu WG, from its initial genesis to project implementation. This case study is meant as an accompaniment to the Business Model Overview on the PISAgro Corn Dompu WG. Grow Asia documents the WG’s journey by adapting the framework developed by the World Economic Forum’s New Vision for Agriculture (NVA) in A Guide to Country-led Action.

Note: The Corn WG comprises two projects — the Dompu project led by Syngenta, and the Mojokerto project led by Monsanto. Both projects have been kept separate in order to protect Syngenta’s and Monsanto’s commercial interests. However, they remain committed toward the WG’s shared goals and the broader PISAgro goals of improving profitability, productivity and greenhouse gas emissions of smallholder farmers in Indonesia.

NVA’s 8-Step Framework for Action

To meet the challenge of sustainably feeding 9 billion people by 2050, the agricultural sector will need to undergo major transformation. Achieving this transformation will require new approaches and extensive coordination among all stakeholders in the agricultural system. Market-based approaches, while not the only answer, will be an important solution in the “toolbox” to drive change – providing the efficiency, scalability and market-based incentives to power a large-scale effort.

The partnership models that have emerged from these efforts are diverse, but they are built upon a shared vision, a set of core principles, and series of key tactical steps that are similar across many countries. These elements have been captured here and described as the NVA Country Partnership Model.

Building on the thought leadership provided by the World Economic Forum, Grow Asia has organized this case study according to the NVA 8-step Framework for Action. While presented in a linear way, it is important to note that the partnership has and continues to evolve, with multiple steps occurring concurrently and at times re-occurring. These steps presented by the World Economic Forum are an excellent framework to better understand the core set of activities that this successful WG has undertaken during its journey.

Figure 1

NVA’s 8-Step Framework for Action

1. Engage
   Identify and engage influential champions

2. Align
   Develop a shared partnership agenda

3. Structure
   Establish the partnership structure

4. Plan
   Define specific goals and action plans

5. Implement
   Implement action plans
   Leverage milestones to drive progress

6. Advance
   Scale and institutionalize proven models

7. Scale
   Review the partnership strategy and structures

8. Review
Convening multi-stakeholders

A multi-partnership project often begins with a bold idea. The success of this depends on the full participation of multiple organizations.

Mercy Corps Indonesia was the first non-governmental organization (NGO) to join PISAgro. It also runs the AgriFin Mobile Project which aims to benefit 280,000 smallholder farmers and achieve increased income of 15% in three countries (Indonesia, Uganda and Zimbabwe) and is funded by the Swiss Agency for Development and Cooperation (SDC).

Although Mercy Corps Indonesia already had contacts of their own in the agricultural sector, they found PISAgro to be the most effective platform for engaging with smallholder farmers, the Indonesian Government as well as the private sector. Part of this was due to PISAgro’s strong focus on smallholder farmers, which was very much aligned with Mercy Corps Indonesia’s internal targets of reaching 120,000 farmers in 6 years.

More importantly, a key point was the strong CEO involvement in PISAgro, which offered a high level of executive decision making that was able to drive projects off the ground. With Dr. Lim Jung Lee, President Director of Syngenta Indonesia, playing a leading role, Mercy Corps Indonesia appreciated theWG’s ability to move very quickly to establish a pilot microfinance project to benefit corn smallholder farmers. Soon after Mercy Corps Indonesia joined Syngenta in the corn WG, they brought on Bank Andara, of which Mercy Corps is one of the stakeholders. BPR Pesiar Akbar was then identified as the rural bank to which Bank Andara would provide a wholesale loan. Finally, Syngenta approached four grain traders who agreed to act as the off-taker in the project, thus completing the main stakeholders of the Dompu project.

Convening the value chain working group

Both Syngenta and Mercy Corps Indonesia understood the bank’s concerns. However, while Syngenta was willing to provide crop solutions and technical assistance to farmers, it did not feel it could act as guarantors for farmers to repay their loan. As a result, the corn WG partners dedicated considerable time to convince grain traders to participate in the project and off-take the corn to make it viable. The issue was eventually resolved with the appointment of 4 grain traders in Phase I to whom the smallholder farmers involved could go with their harvest to be off-taken. These grain traders are individuals who provide the link between the farmers to the large warehouses, and who have committed to ensuring that farmers’ profit margins are protected.

However, once these challenges had been overcome, another concern arose. Bank Andara’s CIO wanted some form of demonstration that the project could evolve from a pilot, scale and ultimately be commercially viable.

Tackling this issue and building consensus among partners demonstrates the importance of being patient and establishing trust with other project partners, particularly because it was impossible at this stage to fully convince or provide an absolute guarantee to the bank that participating farmers would be able to repay their individual loan. Members had to proceed on the basis that they were comfortable with the safeguards in place, before evaluating the project’s feasibility based on initial results from the pilot.

Defining WG objectives

In line with PISAgro’s mission, the objective of the corn WG is to improve the crop’s productivity by 20%, improve smallholders’ income by 20% and reduce greenhouse gas emissions by 20% by 2020.

These overarching objectives were understood and agreed to by all stakeholders. However, defining how the Dompu project would contribute to those objectives in practice was a challenge. Every stakeholder had its own unique way of defining its objectives and its own benchmarks for success.

For instance, Syngenta already had in place clearly-defined sustainability objectives under the Growth Plan. These include increasing the productivity of the world’s largest crops (including corn) by 20% without using more land, water, or inputs. It also aims to reach 20 million smallholders and enable them to increase productivity by 50% by 2020.

Similarly, Bank Andara and BPR Pesiar Akbar had their own objectives to meet, including financial targets relating to loan repayment rates and product growth. These objectives had to be addressed, if not incorporated, by the WG in order to ensure the success of the partnership.

Aligning performance measurement frameworks

Along with their respective organizations’ objectives, WG members also had different performance measurement frameworks. Syngenta logically focused on measuring the crop yield increase for the smallholders involved in this project, comparing it with previously defined farmers’ groups (referred to as “reference farms” within their reporting) and aggregating the results at project level.

Bank Andara required performance reports to be prepared for each individual farmer because the credit loans were handled individually, rather than collectively. Hence, BPR Pesiar Akbar agreed to use Bank Andara’s Andara Link platform, which would allow Bank Andara to register individual farmer information and track repayment. These reports help Bank Andara to assess how many loans were reimbursed on time and in full.

With these disparate frameworks in place, Syngenta and Mercy Corps Indonesia decided to work together to co-create a form for baseline data collection. The form included questions relating to agricultural inputs used by smallholder farmers; current crop yields; existing access – if any – to financial products (e.g. loans, and saving and remittance); mobile phone ownership. This led to a comprehensive profiling of 198 farmers who participated in the pilot.

Setting WG priorities

How individual performance reports would then be prepared still remained unclear at this stage of the process, the key issue being the lack of field officers (FOs) available to cover all 198 parcels of land and report on each in time. WG partners were aware of this but still decided to go ahead with the project. Their key take-away was that it is important to have realistic expectations of what could be achieved at the pilot stage and that seeking perfection might detract from what is an acceptable initial building block of the project.

They agreed that there would be further opportunities to fine-tune and that it may take a few seasons to ensure all project goals are met. What mattered was to start the project, work collaboratively and evolve as the project progresses.
3 Structure
Determine organizational structure (including leads for working groups), how information will be shared, and other details

Brokering legal partnership agreement
A high-level, non-binding Memorandum of Understanding (MoU) was established, defining each stakeholders’ role and signed by all parties. There were 19 parties, including ten heads of farmer groups and four grain traders. In addition, a legally binding partnership agreement was needed to mitigate the risk of farmers not repaying their commercial loans.

Identifying a neutral and independent facilitator
To broker this partnership agreement, the WG needed a neutral and independent facilitator, which was where Mercy Corps Indonesia’s intervention was essential. As a non-profit organization with an objective to create positive impact on farmers by improving their financial literacy, Mercy Corps Indonesia was more easily accepted as a neutral broker. As a result, WG members were comfortable for Mercy Corps Indonesia, as a neutral party, to chair the discussion and define the agreement. Mercy Corps Indonesia continues to play the role of facilitator to coordinate and mediate discussions between stakeholders in the corn WG.

Performance measurement
While Syngenta managed the overall monitoring and performance measurement, each of the members would collect data on the activities that they respectively led. BPR Pesir Akbar loan officers would collect data on farmer profiles as part of their loan application process. Mercy Corps Indonesia would track data on the farmer groups and their training delivered. Syngenta field officers would prepare monitoring reports 30, 60, 90 and 100 days after planting (DAP) and send these monitoring reports to Bank Andara and Mercy Corps Indonesia.

Communication
The WG members would organize meetings and discussions, through email, phone or conference call, on an ad-hoc basis, depending on specific issues that need to be discussed. After these meetings, the organizer would then circulate notes among the WG. In Phase II, after WG members were able to establish trust and confidence in each other, WhatsApp also proved to be an effective tool. Despite WhatsApp being more informal, it was a faster and more direct communication channel, thus facilitating quick decision-making and action.

Leadership role of the private sector
As the corn WG lead, Syngenta was responsible for coordinating the partners, ensuring joint agreement on approach and action on the ground, as well as monitoring and sharing results with other stakeholders. It was agreed by partners that Syngenta would present on the progress of the project during PISAgro’s General Meetings.

4 Plan
Co-design projects, including target setting and responsibilities

Defining project parameters
Choosing the adequate geographic location for the project was led by Syngenta but the process was inclusive and collaborative to ensure all stakeholders’ goals were met. It was initially Dr. Jung Lee, as chair of the corn WG, who conceived the idea to pilot the microfinance project outside Java after attending a meeting of PISAgro’s agri-finance WG. The key rationale was that Javanese farmers were already too progressive for the results of the model to be visible. Javanese farmers also traditionally focus on growing rice and would be less interested in switching to corn.

Concurrently, a workshop was organized by the Indonesian Ministry of Agriculture to which Mercy Corps Indonesia were invited, in order to discuss how they could support the government’s strategy to expand corn production. Sumatra was one of ten key target locations identified by the government.

Despite the fact that there were no major intermediaries or trading companies who had operations in Sumatra, members decided that they would be able to solve this by bringing grain traders into the WG. The grain traders would then perform the crucial role of off-taker in order to make the model succeed.

Lastly, Syngenta chose the location because they already had a footprint in the area and could rely on their own on-the-ground information and profiling of smallholder farmers – targeting ‘mid-tier’ farmers – and ensuring they would have sufficient available resources on the ground to engage and train farmers.

Project phases
The WG project was split into several phases, in line with Bank Andara’s disbursement of funds to BPR Pesir Akbar. In Phase I, Bank Andara provided funding for loans to up to 200 smallholder corn farmers, over 400 hectares of land. In Phase II, Bank Andara would provide additional funding for up to 640 smallholder corn farmers. In the upcoming Phase III, there are plans to reach 2,500 farmers over 5,000 hectares of land. This schedule would also allow for iterative improvements to be made to the project, based on initial results and learnings from the first phase.
5 Implement
Determine how implementation should occur, including the project’s funding arrangement

Model of bundled services
As part of Mercy Corps Indonesia’s AgriFin Mobile project, the WG agreed that a bundled services approach would ensure that farmers would be able to gain sustainable access to the financial and advisory services that they required. Once corn farmers signed loan agreements with BPR Pesisir Akbar, they received a loan package for production inputs (part cash, part credit vouchers), technical assistance, access to SMS information services, financial literacy training, and digital payment services. This approach was fundamental to the AgriFin Mobile project, and WG members were able to see the value in a collective suite of products, especially when individual components would otherwise not have been prioritized by the smallholder farmers.

Funding
Integral to project activities was the careful As a general rule, each individual farmer bears its own costs for the involvement in this project. These costs are mainly of an operational nature and include staff costs, training, and deployment and travel costs.

Suhrani
Syngenta lead farmer (female), Donggo

"Last year [in Phase I], the offtake price was really bad; the grain trader only offered me Rp 1,800 per kg of corn. However, I am really pleased about this year’s prospects. The corn I planted has grown strong despite periods of drought and I only planted in order to coordinate with the rainy season. And many smallholders were anxious to plant "on time".

Not to mention this would only give us access to generic products, where the crop yield is not as high. Before planting corn, I was planting ‘kacang’ (beans). Since then my income has shot up from Rp6 Million to Rp15–18 Million, using the same arable land. I know of at least a couple of neighboring villages’ farmers who are interested in joining a farmers’ group. They can see the results for themselves and believe that robust corn is also less likely to be easily eaten by monkeys and wild pigs!"

6 Advance
Celebrate success and progress, moving project agenda forward, share information across Country Partnership, assess progress and adapt

Communicating results and reporting
In terms of on-farm results, a key project objective was a 20% yield increase, which was met during Phase I. When talking to stakeholders involved in this project, a strong sense of collective pride was palpable. The individuals involved have been actively sharing learnings and celebrating success both within and outside of their organization. Some notable examples include:

- An award-winning internal Syngenta submission for innovation in sustainable agriculture.
- Various articles contributed to the PISAgro newsletter, including farmers’ testimonials.
- Mention in Mercy Corps Indonesia’s annual eBook and video.
- Socialization of the project and its initial results at scheduled farmers’ meetings, often in the presence of the rural bank BPR Pessiar Akbar.

Addressing late loan repayments
A major challenge during Phase I was that 30% of 198 smallholder farmers were subject to late loan repayments (defined as within a year of the loan). There were two main reasons for this late payment, namely:

1. Offtake at a lower price than anticipated at the beginning of Phase I because of the state of the global economy in general and commodity prices specifically, which affected the food mill industry. While the initial assumption was conservative (Rp 2,500/kg, which was lower than the previous year’s offtake price), in reality the average offtake price was approximately Rp 2,100/kg.
2. This was compounded by the corn harvest coinciding with the government’s decision to import corn, leading to oversupply and further plummeting of the offtake price.

Financial incentives for early loan repayment
Another measure aimed at improving the loan repayments was the introduction of incentives to farmers. As part of the financial literacy training, farmers were encouraged to repay their loans early in order to receive a reduction in the loan interest. This amount would then be deposited into their savings account. Similarly, Syngenta gave incentives to the heads of the farmer groups and grain traders as well in order ensure robust monitoring of farmers and punctual loan repayments. As a result, the WG expects improved repayment rates as compared to Phase I.

Loan availability
Another issue that arose in Phase I was the fact that the loan package was only available to farmers late in the year (December 2014) due to delays in the credit approval process. In theory, this should have not posed a problem because the rainy season was late and there was still sufficient time to plant the seeds. However, farmers lacked the expertise to delay their planting in order to coordinate with the rainy season, and many smallholders were anxious to plant “on time”. One of the key lessons learned from the end of Phase I is the need to agree on the loan conditions and make the loan available to smallholders by October (before the planting season starts). This is necessary to instill confidence in farmers to contract the loan, who habitually begin planting in November, independent of the actual climate forecasts for that year.

Modifying loan terms
The loan term had to be increased from six months to eight months, in order to account for the delayed repayment of loans. This was largely due to issues beyond the farmers’ control, namely a lack of labor and transportation. Corn farmers would usually hire external labor during the harvest period. However, there was only a small pool of such workers, and farmers ended up having to wait for labor to be available before they could harvest their corn. Transportation was another issue, and farmers usually had to wait for trucks to become available before loading their produce. As a result, the WG decided to extend the loan term to eight months to reflect the situation in the fields.

A similar modification was made to improve the repayment terms to Syngenta retailers. In Phase I, retailers could only receive 50% of the value of credit vouchers one month after farmers signed the credit agreements, with the remaining 50% available after the farmers repaid their loans. In Phase II, this was adjusted to 60% available after a month, with 40% being held until farmers repaid their loans.
Weather risks
Another example of fine-tuning of the project in Phase II resulted partly from a cyclone which affected corn farmers’ outputs in Phase I, and partly in anticipation of El Niño. Production in the November 2015 planting season declined to 6.6 tons/hectare, compared to 7.2 tons/hectare in the November 2014 planting season.\(^3\) The typhoon served as a reminder of the risks of weather in agriculture, even in a project such as this one where good agricultural practice information helps to mitigate the risk. Despite farmers having access to high quality seeds and receiving the best technical advice, a typhoon or a severe drought is something that cannot be controlled...

Bringing in new partners
To mitigate weather risks going forward, partners brought in ACA Insurance, a local general insurance company. ACA Insurance was brought on board at the end of the Phase I of the project (in May 2015) to insure smallholder farmers against the risk of drought and/or typhoon-related damages. Mercy Corps Indonesia had already previously collaborated with ACA Insurance in 2014 on the Indonesia Liquidity Facility after Disasters (ILFAID) Program\(^2\) and so, they seemed like a natural partner to reach out to and ask to join the project. However, similar to Bank Andara’s concerns about the project’s potential to scale, ACA Insurance pointed out that 1,200 hectares of insured land would not make their investment worthwhile. ACA Insurance could only accept the risk if the scheme would be commercially viable. This meant that at least 50,000 hectares of land would need to be insured in a year, and scattered not only in neighboring districts, but also in other provinces.

That said, as this was the first time ACA had done this type of project, they immediately saw the added value and thus were keen to get involved. If the pilot was successful, ACA’s plan was to identify other partners who can help to bring the project to scale.

Improving data collection capabilities
An improvement in Phase II is better performance measurement for farmers, which is necessary to meet Bank Andara’s loan terms. Previously, at the beginning of Phase I, Bank Andara did not have an in-depth understanding of the local conditions. But, as they started communicating and engaging with the farmers and gaining a better understanding of climate patterns, they acknowledged that data collection from the farmers was a challenge, given the various partners’ restricted personnel in the field. The corn fields of the participating farmers were also widely dispersed geographically, making it difficult for agronomists and field officers to make in-person visits promptly.\(^3\)

To begin rectifying this lack of manpower on the ground, the rural bank BPR Pesisir Akbar decided to match the number of field officers that Syngenta has in the field. The internal staffing decision by BPR Pesisir Akbar resulted in a doubling of field officers available to support smallholders. A capability meeting was organized, during which it was agreed that BPR Pesisir Akbar staff would be educated about agronomy and Syngenta staff about criteria for loans. This cross-learning helps both BPR Pesisir Akbar staff and Syngenta staff to perform their jobs better.

Systematic improvements and outcomes achieved
Along the way, many farmers decided to secure a loan elsewhere, including newly available ones from BRI.\(^1\) This was partly due to the late disbursement of the loans. However, WG members did not necessarily perceive this as a setback for the project, but rather a sign of success of the microfinance scheme. While they ultimately all work toward scaling up this project to achieve their organizational objectives, they see more smallholder farmers able to access funding from competing financial institutions to increase yield, and subsequently income, as a positive example of how farmers are being empowered across Indonesia.

Go beyond pre-competitive stage
Being able to demonstrate how the project could be scaled up from a pilot to a viable commercial model was an essential prerequisite for Bank Andara and ACA Insurance, as well as other partners. Syngenta sees this project as a commercial opportunity and is actively looking to increase its capacity to scale up, possibly expanding to Java and Sumatra. Equally, Mercy Corps Indonesia also aims to facilitate access to agriculture information and financial services to at least 20,000 farmers across Indonesia.

In spite of all the initial planning for scaling-up the project, many issues can still subsequently arise. For instance, because of the lending limit regulation, BPR Pesisir Akbar has almost reached its maximum loan-giving capacity in Phase II of the project. Project partners are therefore now considering scaling-up options for Phase III – whether by partnering with another microfinance institution (MFI), combining loan execution and channeling schemes, or expanding the project to other areas (such as Sumbawa where BPR Pesisir Akbar are also present).

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1. For more information on BRI’s current loan scheme to smallholder farmers, please refer to the Mojokerto case study.
3. Program funded by USAID/OFDA.
All project partners deem working in partnership essential to creating lasting and meaningful impact to smallholder farmers across Indonesia. Each member understands that they and every other member have unique complementary capabilities and that pooling resources and expertise results in higher impact where a solo project would have failed.

Still, working with others is by no means always straightforward. Each stakeholder is naturally guided by his or her own organizational mandate, business interests, sustainability commitments, and key competencies. Without openly acknowledging these factors – specifically the need for projects to be scalable and ultimately commercially viable – and without a platform such as PISAgro in place to facilitate negotiations among stakeholders, it would be very difficult for projects to evolve from an initial concept into a commercially driven and inclusive business model.

It requires mutual trust, open and frequent communication, an ability to admit to gaps in knowledge, and a willingness to learn and become better. Some of the key success factors of multi-stakeholder partnerships highlighted in this case study include:

1. Finding partners able to contribute the necessary mix of resources and competencies.
2. Their ability to not only articulate their own rationale for joining the project but also understanding other stakeholders' business case for doing so.
3. Establishing clear common objectives.
4. Nurturing mutual trust through open and frequent communications.
5. An admission of lesser knowledge in certain areas and a willingness to learn and become better.

**Review**

Review strategy and identify new opportunities