

MAIN CONTENT OF THE GSD OF “SYNERGY ANGGUR MERAH & AIP-PRISMA”

1 Executive Summary

2 Background

- *Brief description of poverty in NTT, and its relation to the implementation of the Program Desa Mandiri Anggur Merah”;*
- *Rational for AIP-PRISMA to have a synergy with the Anggur Merah Program.*

The Australia-Indonesia Partnership for Promoting Rural Income through Support for Markets in Agriculture (AIP-PRISMA) is a multi-year program that is a part of the Government of Indonesia’s midterm development strategy to accelerate poverty reduction through inclusive economic growth. With the support of the Government of Australia, the program aims to achieve a 30% increase in the net incomes of 300,000 male and female smallholder farmers in eastern Indonesia by June 2017. PRISMA works in East Java, West Nusa Tenggara and East Nusa Tenggara, Papua, and West Papua.

Agricultural development acts as fundamental influence on East Nusa Tenggara regional development and regional economy (accounted 30.71% GDP¹) as the dominant population depends on the agricultural sector. Of the total poverty in February 2015, 63.30% contribution of the dominant rural population rely on employment in the agricultural sector². Therefore rural development is very important and need to be built to strengthen the foundation of the regional economy, accelerate poverty alleviation and reduction of disparities between regions.

Meanwhile, to increase farmers’ incomes as well as expand farmers’ business networks, support for business organization development, specifically cooperative farmer agribusiness in NTT, is needed. Cooperative agribusiness is unlike the KUD (Unit Village Cooperative) concept that handles many different types of commodities and only focuses on primary agriculture. An agribusiness cooperative handles one type of commodity from upstream to downstream. Through an agribusiness cooperative, farmers can expand their business networks, both upstream and downstream (processing industries and trade), adding extra value that will be reflected in extra income to farmers. An agribusiness approach to rural development would make farmers proud and encourage younger generations to continue agribusiness enterprises within their farming families.³

East Nusa Tenggara as one of the working area of AIP-PRISMA has a village-based development of the economic potential programs namely “**Desa Mandiri Anggur Merah**”. With grant accounted for IDR 250 million per village channeled through Anggur Merah cooperatives, this program was created to achieve development targets to increase economic growth, per capita income, and reduce poverty rate by the end of 2018.

Currently Anggur Merah Program still faces difficulty that the grants are not used for productive purpose which guarantees continuous funding. This is due to the problems specific-related to type of business and absence of any entity to manage the revolving fund continuously as well as lack of cooperatives ability to

¹ BRS BPS NTT – NTT Economic Growth Q1-2015

² BRS BPS NTT – Employment in NTT February 2015

³ ACIAR – Proceedings of a workshop to identify sustainable rural livelihoods

link with market actors. This collaboration is important to be implemented because of some similarities between the two programs, including the mission / goals and objectives (type of commodity, location, and beneficiaries). AIP-PRISMA see these opportunities, and therefore, the approach and strategy, seeks to build synergies with Anggur Merah Program.

3 Sector Description

3.1 Sector Profile

- *Brief profile of the Program Desa Mandiri Anggur Merah;*
- *Current constraints of the Program Desa Mandiri Anggur Merah;*
- *Description of synergy between Anggur Merah and AIP-PRISMA.*

Integrated Rural Development Program “Anggur Merah” in 2014-2018 is continuation from similar program in 2011-2013 outlined in Medium-term Development Program (RPJM) of East Nusa Tenggara Province 2013-2018. Anggur Merah program is supported with budget allocation funds of IDR 250 million per village for productive economic activities.

During the three years of implementation (2011-2013), the program has reached 891 villages, or 27.45% of the total villages. In terms of quantity, there is increased formation of cooperatives from 138 units in 2011 to total of 436 units in 2013. Up to 2014, 691 of 1,480 villages or approximately 46.01% has return funds with the total amount IDR 50 billion of the total budget IDR 370 billion. In general, group of trading and service return funds faster than other group, and group of large livestock farmers (cattle and buffaloes) are the most delayed group for repayment⁴

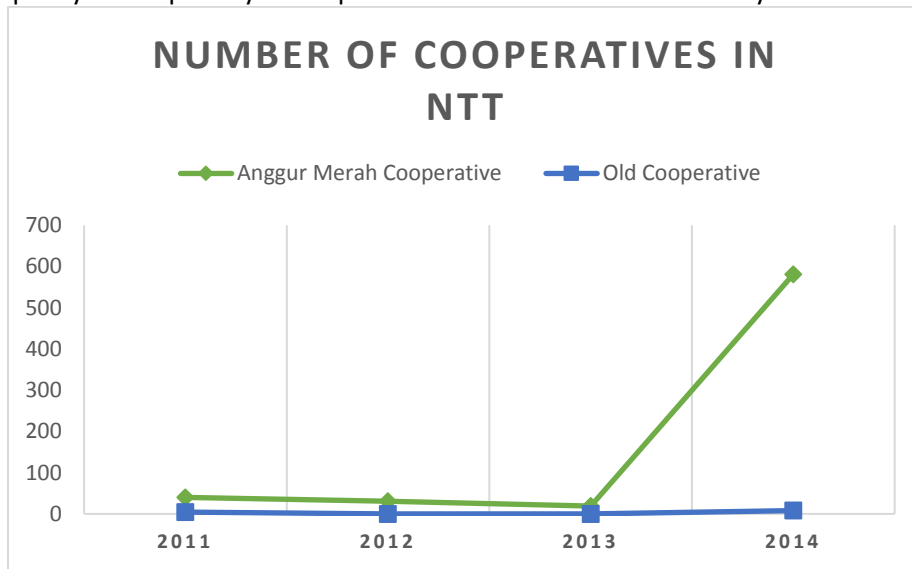
The success of the program can be felt when there is a growing number of poor people who can access funds and use them for productive business activity. Thus sustainable revolving fund plays important role to ensure achievement of the program. Good revolving fund can be implemented if supported by a good productive business practices.

Kupang and TTU @72 villages have received AM fund

1. Briefly describe problems related to production activities that hampered business sustainability → obstacle in revolving fund: → **more detail will be explained on supporting function & services**
 - a. Limited feed
 - b. Limited good quality seed
 - c. Knowledge capacity

⁴ NTT Selayang Pandang 2014

2. Limited capacity and capability of cooperatives → most of them relatively new



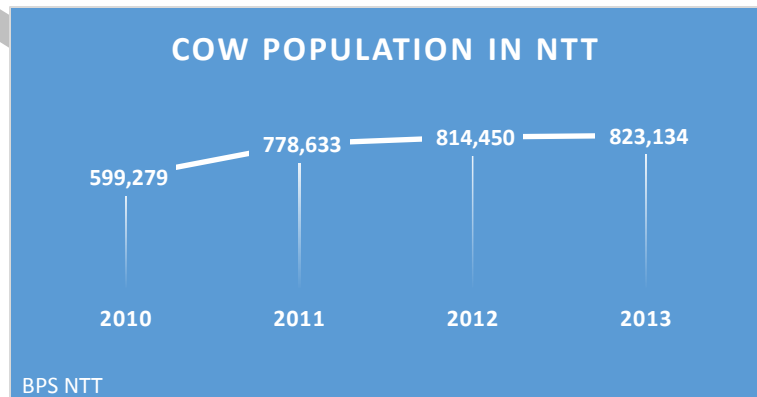
Majority of Anggur Merah Cooperatives are relatively new and established to receive funds. Most of them have not received any training related to cooperative management

3. Description about synergy AM and AIP-PRISMA

3.1.1 Local Context

- *Current local production and potential demand of beef and maize in NTT in relation to the Program Anggur Merah;*
- *Contribution of beef and maize to GDP in NTT;*
- *Brief description about the targeted districts and villages (Kab. Kupang and TTU).*

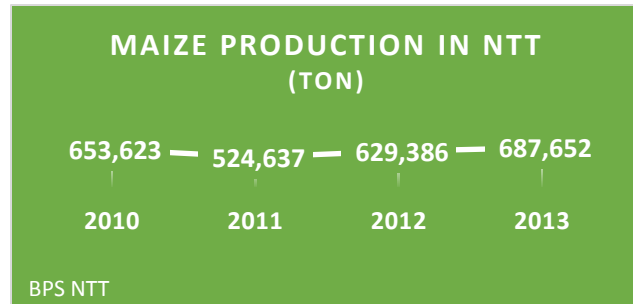
NTT is a major cattle producing province with the 6th largest cattle population in Indonesia.⁵ It is characterized by vast unused grasslands but dry climatic conditions. With 817,708 heads of cattle in 2013, NTT accounts for 5% of the national cattle population. The cattle population in NTT grew at a compound annual growth rate (CAGR) of 7% between 2009 and 2013.⁶ While this is higher than the national average of 5%, it is low when compared to at least 4 of the 5 top provincial producers where growth rates reach up to 12%. Policymakers in NTT cite large areas of unused grasslands that can potentially support a 38% increase in cattle population.



⁵ Badan Pusat Statistik Indonesia

⁶ Calculations based on BPS Indonesia statistics

Maize is generally consumed as a staple food crop. It is estimated that 75% of maize produced for human consumption. The demand of maize in NTT is greater than its supply. Maize grain is still be imported from East Java and South Sulawesi when the supply is not met the demand, which normally commences in September until prior to the following harvest season.⁷



Agriculture plays an important role in the provincial economy, as well as for household incomes. Agriculture accounts for 41% of GDP in NTT. Livestock accounts for 30% of agricultural GDP in which cattle alone contribute 14% to agricultural GDP in NTT. Cattle is the largest single commodity contributor to agricultural GDP.⁸

At the district level, the total of 20 villages in which AIP-PRISMA is proposing to start its interventions accounts approximately 1,200 farmers for both sub-sector; beef and maize. These districts are Kupang and Timor Tengah Utara (TTU). Both districts have large productivity of beef and maize compared to other districts in NTT. The selected villages have high poverty rate, have at least 1 of 2 priority commodities of AIP-PRISMA, and there are basic infrastructures available

Majority of cooperatives are still at early stage: they already have structures, bank account, and running limited saving-loan-activities. Nevertheless, they do not have legal basis; not yet operating any other business activity out of AM revolving fund; they do not apply complete cooperative-book-keeping; and have regular meetings yet. Among 20 villages, 7 villages in Kupang and TTU have more advanced (active) cooperatives: Noepesu, Tun Noe and Jak (TTU); Oenoni, Merbaun, Teunbaun and Besmarak (Kupang).

From 10 villages assessed in Kupang, 7 villages are also the location of PUSKUD (Oenoni, Tesbatan II, Merbaun, Tunbaun, To'obaun, Erbaun and Besmarak). While in TTU, 4 out of 10 villages are the location of YMTM (Noepesu, Manusasi, Tun Noe and Jak).

Majority cooperatives have allocated AM funds to their members (particularly in relatively 'new-villages'). While in the 'old-villages', the first-groups of receivers have started the repayment, hence some of the money has been released to the second receivers-groups, and only a minority of coop/villages still store the money in their bank accounts. Some villages argued that AM funds cannot be used for other purposes outside purchasing cows and medicines. Nevertheless, there is still an opportunities to make use of returned-funds for this intervention, but this needs to be agreed with each village and/or the provincial AM team. Another opportunity with regards to feed processing business is to work with each coop to sell feeds to their members, who will then pay for the feeds when selling their cows.

Regarding types of business (model), majority of villages prefer to be involved in the feed-processing-business; while maize can only be implemented in a few of the villages, despite the awareness of running

⁷ Intervention Plan Maize NTT – YMTM, 2014

⁸ ACIAR Summary Sector Analysis Cattle

small business in cooperative must be improved. The small amount of villages interested to join the maize intervention is due to water scarcity (rain usually starts in December/January) and lack of commercial orientation (most farmers plant maize for their own consumption).

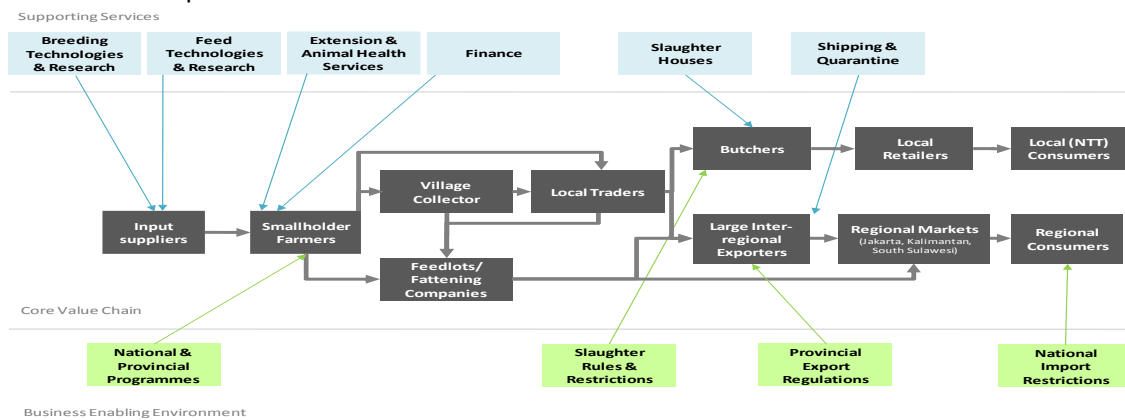
Several villages in TTU already have a practice of selling/purchasing cow-feeds, while in Kupang this is not a common practice. Majority villages are still facing difficulties related to market access. Cattle-weighing by collector is perceived unfair and high cost of land transportation.

From 20 villages, 1 village in TTU (Saenam) and 1 in Kupang (Tunfe'u) did not show any interest to be involved in PRISMA interventions. The main problem in Saenam is possibly redundant development programs that are currently run by the government (local and national). In Tunfe'u, the village apparatus seemed apathetic while the community is more interested in receiving direct assistances.

3.2 Sector Dynamics

- *Market map of beef and maize in relation to the Anggur Merah Program;*
- *Sector map of the Anggur Merah Program.*

1. Market map beef NTT

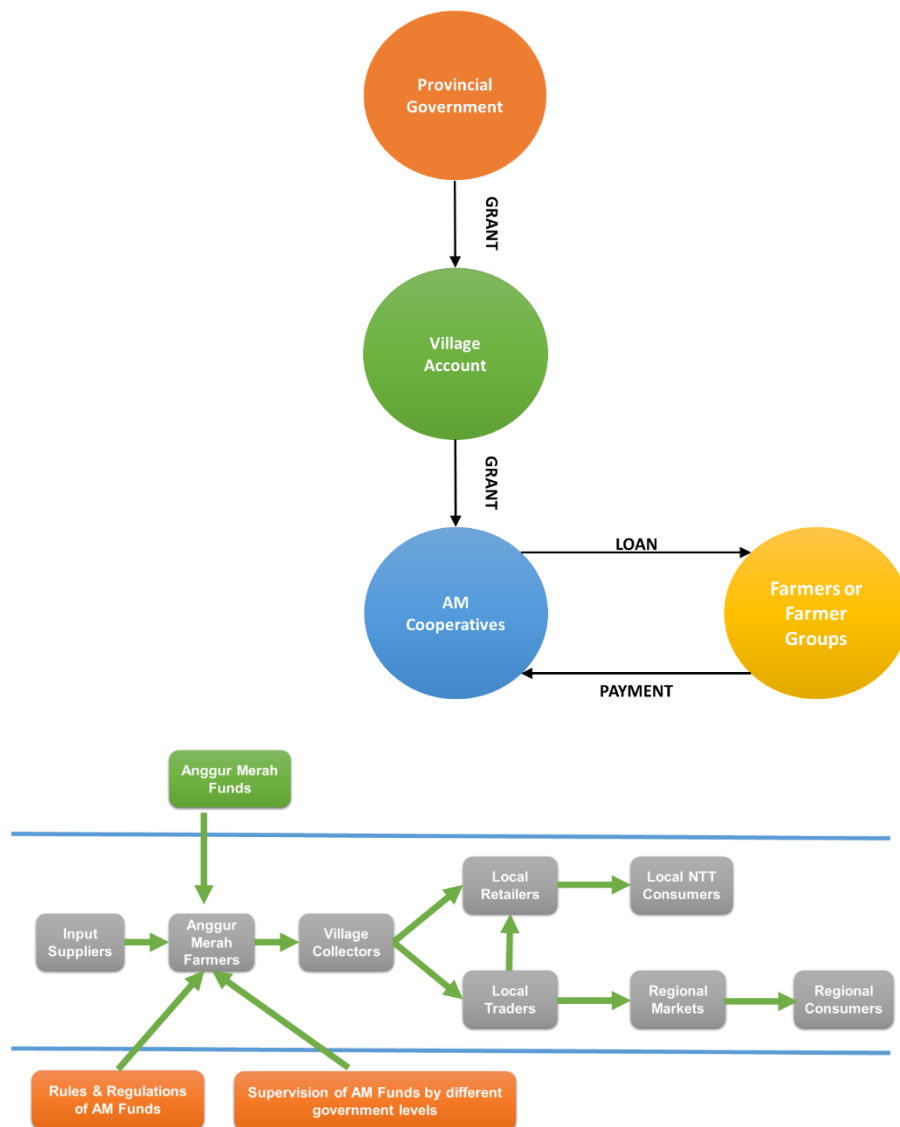


2. Market map maize NTT

???

3. Current sector map AM





3.2.1 Core Value Chain

- Roles, functions, and incentives of market players of beef and maize in relation to the Anggur Merah Program (PUSKUD, PT. Perkasa, cooperatives (retailer & trader), Pokmas, farmers, seed producers);
- Roles and functions of PKM (village facilitators).

1. Current role and function of market actors of beef and maize in AM core value chain
 - a. Pemprov: Distribute fund to villages → To reach government's goal to reduce poverty
 - b. Pemdes: Distribute fund from village to cooperative → Sustainable fund to reach more poor farmer in the village
 - c. PKM (village facilitator): Assisting farmers, transfer knowledge and information → Increase capacity of facilitator-knowledge and skill, assist more farmer groups

- d. Cooperative: Managing funds (revolving fund), acts as business entity-buying and selling activity from and to farmers → Increase capacity of cooperative, income from business activity, connected to market system and market player
- e. Partner: **need to discuss with sub-sector for their specific roles* → Gain market for input, get supply of output products, increase profit
- f. Farmers: Production role → Improved skill and knowledge of good agriculture, increase productivity, sustainable business, increase income

3.2.2 Supporting Functions & Services

- *Access to information/knowledge/technology about feed/seed (types of information, who provides, who uses);*
- *Access to inputs (types of inputs, who provides, who uses);*
- *Access to finance (who provides, who uses);*
- *Access to facilities (for what, who provides, who uses).*

1. Information about feed to farmers.

Smallholder farmers in eastern Indonesia have traditionally relied on the production of annual cereal crops and cattle to meet family food and cash requirements. Cattle production levels are low due to the feeding of local forages, which decline in protein level and digestibility as the dry season progresses. This results in animals barely maintaining weight or suffering weight loss, particularly during the September – November period. Up to 60% of the weight gained during the wet season can be lost during the late dry and early wet seasons. This has resulted in very low overall levels of production, with typical annual weight gains in cattle of less than 200g/day⁹.

Only a few private companies, social enterprises, and NGOs have extension staff but these services are only accessible to targeted cattle farmers. Fattening companies such as PUSKUD, UD Timor Permai, STMJ, and CV Triyo Bakti provide vitamins, medicines, information, and technical extension agents to monitor the health and growth of cattle being raised by contract farmers.

2. Information about seed

Major factors that limit the expansion of maize production in this NTT include low quality seeds, limited skills on agronomic technique, weed infestation (late weeding), post-harvest storage and poor soils. High yielding/ improved maize varieties are not widely available in the free market and information for this variety is not widely available. Highly prevalent weed infestation combining with less family labor available to manage weed limiting the cultivation size of each farmers. In general, farmers are producing maize for home consumption as a food security measure, therefore they seem less interested in investing in high yield production packages for commercial sale. Furthermore, a short duration of rainy season, uncertain timing and inconsistent amounts of rain are also contributing factors to the low maize yield. Post-harvest loss during the storage contributed up to 30-50% of grain loss¹⁰

The large majority of farmers in NTT, particularly in the remote areas, lack access to and are not well informed about improved maize seed varieties.

3. Farmer could get inputs from cooperatives

⁹ ACIAR – Integrating Herbaceous Legumes into Crop and Livestock System in Eastern Indonesia, 2013

¹⁰ Intervention Plan Maize NTT – YMTM, 2014

4. Farmer could use grants from AM with minimum interest

*Financial services are limited for cattle farmers, and farmers mainly get credit through money lenders, NGOs, cattle traders, fattening companies, and government programs. The process for obtaining loans from money lenders is relatively simple and does not require collateral. However, interest rates are high and money lenders will take the farmer's cattle if he or she cannot pay back the loan. Cattle traders or fattening companies have contract farming schemes with farmers where the price of cattle and inputs are deducted from the final sale price of the cattle. Village grants are also available under the provincial government's **Anggur Merah Program** to support the beef and cattle sectors.*

3.2.3 Supporting Rules & Regulations (Enabling Environment)

- *Policies and regulation in relation to the Program Anggur Merah;*
- *Roles and supports from related government entities.*

Related Policies and Regulation

1. Lingkup Kegiatan dan Wilayah

Lingkup kegiatan Pembangunan Desa/Kelurahan Mandiri Anggur Merah di Provinsi Nusa Tenggara Timur tahun 2011-2013 adalah sebagai berikut:

a. Lingkup Kegiatan Dana Bantuan Sosial

Dana Bantuan Sosial Desa/kelurahan sebesar Rp. 250 juta per desa/kelurahan untuk mendukung pembangunan ekonomi sesuai dengan potensi ekonomi Desa yang dapat mendukung pencapaian empat tekad pembangunan. Wilayah sasaran pembangunan yaitu Desa/kelurahan terpilih di seluruh Kabupaten/Kota se Provinsi Nusa Tenggara Timur sesuai dengan kriteria teknis yang ditetapkan.

b. Lingkup Kegiatan Dana Satuan Kerja Perangkat Daerah/Satuan Kerja/Lembaga Internasional

Kegiatan melalui dana yang dikelola Satuan Kerja Perangkat Daerah yang selanjutnya disingkat (SKPD) Provinsi/Kabupaten/Kota, Satuan Kerja (SATKER) dan Lembaga Internasional merupakan kegiatan yang disinergikan dengan Dana Bantuan Sosial Desa/kelurahan untuk percepatan penurunan kemiskinan.

2. Sasaran Desa/Kelurahan Mandiri Anggur Merah.

Sasaran lokasi pembangunan Desa/kelurahan mandiri anggur merah didasarkan pada kriteria yaitu:

- a. Memiliki prosentase Rumah Tangga Miskin terbanyak pada wilayah kecamatan sesuai hasil pendataan BPS Provinsi Nusa Tenggara Timur;
- b. Infrastruktur Pelayanan Sosial Dasar (air bersih, sanitasi lingkungan permukiman dan rumah layak huni) relatif rendah;
- c. Aksesibilitas wilayah didalam daerah dan keluar daerah masih rendah;
- d. Sumber daya manusia relatif rendah yang dapat dilihat dari tingkat pendidikan penduduk, Prosentase angka putus sekolah; angka buta huruf yang juga masih tinggi dan indikator pembangunan kesehatan rendah;
- e. Khusus untuk Desa, juga diperhatikan indikator Desa terpencil, terisolir dan tertinggal dan kurang memiliki akses pembangunan;
- f. Memiliki sumberdaya/potensi wilayah (alam dan sosial) untuk mendukung pelaksanaan kegiatan ekonomi produktif.

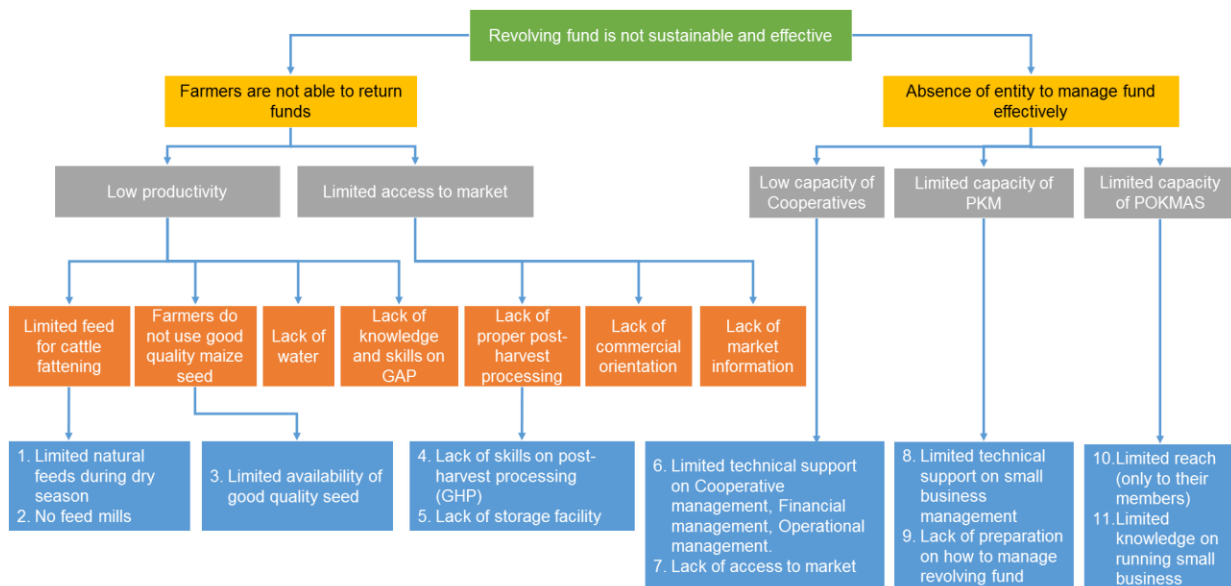
Roles and support from related government entity

1. Kelompok Kerja (POKJA) Pembangunan Desa Mandiri Anggur Merah
Untuk menjamin pembangunan Desa/Kelurahan Mandiri Anggur Merah mencapai tujuan dan sasaran secara optimal maka dibentuk Tim Pembina, pengendali dan Pengawas di Tingkat Provinsi, Kabupaten/Kota, Kecamatan, dan Desa/Kelurahan
2. Fungsi POKMAS dan PKM

4 Analysis

4.1 Underlying Causes

- *Problems map (root causes) of beef & maize in relation to the Anggur Merah Program.*

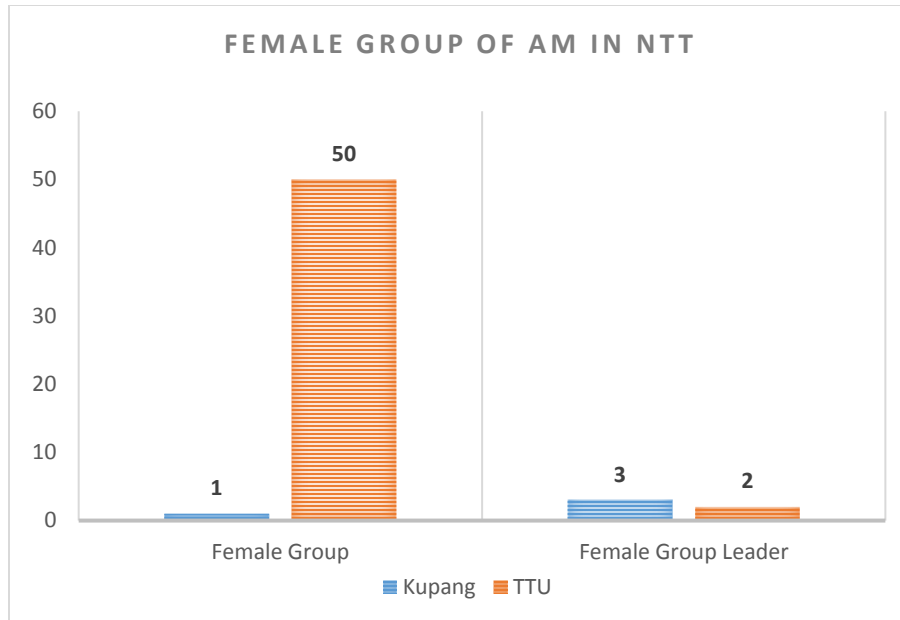


4.2 Services, Enabling Environment & Weaknesses Analysis

- *Lack of inputs (quality feed, quality maize seed);*
- *Lack of facilities (storage function);*
- *Lack of capacity (cooperative, PKM).*

4.3 Gender Issues in the Anggur Merah Program

- *Brief analysis on gender aspects in beef and maize;*
- *Gender analysis in the Anggur Merah Program.*



- Access to AM fund
 - Criteria/priority of fund administration – who can access the fund?
 - Pro women/widow?
- Actors to manage fund in cooperatives
 - Who manages fund in cooperative level?
 - Is women involved? – What is their role?
 - Any factor that limits women involvement in cooperatives and PKM?
 - How is the performance with and without women involvement?
 - Any difficulties faced related to cooperatives & PKM management?
 - How is the revolving fund managed by women?
- Technical assistance
 - Any female POKMAS?
 - How is the performance?
 - Any difficulties?
- General information about fund management of each farmer family
 - Who manages family finances? Include AM fund
 - Any difficulties to return fund?
 - Problem related to family financial?

1. Implementation:

- Consider gender balance in proposed activities
- Make sure intervention activities do not exclude, limits, or eliminate woman's role
- Encourage standout performances by woman to replicate the system in other villages.

5 Strategy of Change

5.1 Value-added contributed by AIP-PRISMA into the Program Anggur Merah (including contribution to priority program of NTT government to reduce poverty).

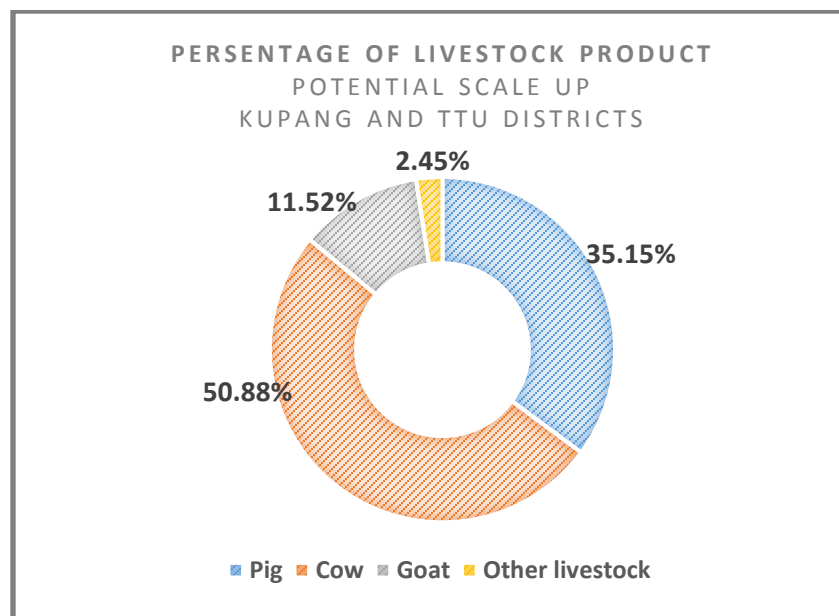
5.2 Market Potential

- *Potential for scale-up (reaching more villages, more poor farmers);*
- *Potential for scheme credit from bank.*

Scale up:

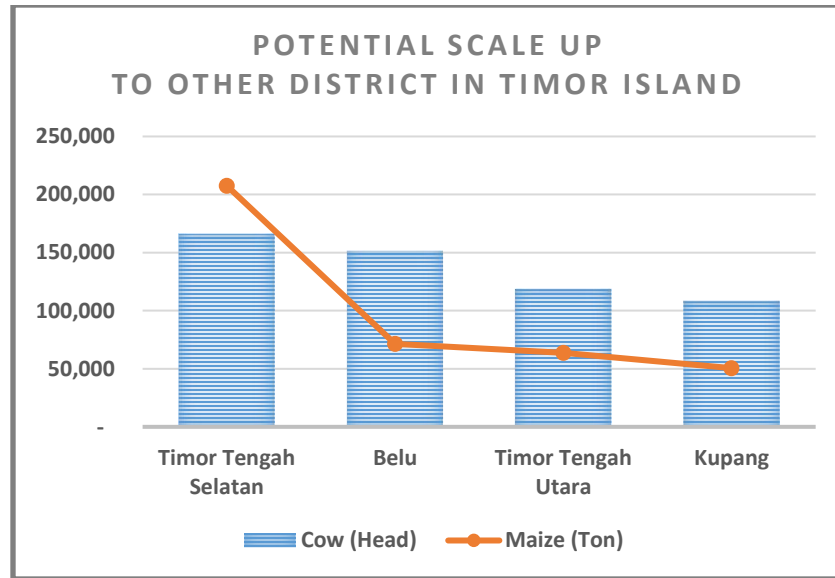
1. To other commodity

- NTT has the largest pig population of any province in Indonesia;
- Pigs have traditionally played an important role in cultural & social activities of communities and are a critical source of protein for domestic consumption;
- In Kupang and TTU, about 50% of livestock product is cow and pig, accounted for 30% of total livestock in both districts;
- In terms of ownership, 85% of families in NTT own pigs while only 10% actually own cattle;
- In 2012, Indonesia has been able to export 35 million kg of pig;
- Pig farming centers: Riau, North Sumatra, West Kalimantan, Central Kalimantan, Bali, **NTT**, Sulawesi, Papua and West Papua.



2. To other district

- Geographically, TTS has the potential to be implemented due to its location adjoining extension with TTU and Kupang
- TTS has the largest Beef and Maize production in Timor Island



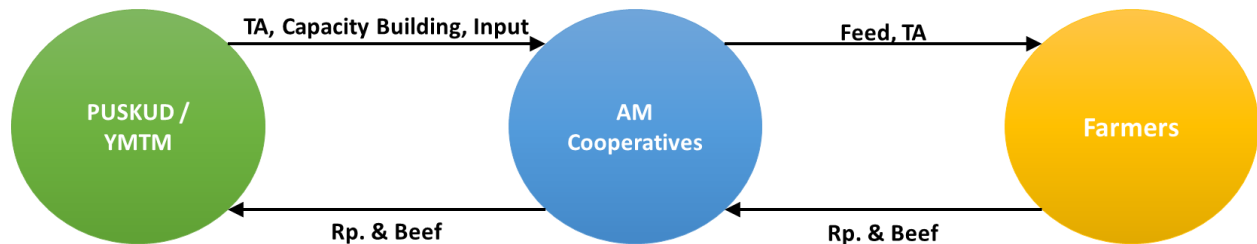
5.3 Vision of Change

- *Statement of vision of change.*

Increase and maximise the sustainability and effectiveness of AM funds that support smallholder cattle and maize farmers, through improved access to market actors to provide better input supplies and sell farmer's products.

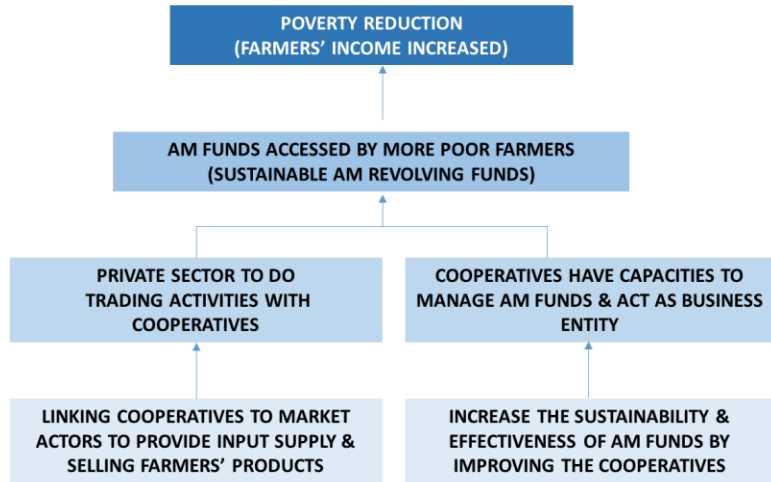
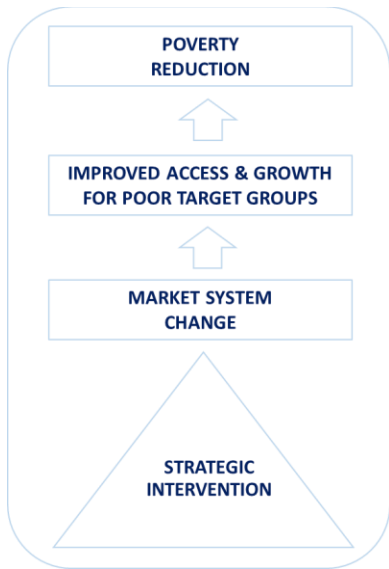
5.4 Interventions

- *Brief description of the intervention of Synergy the Anggur Merah Program & AIP-PRISMA.*



5.5 Sector Vision of Change Logic

- *Result chain: more effective and sustainable the Anggur Merah funds.*



DROPPETV

Result Chain: Improve the effectiveness & sustainability of "Anggur Merah" as the priority program of NTT Prov-Govt

