

MULTI-SECTOR PARTNERSHIPS FOR SUSTAINABLE BUSINESS DEVELOPMENT: LESSONS LEARNED FROM ROUND TABLE INDONESIA

Huub Mudde^{*)}, R. Dikky Indrawan^{**)}, Idqan Fahmi^{***)}

^{*)}Maastricht School of Management Netherlands

^{**)}Department of Management Faculty of Economics and Management Bogor Agricultural University

^{***)}Department of Economics Faculty of Economics and Management Bogor Agricultural University

ABSTRACT

Over a period of three years, Bogor Agricultural University/Institut Pertanian Bogor (IPB) and Maastricht School of Management (MsM) have been executing the multi-annual project Round Table Indonesia, www.roundtableindonesia.net. This project aimed at contributing to the improvement of a sustainable business and investment climate in the Indonesian agricultural sector; by strengthening the knowledge capacity, formulating concrete investment opportunities, and facilitating partnerships. As a result, IPB and MsM have developed courses on sustainable business development and facilitated business projects in poultry, mangosteen, palm oil, shrimps, and tourism. All projects are based on in-depth value chain analyses and roundtable meetings with key stakeholders of government, private sector, academia, and civil society. Linking education and applied research with business development will lead to a stronger and more sustainable Indonesian agricultural sector; being of crucial importance for the Indonesian development as a whole.

Keywords: Round Table Indonesia, Sustainable Business Development, Value Chain, Agricultural Sector, IPB, MSM

ABSTRAK

Selama tiga tahun, Institut Pertanian Bogor (IPB) dan Maastricht School of Management (MsM) telah menjalankan proyek Round Table Indonesia, www.roundtableindonesia.net². Proyek ini bertujuan memperbaiki iklim investasi dan bisnis yang berkelanjutan pada sektor pertanian Indonesia melalui penguatan kapasitas pengetahuan, perumusan peluang investasi yang konkrit, dan fasilitasi kemitraan³. Sehubungan dengan itu, IPB dan MsM telah mengembangkan mata kuliah terkait dengan Sustainable Business Development dan memfasilitasi proyek bisnis pada peternakan ayam, manggis, kelapa sawit, udang dan ekowisata. Seluruh proyek didasarkan pada analisis rantai nilai yang mendalam dan pertemuan dengan berbagai pemangku kepentingan kunci yang mencakup pemerintah, swasta, akademisi, dan masyarakat madani. Menghubungkan pendidikan dan riset terapan dengan pengembangan bisnis akan menghasilkan sektor pertanian Indonesia yang lebih kuat dan berkelanjutan, hal yang sangat penting bagi pembangunan Indonesia secara menyeluruh.

Kata Kunci: Round Table Indonesia, Pengembangan Bisnis Berkelanjutan, Rantai Nilai, Sektor Pertanian, IPB, MSM

Alamat Korespondensi :
Huub Mudde, HP : -
E-mail : mudde@msm.nl

BACKGROUND

Stimulating pro-poor economic activities within the agricultural sector is of crucial importance. In his speech held for Maastricht School of Management (MsM) (May 21, 2008), the Netherlands Minister for Development Cooperation said “In many developing countries, agriculture is the engine of economic development and food security. Increasing the productivity, profitability and sustainability of agriculture can help considerably to reduce poverty in rural areas. If we really want to make the most of developing countries' growth potential, greater investments in agriculture and rural entrepreneurship are needed. One option is to stimulate and improve market chain development.” He further continued to state that “The key to ensuring that research and knowledge are used effectively for poverty reduction and sustainable development is to intensify dialogue and cooperation between policy, science and practice in the Netherlands and its partner countries.”

Pro-poor economic growth requires an integrated approach early on in the process; the Monterrey Declaration (2002) recognized partnerships as an important instrument in creating an environment favorable to the normal functioning of business and the attraction of investment, an essential element in generating employment and creating wealth. The various actors in a chain or cluster all contribute to economic growth differently, complementing each other along the way, whether governmental, civil society organizations or the private sector. Also academic institutes play an important role in further developing the theoretical frameworks for pro-poor growth, educating the leaders of the future, as well as translating such and other insights into practical policy recommendations. Concluding, the activities of all actors have the potential to complement each other, but there is a need to improve coordination and further develop joint efforts.

These notions of sustainable economic development, multi-sector partnerships and an inclusive value chain approach were at the basis of the cooperation of IPB and MsM in Indonesia that took-off in 2009 as ‘Round Table Indonesia’. This project was about bringing different (international) partners together to work towards concrete sustainable economic development in the agricultural sector from a business perspective, based on a value chain approach. Financially, Round Table Indonesia was made possible by a grant from the Dutch government, Agentschap NL/EVD.

The project aimed to increase the opportunities and eliminate constraints for Indonesian suppliers to be integrated in the regional and international markets. It fostered a structural collaboration between international businesses, local companies and policy-makers. The approach chosen was holistic, comprising of education, research, stakeholder dialogue, matchmaking and business development. Through a value chain approach, different national and international actors have been working towards sustainable economic growth.

AGRIBUSINESS IN INDONESIA

For Indonesia, it is an obvious choice to invest in the agricultural sector when one wants to stimulate sustainable economic development. Over 50% of its population is living in rural areas (WB, 2005) and around 17% of Gross Domestic Product (GDP) (2003) is generated by the agricultural sector. In reality, significance of this sector is even greater, as the economic values of agro-industry and agro-related manufacturing sector (like packaging for fruits and vegetables) have not been included in this figure of 17%.

The agricultural sector plays an important role in the Indonesian Industrial development vision. Indonesia has the ambition to be a New Industrialized Country by 2020. To achieve this target, Indonesia's industrial sector should be able to meet some basic criteria. By 2020, the agricultural sector with other non-oil industries should contribute 30% of GDP. During the period 2010 till 2020 the industry should grow an average of 9,43% with the growth of small industries (IK), medium industries (IM), and large industries (IB) respectively with a minimum of 10,00%, 17,47%, and 6,34%.

In order to realize these targets, the Ministry of Industry has developed a strategy to strengthen the competitiveness of national industries. The main approach is through the development of 35 industrial clusters, based on international competitiveness and their potential for Indonesia. Most of these clusters are based on the agricultural and agro-industry sector, namely: (1) palm oil processing industry, (2) manufacture of rubber and rubber goods, (3) manufacture of cocoa; (4) coconut processing industry, (5) coffee processing industry, (6) the sugar industry; (7) the tobacco industry; (8) fruit processing industry; (9) manufacture of furniture; (10) fish processing industry; (11) manufacture of paper; (12) Industrial processing of milk.

In response to the national industrial cluster strategy, the Ministry of Agriculture 2010-2014 Strategic Plan is repositioning agriculture as a driving force of national development through: (1) the achievement of sustainable self-sufficiency, (2) increased diversification, (3) an increase in added value, competitiveness and exports, and (4) improving the welfare of farmers.

The national figures indicate that Indonesia is on the right track: in the first semester of 2011, agricultural exports reached 21,6 billion USD, which is an increase of 115% from the year 2009 and of 66,3% compared to 2010 (BPS, 2012). Meanwhile, the balance of exports and imports to the agricultural sector surplus reached 11.34 billion USD. This figure is 68% higher than last year's surplus (6,74 billion USD). In the first six months of 2009 the value of agricultural exports reached 9,3 billion USD. In the same period in 2010 this increased with 39.24% to 12,98 billion USD. This growth is also reflected in the trade surplus: whilst the trade surplus reached 4,7 billion USD in 2009, by June 2011 the figure had exceeded 11,3 billion USD or multiplied nearly 150% from mid-2009 conditions.

Agricultural products and derivatives including the export of products have great economic potential. However, in order to become competitive agricultural products have to meet standard rules, labeling and technical requirements. This will require major efforts and cooperation of all parties, including farmers, agriculture officials and business practitioners.

Also the Ministry of Maritime Affairs and Fisheries developed a strategy with four pillars to increase competitiveness and value-added fishery, called The Blue Revolution Policies:

1. To strengthen an integrated Marine and Fisheries human resources and institutions
2. To sustainably manage marine and fisheries resources
3. To increase scientific based productivity and competitiveness
4. To extend the access to the domestic and international markets.

As a result of this strategy, the contribution to GDP of fishery in 2007-2010 reached 27,3% a year (statistics from the Ministry of Maritime Affairs and Fisheries) which is the highest compared to the GDP growth in other agricultural sectors. In the third quarter of 2011, GDP contribution of the fishery sector reached 19.85 percent of all agricultural groups, ranking second after the food industry. For the record, in 2009 the export

value of the fishery sector was 2,46 billion USD, in 2010 2,8 billion USD and then increased to 3,2 billion USD in 2011 (BPS, 2012).

It is important to realize that many Indonesian farmers as suppliers in the food value chain have a weak position. The competitiveness of the sector is constrained by low investments, inadequate infrastructure and underdeveloped agribusiness practices (USAID Amarta II Project, Agribusiness Market And Support Activity, 2012).

Competitiveness and bargaining power are big issues especially when small scale farmers have to deal with large national and international companies that source from them. Another problem is that small scale farmers cannot compete in the international market because of lack of both financial support and management and marketing knowledge and skills. These challenges were to be addressed in the project for which a value chain approach has been used.

ROUND TABLE INDONESIA, THE APPROACH

In Round Table Indonesia analysis and research was linked with sustainable business development, resulting in two interrelated processes, each with two components. The first process, education and research, focused on capacity building in the field of applied research by supporting Indonesian Master students who examined particular agricultural economic sub-sectors (component a). Their research (component b) focused on developing sound recommendations for enhancing business opportunities in the sub-sectors studied through value chain analysis.

The second process, the implementation, was to generate momentum for sustainable business development in Indonesia by launching joint projects with private sector, public sector and civil society

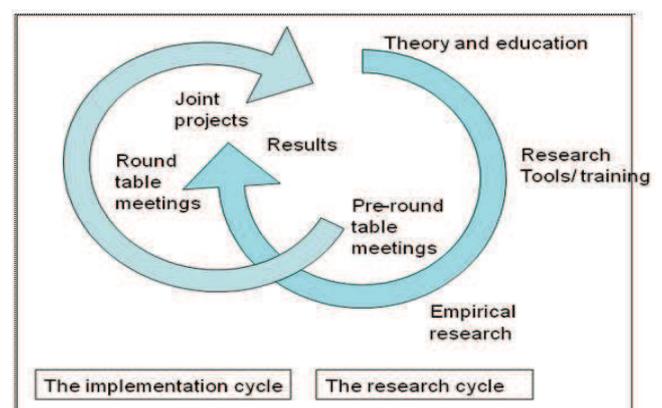


Figure 1. The Round Table Approach

through Roundtable meetings (component c) and pilot projects (component d).

This approach was based on another program named 'Round Table Africa (RTA)', initiated by MsM in 2007 in Tanzania. This four years program was set-up to stimulate sustainable business through economic development in Eastern and Southern Africa.

The main reason for this approach was the understanding that improving the situation of small holders or small entrepreneurs needs understanding of the full economic and social system in which they operate as well as involvement of a multitude of actors. The value chain analysis is a tool that helps to get clarity on the system in which the farmers (or entrepreneurs) operate, helps to map all the actors involved, whether direct or indirectly involved (for instance regulatory institutions), and outlines options for improving their position, referred to as value chain upgrading (Humphrey and Schmitz, 2000).

The strong emphasis on the Roundtable meetings was because an analysis as such will not lead to any improvement of a sustainable business and investment climate in the Indonesian agricultural sector as was the objective of the project. The crux is on making the market actors co-owners of the findings and ideas for value chain upgrading and for improving the sustainability and competitiveness of their sector. Another important reason was to make the chain actors start realizing that they are related in business and need each other.

Evaluations of multi-sector partnerships have shown that a partnership between private and public sector and civil society may generate better results if – among others – there is a knowledgeable, trustworthy, independent facilitator (in this case the trained faculty of IPB), a mechanism to facilitate the actual dialogue process (the Roundtable meetings) as well as some funds for implementing projects. These elements have been incorporated in the approach of Round Table Indonesia:

Training and Education

The capacities to do value chain analysis and – development needed to be well embedded within IPB to be able to act as knowledgeable partnership facilitator. To make this happen, IPB faculty were trained and coached by MsM faculty and courses were delivered together. A new research specialization 'Sustainable Business Development' was set-up within

the existing Master of Management in Agribusiness of IPB's Management Program, covering a period of around 9 months. The first three months are courses on value chains, competitiveness, CSR, institutional entrepreneurship, and multi-sector partnerships, and the last six months comprised out of desk and field value chain research by the students.

It was foreseen that the specialization 'Sustainable Business Development' would not require donor support beyond the project period. The contrary: it was meant to become a vehicle for generating income from private and public funds for research and consultancy, and would strengthen and broaden the profile of IPB and its academic faculty.

Researching Value Chains

Each Master student analyzed a value chain in a certain region and in a certain sector. In order to allow for synergy among students and a more cost-efficient use of the available resources, it was decided to focus on five sub-sectors: 1) Poultry, in particular the broiler industry; 2) Palm Oil; 3) Seafood, in particular shrimps; 4) Horticulture in particular mangosteen; and 5) Sustainable tourism. Then, IPB faculty assessed the quality of the student research and identified those which most potential for sustainable business development. In many cases, additional data were to be collected by IPB faculty.

Stimulating Partnerships Through Roundtable Meetings

As a next step, a multi-sector dialogue process was being started by organizing two to three Roundtable meetings per selected value chain in which gaps and opportunities were discussed. By organizing these meetings, Round Table Indonesia aimed at sustaining ownership for business development projects and creating synergy between new project initiatives and ongoing activities. The meetings were organized in the region at stake, being Riau (palm oil), Surabaya (shrimps), Bogor (poultry and tourism) and Bandung (mangosteen).

In all meetings, representatives of private sector, government, academia, and civil society participated, on average 25 people per meeting. Particular attention has been given to national, sub-national and local organizations as trade associations, chambers of commerce, advisory councils, and knowledge institutes.

Pilot Projects

During the Roundtable meetings distinctive topics where at length discussed with the aim to identify business development projects aiming at improving the situation of small scale farmers or entrepreneurs in a value chain. Per sub-sector (five), a seed fund of Euro 5000 was made available for one project. Since ownership and local support of projects are essential for their success, potential stakeholders were participating in the development and implementation of these projects. Whenever appropriate, strengthening or the set-up of a partnership platform was stimulated that could play a pivotal role in enhancing and maintaining an enabling business environment.

Roles of IPB and Maastricht School of Management Bogor Agricultural University (IPB) as the premier agricultural academic institution in Indonesia and Maastricht School of Management with its expertise on sustainable business and partnerships have been working together in this project. IPB has identified the need for more education and research capacities in the area of competitive value chain analysis, – development, and partnerships, and has asked MsM to be of help.

Table 1. The Different Roles of IPB and MsM per Project Component

| Project components | Roles IPB | Roles MsM |
|------------------------------------------------------|------------------------------------------|--------------------------------------------------------------------------|
| Training and education | Selection of students | Curriculum development ToT of IPB faculty Co-delivery of education |
| Researching value chains | Supervision of students | Delivery of education |
| Stimulating partnerships through Roundtable meetings | Implementation | Coaching, advising |
| Pilot Projects | Co-selection, implementation | Co-selection, Coaching, advising |
| Overall | Implementation, co-delivery, co-steering | Coaching, advising, co-delivery, co-steering |

MsM focused in Round Table Indonesia on curriculum development, coaching of IPB staff in the facilitation of partnership and the organization of the Roundtable meetings, and joint research.

IPB's Management Program (MB) played a pivotal role in the project and positioned itself as economic partnership and matchmaking facilitator. It was responsible for the supervision of students, implementation of research, organization of Roundtable meetings and the implementation of the five pilot projects. In table 1 the different roles are clustered per project component.

RESULTS

After a period of three years, many results have been reached of which the graduation of 35 students may be the most tangible. The most significant results are however from a different nature. To name the value chain approach integrated in curriculum and research, the experience of working in partnership between government and private sector, and the new role for Indonesian faculty as facilitator in such partnerships. In table 2 the main results are listed grouped per project component.

Training and Education

Divided over two batches, a total of 35 Master students followed the specialization 'Sustainable Business Development'. Nine training of trainers' workshops for IPB faculty have been given by MsM faculty, and a total of six weeks co-delivery of teaching. One year after graduation of the first batch (15 students), their labour position is looking promising. Five alumni are now working in various sectors such as owning and running a consultancy company, a bank, the electricity sector, and a poultry business. The remainder 10 alumni already had jobs before entering the program (executive students) and most of them are still in their old jobs and positions except one who moved to a different job that is directly in line with the Sustainable Business Development specialization (Indonesia Horti Chain Center).

Table 2. Main Results of RTI Grouped per Project Component

| | |
|------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Training and education | <ul style="list-style-type: none"> • Training of IPB faculty on research methods, partnerships, value chain analysis, CSR, competitiveness • 35 Master students graduated at IPB with MsM certificate • New curriculum developed, integrated as compulsory elements of new private funded Master program at IPB • Importance of educating Sustainable Business promoted among Indonesian MBA providers |
| Researching value chains | <ul style="list-style-type: none"> • 35 value chains analyzed by students, 5 further researched by IPB faculty • Special Edition (June 2012) of the Journal of Management and Agribusiness on Sustainable Business Development • Paper prepared for Indonesian Journal (selected from students' research) • Papers included in the Proceeding of the RTI International Conference on Sustainable Business Competitiveness in Indonesian Agribusiness • Poster Presentation at International Conference |
| Stimulating partnerships through Roundtable meetings | <ul style="list-style-type: none"> • 8 meetings organized with a total of more than 250 participants • 2 sector - specific partnership platforms set-up |
| Pilot Projects | <ul style="list-style-type: none"> • 5 projects implemented, for the results see boxes 1 - 5 • Opportunities identified for linking with Netherlands business partners |

Whilst the specialization is part of the elective curriculum of a Master program, IPB decided to – besides continuation of this specialization – integrate the courses within the compulsory curriculum of a new E-MBA. This program, which started with a first batch of 30 students in 2012, is fully private funded and is targeting Indonesian students that do not live in the proximity of Bogor, West-Java.

One may conclude that introduction of the topics and approach of Sustainable Business Development was timely and resonated with social and economical developments in Indonesia. IPB has actively promoted the topics and approach amongst the Indonesian

providers of MBA education and government: the 2010 annual conference of IPB-MB was about sustainable business competitiveness, and in December 2011, the approach was advocated at an annual seminar of the Indonesian Association of MBA in Jakarta. Late 2010, around 20 government officials from several ministries participated in a workshop that explained the value added of the Roundtable approach for improving Indonesian agricultural competitiveness.

Researching Value Chains

The value chain analyses as performed by the Master students mapped the five commodities (poultry, palm oil, shrimps, mangosteen, and sustainable tourism). Investment opportunities were identified as well as challenges to be addressed through business strategies and government policies. The foreseen aim of these business strategies is to improve commodities competitiveness by value chain upgrading. For instance, in production and handling processes, it became clear that strategies should address the issue of adoption by farmers of global sustainability and traceability standards. In parallel, strategies should be focusing on customer satisfaction of consuming green or sustainable products.

Regarding government policies, a variety of problems and gaps have been identified that occur in each of the studied commodities of relevance for policy formulation and implementation. Overall, the analyses showed a growing partition between national and global economic activities, an unequal income distribution, and provided causal explanations for agricultural competitiveness.

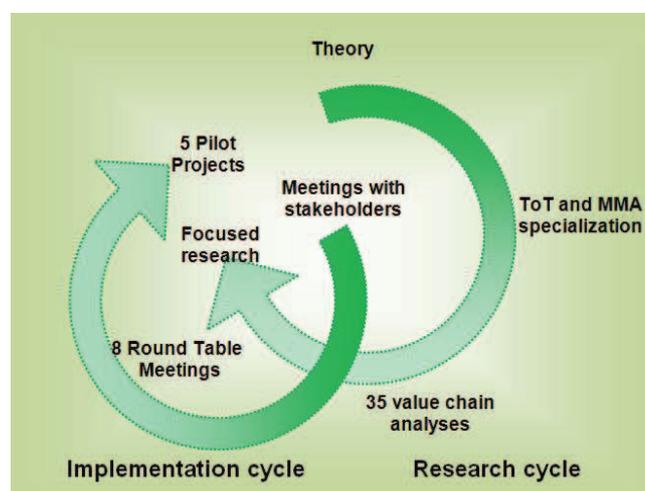


Figure 2. Positioning of the Project Results within the Model of the Round Table Approach

Stimulating partnerships through Roundtable meetings
 In the original project outline (written in 2008), only one Roundtable meeting was foreseen per sub-sector. This appeared to be far too little. Bringing together government officials, corporate industry, farmer associations and civil society in one room to explore together options for improving the sustainability and competitiveness of a specific sector or chain was still a rather new phenomenon in Indonesia. Hence, thorough preparation by IPB (data collection and bilateral meetings) was required as well as two to three Roundtable meetings to build relations and create trust among the stakeholders.

At the end of most of the Roundtable meetings, the participants were asked to fill-out an evaluative questionnaire. Answers from 113 respondents were received (out of the 230 participants).

The results underline that limited cooperation among chain actors is indeed considered as a prime concern that restrains economic development: 45% of the respondents mentioned it as the main bottleneck (see figure 3).

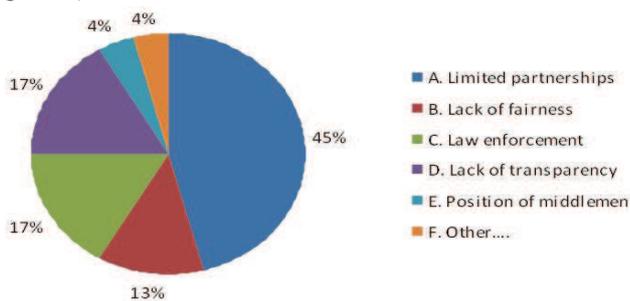


Figure 3. Main Bottlenecks in the Chain, According to 86 Participants of 4 Roundtable Meetings.

A vast majority of 73% of the same people indicated that the meetings had helped them to become more positive towards cooperation with other chain actors. A small number of people has apparently been disappointed and are hardly willing to cooperate (see figure 4).

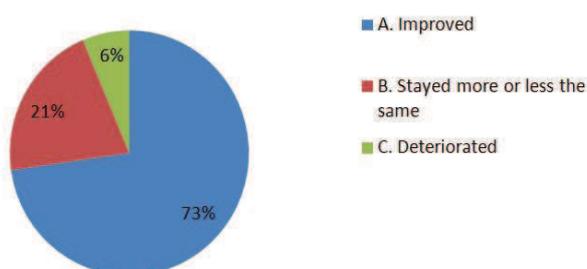


Figure 4. Change of Willingness to Cooperate with Other Stakeholders Measured at The End of the Roundtable Meeting, According to 110 Participants of 6 Roundtable Meetings

This positive picture is further translated in a strong support of the participants in the outcomes of the meetings with 78% (very) satisfied with the steps identified for follow-up action (see figure 5).

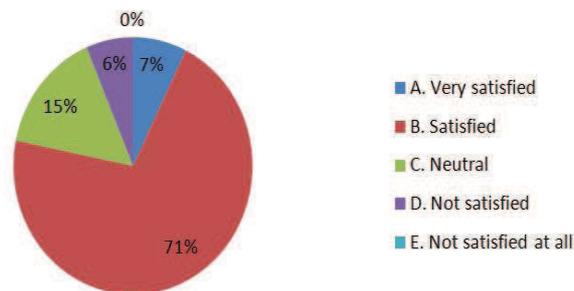


Figure 5. Level of satisfaction on Steps Identified for Follow-up of the Roundtable Meetings, According to 110 Participants of 6 Roundtable Meetings

The figures do not give evidence of differences between the five economic sub-sectors. Three examples:

In the case of the palm oil sector in Pekanbaru, major economic interests were at stake with one dominant state-owned enterprise, PTPN 5. As independent facilitator, IPB managed to get all actors around the table with the exception of PTPN 5 because of sensitivities in the relation with one farmer association. A parallel, bilateral, informal process was needed to take these sensitivities seriously. A solution was found by widening the group of farmer representatives and by shifting institutional representation towards participation on personal capacity in multi-stakeholder meetings.

BOX 1: Towards an Alternative Oil Palm Replanting scheme in Pekanbaru, Riau

A Round Table Indonesia study showed that implementation of the replanting scheme of palm oil in Pekanbaru, Riau, is facing a serious legal problem of ownership: The banks are asking for formal certificates as collateral, whilst many certificates have been transferred without any transfer of land ownership (sale and purchase under the table) or certificates have been pledged to third parties.

All alternatives need good cooperation among those stakeholders that can help clarifying land ownership issues so that the bank can disburse loans which have been provided by the government for the replanting scheme. In case of informally traded certificates, judiciary or legal action will be needed for the National Land Agency to issue new, authorized certificates.

The costs incurred in this process are to be charged to farmers with the calculation of a payback period and a reasonable interest. From the study it appears that the implementation of the replanting scheme requires data collection and meticulous planning, mainly dealing with issues of land ownership.

Many growers appeared not to fully understand the terms and conditions of the governmental replanting scheme. It is therefore important to formulate and agree upon a socialization and communication action plan.

Within the project, a multi-actor taskforce was set up. It is recommended to organize this on district level, because different districts will have different problems with different actors involved, and different social cultural relationships among stakeholders. Especially the involvement of the District Government is necessary to solve legal issues. Further, growers' cooperatives should be a major player in the taskforce, because they are crucial in both the issue of land certificate as well as the socialization.

The mangosteen sector is still a young, scattered agribusiness sector in which many stakeholders are not yet well organized and developments towards export are just starting. A dominant lead firm does not exist. The support offered by Round Table Indonesia through thorough analyses and facilitation of meetings was new and helped the chain actors to think more widely.

BOX 2: Piloting best practices in Handling of Mangosteen Post Harvest

Mangosteen has been so far the commodity with the highest financial value among Indonesian fruit export commodities. The major mangosteen export markets out of Indonesia have been to the Asian countries such as China, Hongkong, and Singapore. One alternative to gain higher value of mangosteen export could be by exporting to European countries which requires the application of Global GAP standards. However, the current handling practices by mangosteen farmers must improve to meet the requirements.

The project has developed a manual on Good Handling Practices taking into consideration the Global GAP requirements. Harvesting has been observed at various maturity indexes from index 0 to index 6 based on less than 100 days after anthesis to about 113 days after anthesis.

Further steps of Good Handling Practices include transportation from farm to the next station, cleaning and trimming, grading, packaging, and transportation to the exporter. A pilot project to test the manual will be carried out at the mangosteen farmer group at Wanayasa, Purwakarta, West Java in the coming harvest season between July-August, 2012.

The shrimp sector in East-Java is a vested, big industry, well organized as an important economic cluster. Competition however is tough and many relations between different actors are characterized by mistrust. Faculty of IPB has put effort in collecting field data, identifying main issues that were hampering value chain upgrading, and managed to come to an agreement for joint action towards a more sustainable aquaculture between government, small scale pond holders, middlemen, as well as the processors and exporters.

BOX 3: Kampung Vannamei: establishing Good Aquaculture Practices for Sustainable Shrimp Business

The project has developed a manual on Good Aquaculture Practices taking into consideration the Global GAP requirements. The project found that there are two types of so-called 'close circuit clusters' in the shrimp farming in Kampung Vannamei: (1) a pond close circuit that develops an adjacent cluster, and (2) a pond close circuit with clusters growing apart. Both types of shrimp farming have implemented a good standard through standard operating procedures developed by PT. CP Prima, Tbk.

The manual on bio security and traceability is based on common practice adopted by PT. CP Prima in Kampung Vannamei. Implementation of the various patterns of cultivation tailored to the natural conditions and environment is not included to avoid differences in understanding. In practice, successful aquaculture needs a facilitator. Up to now, the necessary skilled human resources to assist farmers is practiced by PT. CP Prima.

The main lessons learned are to support sustainable business in shrimp aquaculture by continuous improvement of bio security and traceability which require the involvement of various parties in the shrimp industry cluster.

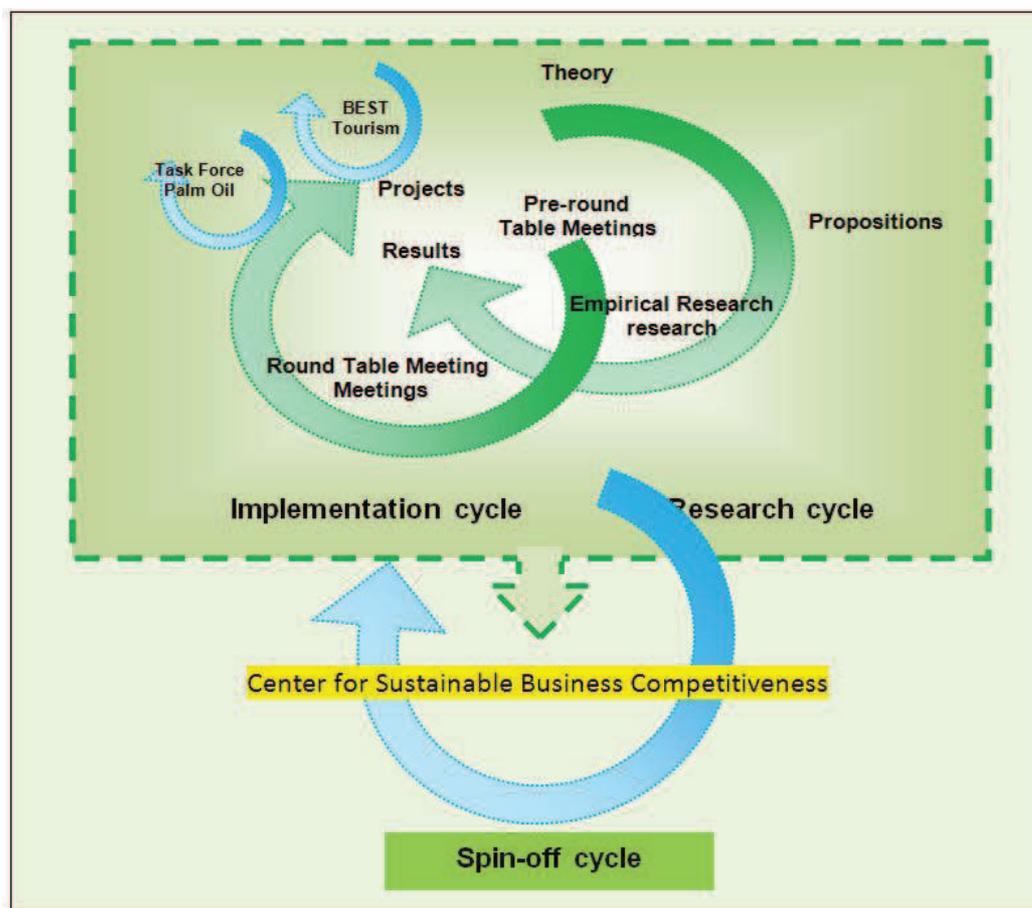


Figure 6. Institutionalization of partnerships in Round Table Indonesia

International Partnering

During a visit to the Netherlands of a delegation of businessmen from the Indonesian shrimp, poultry and mangosteen sector in April 2011, the possibilities of strengthening international business relations were explored. This resulted in strengthening of ties with European importers - in particular for the shrimp sector - and in a better understanding of food safety regulations that one has to meet in order to be allowed to import in the European Union.

Value Chain Upgrading

Stimulating pro-poor economic activities within the Indonesian agricultural sector has been the ultimate drive for Round Table Indonesia. This is reflected in all the five projects in which the improvement of the economic situation of small holders or small and medium enterprises is pertinent. In the poultry sector, an improved contract farming model is developed with equity principles; in the multi-stakeholder platform as set up on tourism in the Bogor region, small and medium enterprises play a pivotal role; the Kampung Vannemai (shrimp) is aiming at improvement of the situation of communities with holders of 1 or 2 ponds, the palm oil

replanting strategy in Pekanbaru is to safeguard the business of the smaller farmers, and the formulation of Good Handling Practices of the mangosteen production is crucial for opening markets.

INSTITUTIONALIZATION OF PARTNERSHIPS

Beyond the outputs as listed above, Round Table Indonesia has resulted in institutionalization of several partnerships, two on the level of a specific sub-sector, and one partnership between academic, government and private sector (see figure 6).

Sub-sector Partnership Platforms

In two of the five analyzed sub-sectors, multi sector partnership platforms have been set-up, however with mixed results.

Palm Oil Taskforce in Pekanbaru

During the first Roundtable meeting in Pekanbaru (Sumatra) about the replanting of palm oil, the participants created a taskforce comprising out of all stakeholders with the aim to agree upon a strategy

and support the implementation. This taskforce was facilitated by IPB, and budget was made available for meetings (including travel costs). Besides knowledge partners, represented by IPB and the Agricultural Agency in Riau Province, the bank and farmers associations were involved. The position of the taskforce was however weakened because the dominant state-owned enterprise, PTPN5, was reluctant to participate. A parallel, bilateral, informal process was needed to take these sensitivities seriously. A solution was found by widening the group of farmer representatives and by shifting institutional representation towards participation in multi-stakeholder meetings on personal capacity.

BEST: Bogor Eco-and Sustainable Tourism Society

Round Table Indonesia had been successfully endorsing the establishment of the Bogor Eco- and Sustainable Tourism Society (BEST). BEST is a good example of a multi-stakeholder platform: around 20 businesses, the three relevant governmental organizations (federal, regional and local) and a dozen non-government organizations agreed to join forces for more sustainable tourism in the Puncak region of Bogor. This fragile mountainous region is extremely popular resulting in too high a pressure on natural resources and infrastructure. The absence of good waste management is a big problem. The project helped to bring actors together, facilitated meetings, and supported in formalizing the organization. Eight students have researched different aspects of the tourism sector in the region. BEST has the potential to become an important player and can be considered as a test ground for true partnership in Indonesia.

Centre of Sustainable Business Competitiveness

Beyond the already mentioned educational sustainability, institutional sustainability of Round Table Indonesia will be through a new Centre of Sustainable Business Competitiveness, hosted at the Management Program of IPB (IPB-MB). The governance structure is reflecting the partnership approach, with an Advisory Board representing the Indonesian government, agribusiness, and academia (MsM and IPB).

It will be positioned as a centre focusing on the relation between business, public sector, and academia with the mission to enhance the ability of the private and public sector in Indonesia to respond proactively, innovatively and exceptionally to global market challenges.

The new center is a working group of experts, committed to bringing different (international) partners together to work towards concrete sustainable economic development in the Indonesian agricultural sector from a business perspective, based on a value chain and cluster approach.

LESSONS LEARNED

The work over the period 2009 – 2012 with the results as outlined above leads to a variety of lessons learned. These lessons are clustered around aspects related to i) Indonesian agribusiness competitiveness, ii) the partnership process, iii) the role of academia, and iv) project management.

1. Indonesian Agribusiness Competitiveness

Lack of Trust Among Chain Actors

Most of Indonesian agribusiness being studied involves many smallholders in the value chain. Partnership with big actors in the chain is often unavoidable to overcome their limitations in either access to finance or market. Big actors are also in need of the smallholders to supply their raw materials or just to reduce their overhead costs. Despite their mutual needs in the chain, however, lack of discipline from both parties in meeting the agreed terms and conditions of partnership often lead to an unhealthy environment for a partnership to run sustainably. Once the trust is broken, it is not easy to bring back all parties to work together to improve the condition of the whole chain. This is one of the biggest challenges to improve agribusiness competitiveness.

Importance of Middlemen

The studies and Round Table meetings indicated the important role of middlemen. The middlemen place themselves as business actors but most of their activities are informal. Their wide range of informal activities support the competitiveness of the commodities. Middlemen are important for small holders because many small holders have no access to finance and operate often in isolation. The lack of cooperation among stakeholders is an opportunity for middlemen to become an un-formalized but serious member of the chain, giving farmers access to finance and a market. Their creativity, risk taking ability, and entrepreneurial skills are determinant factor of economic growth in the sectors which must be acknowledged in strategic planning of national competitiveness. It is also important to involve middlemen in policy making

activities as representatives of non-formalized, non-organized actors in the chain.

2. Partnership Process

The approach of Round Table Indonesia had certain elements that made it a novelty for the academic and business context in Indonesia.

Focused and Longer-Term Dialogue

In many Indonesian settings, coming together to talk and to eat is important. People join and leave after a meeting of two to three hours. However, decisions may not be taken, and follow-up may be dependent on actions by individuals. This non-transparent process is hampering true partnership and joined decision taking and –ownership. For this reason, Round Table Indonesia has learned that meetings need focus (research results) and that several meetings are needed to unravel the boundaries between stakeholders and building trust.

Diversity of Actors

The involvement of the right actors is a tedious work and requires dedication, understanding, and time. During the meeting, formats have been used to allow all stakeholders to speak up.

Dealing with Conflicts

In many situations, Indonesians are avoiding conflicts, in particular in meetings in which more people are involved. As a result, people may not speak-up or even prefer not to participate at all. Since overcoming differences is an intrinsic element of partnerships, diplomacy and relation building are vital.

An example is the attempts to form a multi-sector partnership for the replanting strategy of palm oil in Pekanbaru. Beyond the formal meetings, a more direct, personal approach was needed to get one of the key actors on board. Lobbying outside the spotlights by a knowledgeable facilitator is crucial.

Preparation

Round Table meetings need to be developed and prepared in a structured way for which sufficient time is needed.

3. Role of Academia

Independent Facilitator-Initiator

Faculty of IPB performed in a new role as initiator and facilitator of a partnership process. Traditionally, the involvement of the university stops upon delivery of a report. But in this case, a student thesis was the starting point of a structured follow-up process. The experiences of the project demonstrate that university staff can indeed perform such a role because they are seen by the chain stakeholders as an independent player without a stake in chain development. And because they can contribute with an analysis on the basis of various perspectives. Example: an Indonesian government official stated that he also had tried to organize multi-stakeholder meetings, but no one turned-up: he was seen as party of the process .

Quality of Student Work

In most of the cases, the quality of student research (Master level) is not meeting the quality standards needed to start-up a partnership process. In practice, the value chain analyses by students were the starting point for faculty to do further focused research. Budget needs to be available for this applied research. It is however a useful learning process for students to involve them in the organization of Roundtable meetings.

Research Based Process

The importance of applied, academic research is that it has the possibility to incorporate various perspectives. If properly done in this way, and new and sufficient hard data from the “field” will be brought to the table, chain actors will be more willing to engage. In the case of Round Table Indonesia it helped to come to conclusions and strengthened the position of IPB as knowledgeable facilitator.

Focus and Network

Academia should realize that their role remains limited: their core business is in education and research; hence they should focus and be open for partnering with a diversity of stakeholders, like business development support organizations and financiers.

4. Project Management

Practice what You Preach

Round Table Indonesia was characterized by the fact that faculty, senior management and project management practised what they preached. Students were taught the importance of multi-sector partnerships, and the program showed how to do it, involved students in meetings and discussions, and created partnership projects.

Senior Management Support

For a program to run successfully in Indonesia it matters who is inviting and who is attending meetings: the more senior the host, the more willing people are to cooperate. In this respect, it was extremely important for the project operations that senior management of IPB (vice rector level) has been actively involved and committed as of the first day. This helped to leverage internal resources and to open doors.

Business Mind

If one wants to work with business, one needs to act like a businessman, hence be creative, daring, dynamic: entrepreneurial. A strict academic attitude focusing on long-term results will only partially work. In the case of Round Table Indonesia, the main activities were managed and implemented by the Management Program of IPB, being a private-sector oriented institute: in stead of the mainstream university departments, the Management Program is fully reliant on private funding (tuition fees). Contacts with corporate industry were in place and could be used for the project.

Venue

The physical space in which a partnership dialogue takes place has large impact on the well-being of the people and their ability to be creative and act with an open mind. As facilitator you can optimize the space, even if the room was organized by others. The room needs to be quiet and clean with sufficient day light and with a welcoming atmosphere and table setting. In the case of the first meeting in Pekan Baru these conditions were originally not met: a reservation was made for a dark, smoky hotel room without any windows. Intervention by the facilitators led to changing the room to a more spacey, inviting environment which has helped to create a positive atmosphere. The meeting was successful in the sense that people actively engaged in

the dialogue and agreed upon the way forward. It is important to find within the budget restrictions a venue that is special, pulls people away from the ordinary business.

REFERENCES

- Biro Pusat Statistik .2012. *Statistik Indonesia 2011*. Jakarta.
- Boer D and Mudde H. 2010. *Lessons Learned Round Table Africa*. Maastricht: MsM.
- Humphrey J and Hubert S. 2000. Governance and Upgrading : Linking Industrial Cluster and Global Value Chain Research. IDS working Paper 120. Institute of Development Studies.
- Koenders B, 2008. *Speech addressing Round Table Africa Conference*. Maastricht
- United Nations, 2002. Declaration of the International Conference on Development Financing. Monterrey.
- MsM, May. 2012. *Final Report Round Table Africa*. Maastricht: MsM.
- Pfisterer S, et. al. 2008. The Effectiveness of Public Private Partnerships in East African Export-Oriented Horticulture - Review of the WSSD Public-Private Partnership Programme in Tanzania, Kenya, Ethiopia (Zambia and Uganda). Maastricht: Expert Centre for Sustainable Development and Development Cooperation (ECSAD).
- Pfisterer S, Mudde H and van Wijk, J. 2009. *Review of the Trilateral WSSD Partnership Indonesian Point of View. Final Report*. Maastricht: Expert Centre for Sustainable Development and Development Cooperation (ECSAD).
- Pfisterer S, Van Dijk MP and Tulder R. 2009. *Report Effectiveness of the World Summit on Sustainable Development Partnership Programme in East Africa and Southeast Asia*. Maastricht: Expert Centre for Sustainable Development and Development Cooperation (ECSAD).
- Republic of Indonesia. 2008. Presidential Decree Number 28.
- Republic of Indonesia, Ministry of Agriculture. 2010. 2010-2014 Strategic Plan.
- Republic of Indonesia, Ministry of Maritime Affairs and Fisheries.2010. The Blue Revolution Policies.
- USAID. 2012. Amarta II, Agribusiness Market And Support Activity. Website: http://indonesia.usaid.gov/en/USAID/Activity/257/Agribusiness_Market_And_Support_Activity_AMARTA. [19 June 2012]