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“Helping Indonesia to Grow”

AMARTA

Quarterly Report of Project Activities and Achievements

Quarter 2, 2007

January I – March 31, 2007

Administrative Activities

Hiring of Staff

- Mr. Johannes Rudi was hired as Co - IT Manager in January 2007. This position is shared with the CBAIC project to reduce cost of the IT infrastructure. An IT Professional, Mr. Hartono Setiowijoso was hired on March 9, 2007 to assist Mr. Rudi. This position is also shared with the CBAIC project.
- Mr. Denny Rysad was hired as an Industry Value Chain Analyst on March 26, 2007. He will be based in the Jakarta office.
- Ms. Emily Hendrick received approval for a short-term assignment to assist with completion of the First Year Work Plan and other administrative tasks. We have submitted for approval of a long-term position for Ms. Hendrick as a Project Administrator, beginning April 2007.

Identification and Opening of Regional Offices

It was decided in the previous quarter to open regional agribusiness competitiveness centers in Medan, Makassar and Denpasar.

- The Medan office was opened on January 10, 2007. The office space was previously occupied by the SENADA project; AMARTA has taken over the lease and furniture. Mr. Arman Gingting, Medan Agribusiness Trade and Investment Specialist, will be based at the Medan office, along with Ms. Bharaty, Jr. Agribusiness Competitiveness Specialist – Trade and Government Relations. She was a former SENADA employee. Mr. Mohammed Rizal, also a former SENADA employee, was hired as Office Assistant.
- The Denpasar office was opened in February 2007. The office space was previously occupied by the Winrock Cold Chain Project, and AMARTA has received the office furniture and equipment from that project. Mr. Henry Harmon, Senior Industry Advisor will be based at the Denpasar office. Mr. Heru Walojo was hired as ACVS/Food Technology specialist on March 5, 2007; he will also be based at the Denpasar office.
- AMARTA received approval to establish a regional office in Makassar on March 23, 2007. An office space has been identified and the lease has been negotiated, and the office will be opened on April 1, 2007. Two Agribusiness Competitiveness Training Specialists, Hasrun Hafid and Lengkang, were hired in March 2007. They will be based in the Makassar office. In addition, approval has been requested to hire a long-term Senior Commodity Advisor, Simon Badcock, who would also be based at the Makassar office.

Presentation of AMARTA overview to Bappenas

- On March 21 we presented AMARTA organization, work activities and project progress to Bappenas, the National Development Planning Agency of Indonesia. The meeting was hosted by Bapak Seno Aji, Deputy for Economics and co-signature of the AMARTA Government Agreement, and attended by other officials who oversee the AMARTA project for Bappenas. The presentation was well received by Bappenas and no issues were raised on progress to date.

Preparation of the AMARTA Grants Manual

- Preparation of the AMARTA Grants Manual was completed this quarter, and it has been submitted to USAID for approval. We are hoping for a speedy review and approval in order to begin grant support activities in cocoa, coffee, fish, livestock, and horticulture as identified in the value chain assessments, recommendations, and planned interventions reported to stakeholders during national and regional workshops.

Preparation and Submittal of the First Year Work Plan

- DAI/AMARTA submitted a draft work plan to USAID on November 15, 2006. USAID responded with comments on December 13 and requested that the final be completed by January 31, 2007 and include intervention recommendations for all AMARTA value chains. However, AMARTA completed the key value chain assessments by mid-March. It was also decided that the work plan preparation would be strengthened by including feedback by stakeholders from the workshops conducted in Jakarta and Denpasar during March. The final draft of the work plan was complete and

ready for review by USAID by March 31, 2007. The first year work plan includes summaries and recommended interventions for the cocoa, coffee, horticulture, fisheries, livestock, natural rubber, spices (nutmeg), agro forestry, and the biofuels value chains.

- Mr. Rich Magnani was in-country from March 20 to April 2, 2007 to assist with completion of the AMARTA work plan. His Scope of Work also included planning for the Monitoring and Evaluation system and to conduct pro-forma budget realignment.

Performance of Value Chain Assessments

Approval was requested and received for the following consultants to complete value chain assessments (VCA) in this quarter:

Mr. Merle Menegay, Fresh Vegetable Horticulture, January 3 – 31. Assisted by Mr. Wahyu Aris Darmono, local Winrock consultant.

Ms. Anne Ottaway, Coffee, January 12 – 30. Assisted by Dr. Surip Mawardi, local Winrock consultant.

Ms. Merrilene Peramune, Rubber, January 4 – 20. Assisted by Dr. S. Budiman, local Winrock consultant.

Mr. Brian K. Matlick and Simon Badcock, Cocoa, January 12 – 31. Assisted by Dr. John Bako Baon, local Winrock consultant.

Mr. Greg Sullivan, Beef Livestock, January 13 – February 5. Assisted by Dr. Kusuma Diwyanto, local Winrock consultant.

Mr. Henry Winogron, Fresh Fruit Horticulture and Cut Flowers, February 11 – March 3. Assisted by Dr. Made Utama, local Winrock consultant.

Mr. Robert Capstick, Bio-Fuels, February 5 – March 13.

In the previous quarter, assessments for Policy and Macro Issues (Mr. Jim Gingerich, assisted by local consultants/AMARTA project team members Dr. Pantjar Simatupang and Sjaiful Bahri); Retail Produce Distribution (Mr. David Neven assisted by Ahmad Sulaeman, local Winrock consultant); and Aquaculture/Mariculture/Fisheries (Ms. Ingrid Ardjosoediro assisted by Franz Goetz, local Winrock consultant).

Each consultant has submitted a final report detailing the findings of the value chain assessment, including recommendations for AMARTA interventions. These final reports will be delivered to USAID early next quarter.

AVC Assessment Follow Up

- AVC Assessment follow up was conducted for fisheries (Franz Goetz), bio-fuel (Robert Capstick), and coffee (Jeff Gucker).
- Approval has been requested for Ms. Merrilene Peramune to return for a short-term assignment in mid-April to follow-up on the natural rubber value chain assessment conducted in January 2007. Ms. Peramune will identify smallholders to be involved in the

value chain intervention program, and identify institutions and public organizations to participate in the implementation of the rubber value chain intervention plans and activities.

Planning for AVC Interventions

- AMARTA team members Henry Harmon, Robert Capstick, Franz Goetz and Heru Walojo made a field trip to Flores to investigate sites and stakeholders for planned interventions in coffee, aquaculture and bio-fuels.
- Mr. Jim Gingerich was in-country February 26 – March 13 to perform a Regional Agribusiness Competitiveness Alliances consultancy. Mr. Gingerich followed-up on the implementation of the Macroeconomic Assessment report, focusing on the formation of RACAs and identification and prioritization of issues for RACA agendas. At the National Value Chain Assessment workshop he addressed macroeconomic issues and presented findings and recommended interventions. He has also reviewed the AMARTA value chain assessments to identify policy and regulatory issues for discussion with team members to plan appropriate follow-up action and local, provincial and national level.
- A meeting was held with Tom Cochran of PT Karamba on grant support activity for establishment of an enhanced fish fingerling hatchery facility, a boat for delivery of fingerlings and technical assistance to a targeted fishing village, and assistance to a fishing village for grouper production and sales.
- A meeting was held with a Swiss contact on March 9, 2007 to discuss collaboration on intervention activities in Flores and eastern Indonesia for aquaculture, cocoa, coffee, cashew, bio-fuels and horticulture.
- A meeting was held with IFC representatives Ernest Boothe and Graeme Harris on March 21, 2007 to discuss AMARTA's planned interventions in Indonesia, and possible areas of coordination or collaboration with the IFC Livelihoods Program.
- A meeting was held with the Center for Agricultural Policy and Agribusiness Studies (CAPAS) on March 7, 2007 to discuss potential areas of collaboration between CAPAS and AMARTA. Two potential areas of collaboration were identified: Institutional design for linking the smallholders of high value horticulture farms to private financial service providers (PNM and commercial banks) and a framework for linking local agribusiness with research institutions. We have requested that CAPAS submit a brief operation outline of each proposal, and a follow up meeting is scheduled for April 1, 2007. Dr. Ronnie Natawidjaya of CAPAS will deliver a presentation on linking farmers to financial institutions at the AMARTA workshops in Medan and Berastagi in late April 2007 (see National and Regional Conferences for Value Chain Assessments, below).
- Cocoa Training Program: A Memorandum of Understanding (MOU) was signed on February 14, 2007 between P.T. Olam Indonesia, Blommer Chocolate Company and USAID for Implementation of a corporate responsibility program for productivity and quality training of small holder cocoa farmers in Sulawesi. Under the agreement, PT Olam Indonesia, a primary supplier to Blommer Chocolate, will support training of

20,000 farmers, in conjunction with AMARTA. The training program will teach new pest control technologies and best management practices. The training program is projected to improve productivity and quality by about 30% and increase production by 35,000 metric tons per year. Blommer has agreed to purchase the premium quality beans at higher-than-market value, with potential revenue to farmers of US\$52 million over three years.

- AMARTA has requested approval for a short-term assignment for Dr. John Bako Baon to review training materials and conduct Cocoa Value Chain training in South Sulawesi in mid-April. Dr. Bako Baon will provide training to TOT participants in a variety of technical and practical aspects linked with the cocoa farmer training materials, including topics such as 'best practice' cocoa farming techniques, IPM, post-harvest-handling, side-grafting, and quality issues.

National and Regional Conferences for Value Chain Assessments

National and regional level workshops were held to present findings of the value chain assessments and propose and discuss with stakeholders recommended interventions. The national workshop "Agribusiness Value Chains: Assessments Recommendations and Proposed Interventions" was held in Jakarta on March 8, 2007. A total of 91 participants attended, including government officials and members of the private sector. Mr. Rafael Jabba, Cognizant Technical Officer, Economic Growth Office USAID-Indonesia gave the keynote address.

The regional workshop "Agribusiness Value Chains: Assessments Recommendations and Proposed Interventions in Eastern Indonesia" was held in Jimboran, Bali on March 23, 2007. A total of 71 participants attended. Mr. John Pennell, Director, Economic Growth Office USAID-Indonesia gave the keynote address. Mr. Dimiyati, Director General of Horticulture was a featured speaker at both the national conference in Jakarta and the regional workshop in Bali.

Stakeholder feedback was excellent during the workshop break out sessions conducted at each workshop. In addition to the support shown for the planned assistance, additional proposals for additional assistance or modified approaches to our planned assistance were received.

Additional regional workshops to present findings of the value chain assessments are planned for the next quarter. A workshop will be held in Medan on April 19, 2007, entitled "Agribusiness Value Chains: Assessments, Recommendations, and Proposed Interventions in Sumatera." Another workshop is planned to be held in Berastagi, North Sumatera, on April 18, 2007, entitled "Dialogue of Horticulture Agribusiness Development in Karo Regency."

Attendance at USAID Value Chain Workshop in Cambodia

Mr. David Anderson, Mr. Yadi Suriadinata and Mr. Sjaiful Bahri (Asep) attend the USAID "Value Chain Workshop" in Phnom Penh, Cambodia from March 12 to 16, 2007. The

conference presentations included Project Design (Project Design Cycle Value Chain Selection, Value Chain Analysis, and Designing for Competitiveness); Project Implementation (Vertical Linkages and Working with Lead Firms, Moving from Win/lose to Win/win Relationships, and Horizontal Linkages, Information and Communication Technology, Value Chain Finance, and Business and Enabling Environment); and Project Evaluation (Evaluating Project Impacts and Outcomes). AMARTA participants attended the field trip to a pig farm to observe the swine raising value chain.

Attendance at Fair Trade Association of Australia and New Zealand (FTAANZ) Conference

AMARTA team members David Anderson, Rich Magnani, Pantjar Simatupang, Sjaiful Bahri (Asep), Jeff Gucker, Arman Ginting and Emily Hendrick attended the FTAANZ “Linking Asia-Pacific Producers with Fair Trade Markets in Australia and New Zealand” from March 25 to 27, 2007. The team members participated in break out sessions and learned more about the current state of fair trade in Indonesia and the region and ongoing efforts to increase fair trade and organic production in Indonesia, as well as meet some of the actors in the fair trade and organic network including NGOs, producers, and certification managers.