

Public-Private Development Partnerships in commodity sectors: a case study from Indonesia

Sustainable Cocoa Production Program Case Study Series: No. 1

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CONTENTS

EXECUTIVE SUMMARY	3
INTRODUCTION.....	5
PARTNERSHIP STAGE 1: EXPANDING TO MEET A GROWING SUPPLY GAP.....	9
Sector context.....	9
Rationale for the Partnership	11
Partnership modalities	12
Initial approach.....	13
Outcomes.....	15
PARTNERSHIP STAGE 2: CONSOLIDATING TO BUILD RESILIENCE AND COMPETITIVENESS	17
Sector context.....	17
Revised approach	17
Outcomes.....	21
LESSONS	25
REFERENCES.....	28

EXECUTIVE SUMMARY

Public-private development partnerships (PPDPs) promise a mechanism for addressing the complex and pervasive challenges framed by the Sustainable Development Goals. As multi-stakeholder platforms, they facilitate development and business actors to formulate collective goals that contribute to both commercial and development outcomes, and translate these into coordinated strategies and actions, combining resources and harnessing complementary competencies.

Turning this promise into effective action is not straightforward. Many PPDPs tend to focus on collective processes rather than achieving tangible changes and measurable results in terms of overcoming specific sectoral constraints or unlocking new opportunities.

This case study examines the experience of a PPDP in Indonesia's cocoa sector over nearly two decades, how the partnership evolved as the sector changed, and its contribution to transforming Indonesia's cocoa industry as it faced global and domestic challenges. Seven development organisations and eleven private cocoa buyers contributed approximately USD 55m to the PPDP – the Partnership – making it one of the largest partnerships between donors and businesses in a commodity sector. The Partnership focused on improving production and building sustainable supply chains. Key features of the partnership were its clarity of purpose, ownership by key stakeholders and the involvement of a 'lynchpin' funder, SECO, and implementing organisation, Swisscontact, throughout, which provided continuity and stability.

The Partnership provided a platform for stakeholders to establish and strengthen four key market functions: farmer training, traceability, planting material, and finance. It trained 160,000 farmers, enabled the integration of 79,000 cocoa farmers into sustainable, certified supply chains, generating USD 927,000 of certification premiums, and increased smallholder yields by 52% and raised their incomes by 75%. These tangible results demonstrated that the model of training plus certification plus traceability promoted by the Partnership could upgrade conventional cocoa supply chains to traceable, certified supply chains. In turn, this triggered sector-wide changes that indicate growing sector maturity:

- Investment in farmer training as a core business function, not a Corporate Social Responsibility (CSR). Cocoa firms have integrated farmer support into the core commercial functions of their procurement or sourcing departments, as opposed to running them separately under sustainability or CSR departments.
- Cocoa sector stakeholders are developing their own training programmes based on the content developed under the Partnership, including cocoa firms and the Ministry of Agriculture.
- Traceability services developed under the Partnership are now being offered commercially to various clients in cocoa, palm oil, coffee, coconut, and rubber sectors in more than 15 countries. Other firms have developed their own, in-house traceability platform and established or expanded their field teams.

The Partnership has helped Indonesia establish itself as a sustainable cocoa-producing origin. The sector is markedly different from a decade ago and is becoming more resilient, in the face of strong headwinds. Innovations have taken hold, businesses continue to invest, and the sector platform has stepped up its advocacy to garner support from the Government of Indonesia.

The Partnership's experience highlights several lessons that are more widely applicable to agricultural development initiatives. These relate to:

Analysis and approach to promoting more inclusive, sustainable and competitive supply chains

- Understand how incentives, feasibility and sensitivity affect behaviour change
- Direct delivery can be a valid tactic, but it must be guided by a vision for sustainability

Convening business and development actors

- Anticipate and manage conflicting developmental and business interests
- Foster consensus and manage tensions between competing firms

Operation and administration of public-private development partnerships

- Provide operational stability as a basis for expansion and experimentation
- Build adaptability to changing conditions into contracts and partnership agreements
- Ensure administration system can cope with donor requirements and business pragmatism

Cooperation and collaboration continues in the sector, focusing on better understanding the livelihood patterns and farming landscape of smallholders, the continued uptake of traceability and of innovations such as FarmNetX and Transformative Coaching, and joint policy positioning and representation to government.

Acknowledgements

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INTRODUCTION

Public-private development partnerships (PPDPs) are multi-stakeholder platforms intended to facilitate collaboration between development and business actors to achieve joint objectives that no single actor could achieve acting individually. PPDPs enable development organisations and businesses to formulate collective goals that contribute to both commercial and development outcomes, and then translate these into coordinated strategies and actions. In principle, PPDPs can achieve greater impact by combining complementary competencies and coordinating actions to focus resources to avoid duplication or conflict. By performing a convening function PPDPs allow partners to communicate, plan and manage activities more efficiently than would be the case through a series of one-to-one collaborations. Some PPDPs – through their implementing organisations or managers – provide additional functions required by the partners, such as conducting assessments, implementing pilot activities, and measuring the results of joint efforts.

In 2017, the Donor Committee for Enterprise Development (DCED)¹ reviewed 29 multi-stakeholder platforms and found that the majority focused on strategic alliances, knowledge sharing, advocacy, and standard setting rather than addressing specific sectoral constraints that hindered the achievement of joint objectives. The review concluded that there was little robust evidence about the effectiveness of such platforms. Achievements reported tended to relate to activities and processes and not tangible behaviour changes in market actors or measurable results relating to joint goals.

This case study examines a PPDP in Indonesia’s cocoa sector, how the partnership evolved as the sector changed over nearly two decades, and its contribution to transforming Indonesia’s cocoa industry as it faced global challenges. The case study focuses on two stages of the partnership (see Table 1), an expansion stage from 2012-18 and a consolidation stage from 2018 until the time of writing (see Figure 1). The case study distils lessons that are applicable to initiatives focused on promoting competitive, sustainable commodity sectors and for setting up and managing PPDPs.

Table 1 Key differences between the first and second stage of the Partnership

	Partnership stage 1	Partnership stage 2
Sector context	<ul style="list-style-type: none"> Global cocoa demand was increasing, but supply was constrained, leading to increasing shortages. Domestic cocoa yields and quality were deteriorating. Supply chains were not traceable or compliant with sustainability standards. Underlying cause was farmers’ lack of knowledge in GAP. Farmers’ incentives to produce more cocoa beans were strong. 	<ul style="list-style-type: none"> Bumper harvests in West Africa created huge supply surpluses, depressing global prices to the lowest level since 2007. Farmers reduced investments in cocoa and switched to more lucrative crops. GAP adoption rate and yields stagnated. Underlying cause was farmers’ lack of incentive to focus on cocoa farming, particularly for those that had low yields.
Sector strategy	<ul style="list-style-type: none"> Supply chain expansion: Engage as many farmers as possible, increase their yields, and certify them. 	<ul style="list-style-type: none"> Supply chain consolidation: Focusing on fewer but higher potential farmers and traders to enhance supply efficiency and reliability.
Approach	<ul style="list-style-type: none"> Farmer-centric approach. Swisscontact delivered large-scale training and traceability services A temporary measure to catalyse change in the sector by demonstrating the benefits of the services. 	<ul style="list-style-type: none"> Industry-centric approach. Swisscontact facilitated sector stakeholders (e.g. cocoa buyers and service providers) to adopt and perform new functions in a more efficient, effective and sustainable way. Introducing new tools for companies to engage and support farmers

¹ DCED (2017)

	Partnership stage 1	Partnership stage 2
Sustain-ability vision	<ul style="list-style-type: none"> • Creating critical mass among cocoa farmers to encourage copying among farmers that were not trained directly. • Crowding in service providers that would take over the provision of services delivered by the MSP. 	<ul style="list-style-type: none"> • Establishing commercially feasible service models whose costs of delivery could be covered by margins in the supply chain or by revenues from fees, independent of donor support, and able to grow in response to increasing demands.

Background

The origins of public-private development partnership in Indonesia's cocoa sector date back to 2000 and the need to address the threat of the Cocoa Pod Borer (CPB) pest. Several notable initiatives and innovations provided the foundations for effective public-private partnership in the sector. A feature of all these initiatives and innovations was development organisations working in partnership with the private sector and government to address key issues in the sector. Over time, many different development, government, and business organisations were involved.

SUCCESS² – technical solutions to cocoa problems. Funded by USDA and USAID from 2000-2005, Sustainable Cocoa Enterprise Solutions for Smallholders, in conjunction with the UK and US chocolate industry, developed Farmer Field School (FFS) method centred around the cultural practices of PsPSP method (*Panen sering, Pemangkasan, Sanitasi, Pemupukan* or frequent harvesting, pruning, sanitation of cocoa pod husks, and fertiliser usage) to combat CPB and other pests.

AMARTA I & II³ – focused partnership with business. Funded by USAID from 2007-2013, the Agribusiness Market and Support Activity continued the SUCCESS model of funding a core partnership with the private sector but expanded to include post-harvest processing and fermentation in addition to CPB control. AMARTA was exclusive in its approach, partnering with one major cocoa buyer for most of its duration.

LED NTT⁴ – cocoa sector technical knowledge and farmer training expertise. Swisscontact's engagement in Indonesia's cocoa sector started with the self-funded Local Economic Development project in East Nusa Tenggara (NTT) province, one of Indonesia's poorest regions. From 2004-2012 LED NTT supported farmers to control pests and diseases that were plaguing the sector, halving cocoa production. The approach of the project was twofold: (a) organising farmers into groups to encourage farmer-to-farmer learning on how to manage their cocoa plots, and (b) training farmers on good farming practices (soil conservation, sanitation, pruning, pest and disease control, and fertiliser) to increase productivity and post-harvest practices to improve quality.

SPAN⁵ – learning lessons about the limitations of cooperatives and farmer groups and the importance of 'demand pull'. The Swiss Project for Business Recovery in Aceh and North Sumatra was a post-tsunami economic recovery project funded by SECO, Swiss Solidarity, and Chevron Foundation between 2005-2009. SPAN supported three cocoa cooperatives in Aceh province, with more than 2,000 smallholder farmers. It assisted the cooperatives with access to finance and setting up internal structures to become direct exporters. Export orders did not materialise, providing an important lesson that co-investment from the private sector to provide 'demand pull' is indispensable to ensure that supply-side interventions lead to increased sales and incomes of smallholders.

² ACDI/VOCA (2005)

³ USAID (2011)

⁴ AIID and SurveyMeter (2015)

⁵ Swisscontact (2010)

PEKA⁶ – building cocoa technical knowledge and testing traceability. *Pengembangan Ekonomi Kakao Aceh* (PEKA), or Cocoa Economic Development in Aceh, was a sub-project of the Economic Development Financing Facility (EDFF), a multi-donor facility led by the World Bank, from 2010-12. It focused on rehabilitating aged cocoa farms, intensifying production, improving production and post-harvest processing, and increasing access to financial services and markets. PEKA built its good agricultural practices (GAP) training curriculum around SUCCESS's methodology. The initial concept of traceability was also developed as part of project monitoring and results measurement.

FAO's FFS⁷ – an experience-based learning method. Farmer Field Schools were originally developed in the late 1980s to train Indonesian rice farmers on Integrated Pest Management (IPM) using experiential learning method, group learning, and multiple meeting sessions spread over the growing season. Core members of FAO's FFS team advised on the design and roll-out of the FFS for CPB control going back to 2000 under the SUCCESS project. That original FFS design for CPB control is still being used.

Mars' CDC – decentralised farmer support model. Cocoa Development Centres were used by PEKA as the basic model for establishing and supporting five District Cocoa Centres in Aceh. Mars' Cocoa Doctor model was also adapted to groom field-level trained individuals who owned nurseries and who could serve as local cocoa resource people.

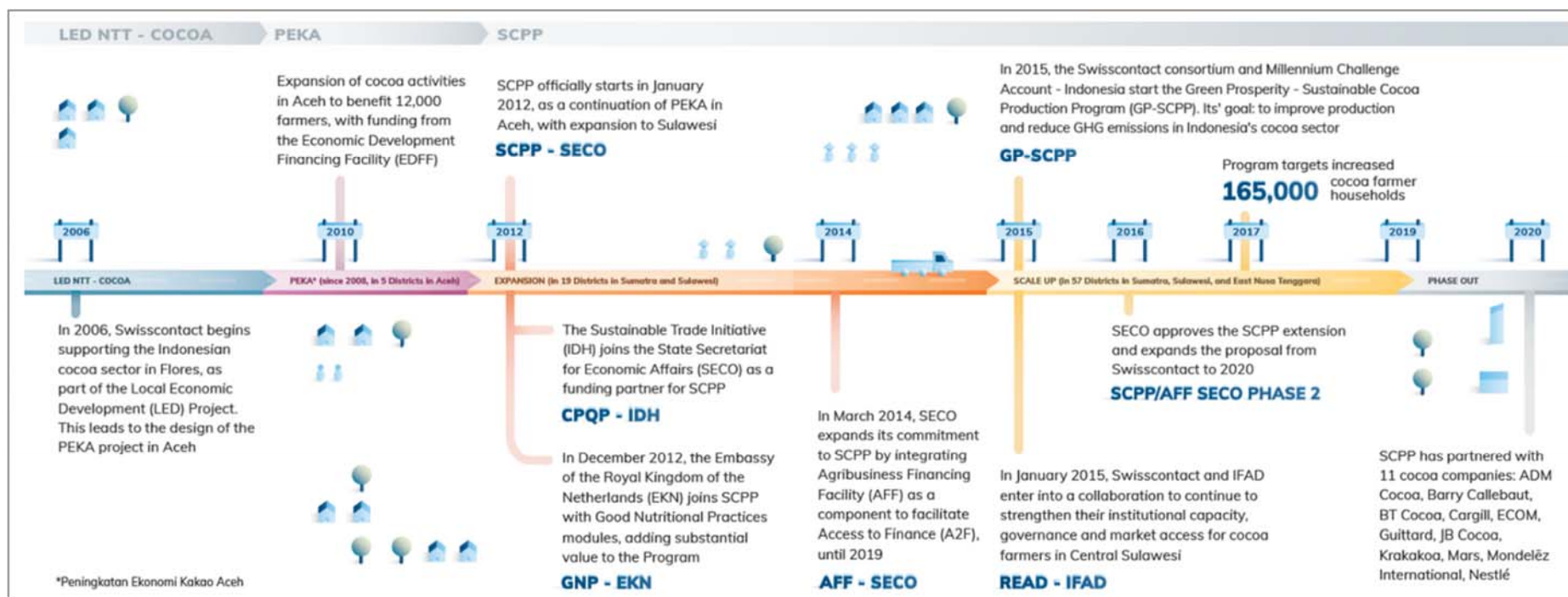
SCPP – building public-private sector partnerships to address sector-wide constraints. The Sustainable Cocoa Production Program built on the momentum of its predecessor initiatives, across a much wider geography and more substantial partnerships. SCPP aimed to increase the income of smallholder cocoa farmers by improving the competitiveness of the cocoa sector. It focused on improving production (i.e. farming good practices and technology transfer), sustainable supply chain (i.e. certification, traceability, supply chain management and market access), and sector-wide collaboration and knowledge sharing. SCPP worked to establish and strengthen four main market functions: farmer training, traceability, planting material, and finance. Implemented by Swisscontact, SCPP managed a total of USD 55m⁸, comprising contributions from seven development organisations (USD 43m) and eleven private cocoa buyers (USD 13m), making it one of the largest partnerships between donors and businesses in the commodity sector. SECO was the lynchpin funder throughout, while MCA financed the programme's expansion.

⁶ Swisscontact (2012)

⁷ FAO (2006)

⁸ The figures included PEKA (Cocoa Economic Development in Aceh, 2010-2012), SCPP's predecessor project.

Figure 1 Timeline of Swisscontact's engagement in Indonesia's cocoa sector (source: Swisscontact)



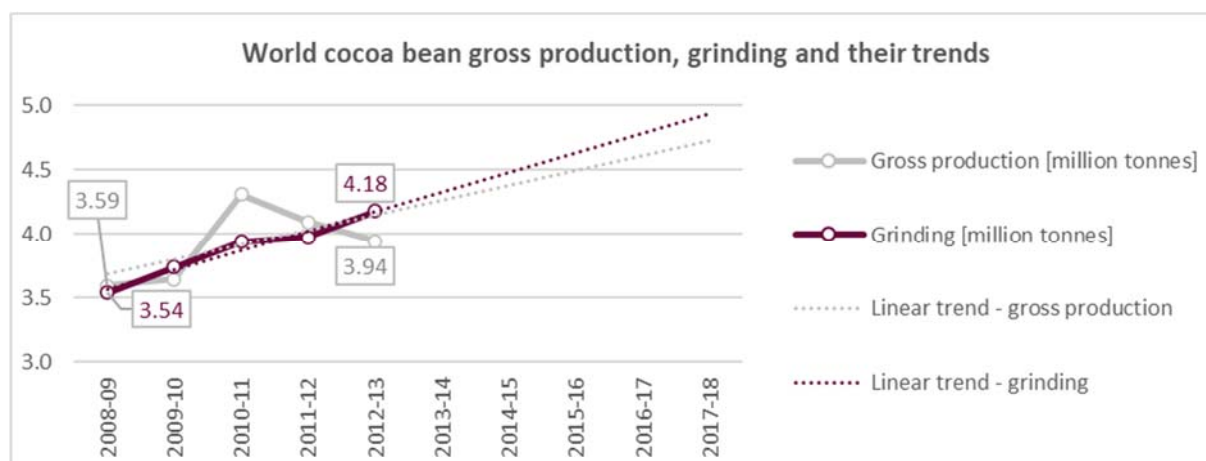
PARTNERSHIP STAGE 1: EXPANDING TO MEET A GROWING SUPPLY GAP

Sector context

A growing gap between supply and demand

The PPDP – the ‘Partnership’ – gained traction in a context of global shortages of cocoa. Between 2008-09 and 2012-13, demand for cocoa, indicated by grinding capacity, had been growing by 4.5% annually, while cocoa supply had only grown by 2.4% per year⁹ (see Figure 2). Projections indicated that the supply-demand gap would continue to widen. In a single year (2012-13), the International Cocoa Organisation (ICCO) recorded a supply deficit equivalent to 4.5% of total global grinding capacity (276,000 tonnes). As a result, total end-of-season stocks fell by 15.1% from 1.82m to 1.55m tonnes and the stock-to-grinding ratio dropped from 46.0% to 37.1%. Alarmed by this bleak outlook, global cocoa firms were under pressure to secure current sources of supply and find new ones to fill the gap.

Figure 2 World cocoa supply and demand (source: ICCO)



In Indonesia, cocoa production was shrinking, after reaching a record high of 560,000 tonnes in 2005-06 or 15% of global cocoa production (see Figure 3). In the first half of the 2000s, Indonesia’s cocoa production had been expanding by 8.0% annually. However, this trend started to reverse in the second half of the 2000s. Between 2005-06 and 2012-13 production declined by 3.9% annually. Indonesia’s share of global production shrank from 15% to 10%. The downward trend persisted throughout the first stage of the Partnership. To meet domestic industry demand, imports of cocoa beans increased sixfold, from 48,000 tonnes in 2012 to 289,000 tonnes in 2018¹⁰. Demand was driven up by a government tax on the export of cocoa beans and a ballooning of domestic processing capacity that exceeded domestic cocoa production. The industry was keen for domestic cocoa production to increase.

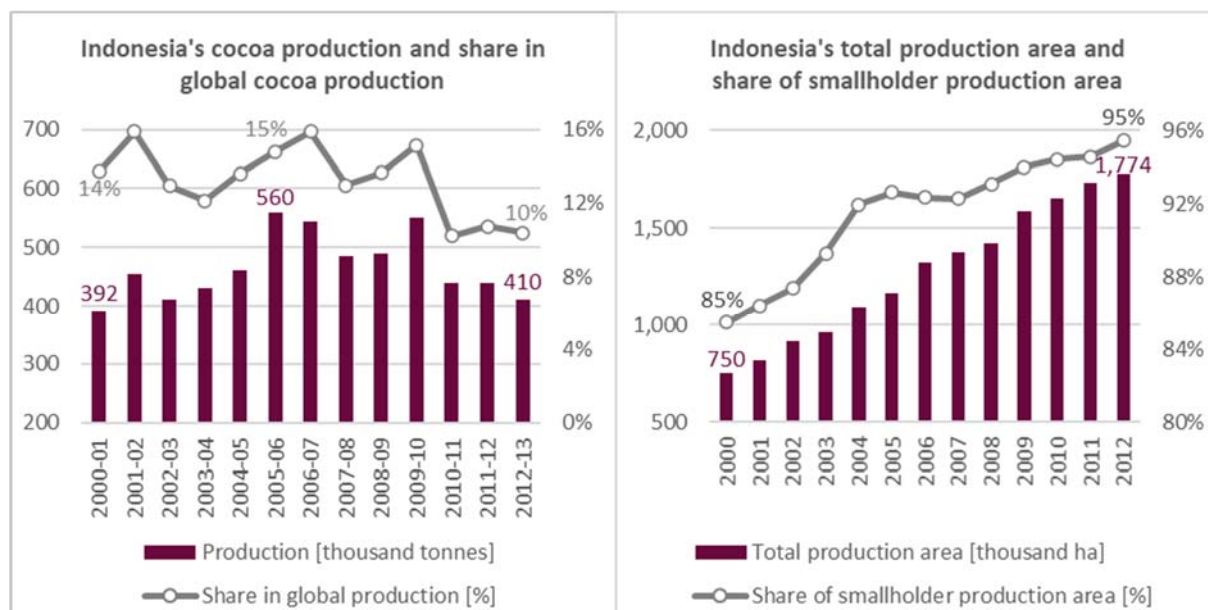
As cocoa production shrank, Indonesia’s area of cocoa cultivation expanded by 6.2% annually (see Figure 3), reaching 1.77m ha in 2012 from 0.75m ha in 2000. The area cultivated by smallholder farmers grew at a higher rate of 7.3% yearly, taking the proportion of production area cultivated by

⁹ ICCO (2015)

¹⁰ BPS (2019)

smallholders from 85% to 95%. These divergent trends signified a problem of declining yields among smallholder cocoa producers.

Figure 3 Indonesia's cocoa production (source: ICCO) and production area (source: Indonesian Statistics Agency)



Deteriorating cocoa yields and quality were caused by aging trees, pests and diseases, and inferior farming practices. Cocoa productivity was 300-400kg/ha¹¹, far below the expected commercially viable level of 1,000kg/ha. Around 15-20% of cocoa trees were unproductive. The average age of cocoa trees was estimated to be over 18 years, surpassing the peak productive period of 8 to 12 years¹². CPB infestation, particularly in Sulawesi, damaged up to 45% of the total harvest¹³. Other key pests and diseases included Vascular-Streak Dieback (VSD) and the fungal disease, black pod. Inadequate farmer knowledge about GAP was identified as the underlying problem.

Investment in upgrading farmer knowledge was limited. Fierce competition between cocoa-buying firms discouraged action to address sector-wide problems. They were reluctant to invest in farmer training because of the free-rider problem and the likelihood of side selling by farmers. Firms hoped that government would provide extension services. Unfortunately, public extension officers had limited understanding of cocoa cultivation and weak incentives to serve the sector, because cocoa, unlike rice, was not a focus commodity for them. A few multinational cocoa buyers and development organisations did have initiatives that focused on supply chain sustainability and responsible sourcing. However, these were small and scattered and had not created tangible changes in the sector.

Growing pressure for sustainable and traceable cocoa

International cocoa firms were facing growing demand for sustainable production, responsible sourcing practices and traceable supply chains. Consumers were not only concerned about the quality of products they consumed, but also that the production of cocoa did not harm the environment or exploit producers in developing countries. Manufacturers needed to provide information about the cocoa they used in food and beverages that could be traced back to the farm

¹¹ Swisscontact (2012). Official statistics were overestimated by 30-60%. For example, in the case of PEKA, the official statistic showed a level of cocoa productivity of 445kg/ha, while the baseline analysis based on primary data 330kg/ha.

¹² JICA (2007)

¹³ ACDI / VOCA (2005)

on which the cocoa was cultivated. Traceability was also vital for food safety: to be able to trace the source of contamination, information was needed on how cocoa beans were cultivated, harvested, handled, and processed and who was involved in the exchange of cocoa beans along the supply chain.

Voluntary sustainability standards (VSS) had been established to help the industry meet sustainability and traceability goals. Notable standard-setting organisations in the cocoa sector were the Rainforest Alliance (RA) and UTZ. These standards provide guidance on key principles and requirements for farmers, suppliers, and processors. Independent audits by authorised certification bodies assure consumers that these standards are met by industry actors. However, these standards were not yet rolled out in Indonesia's cocoa sector.

Implementing traceability and sustainability standards in Indonesia's cocoa sector was a daunting task. Actors in the cocoa supply chain, especially smallholders, did not have the capacity to comply with the standards. Operationalising traceability requires an integrated platform for data recording, management, and reporting, which needs to be accessible to actors across the supply chain. Such a platform did not exist when SCPP started in 2012. The incentives to comply with standards were uncertain. For consumer-facing cocoa firms, the market pressure was evident, but for other actors, the threats and benefits were not well understood. The incentives for farmers and cocoa buyers to raise productivity were not a concern at this stage because of the global supply gap and high price of cocoa.

Rationale for the Partnership

Increasing domestic cocoa production was the underlying motivation of the private sector and development partners. This was difficult to achieve because two key functions were missing in the Indonesian cocoa sector: farmer training and traceability. These functions were needed to enhance farm productivity and access the higher-value sustainability-certified cocoa bean export market. Sustainability standards and certification audit services, on the other hand, already existed and did not require any further intervention.

The businesses in the Partnership did not regard farmer training and a traceability system as their core competence. Developing these functions in-house would require investment of resources and time and was risky because there was no proven model that they could adopt that would guarantee results. Co-investing with donors to deliver farmer training and build and test the traceability system reduced investment and risk to an acceptable level for cocoa buyers.

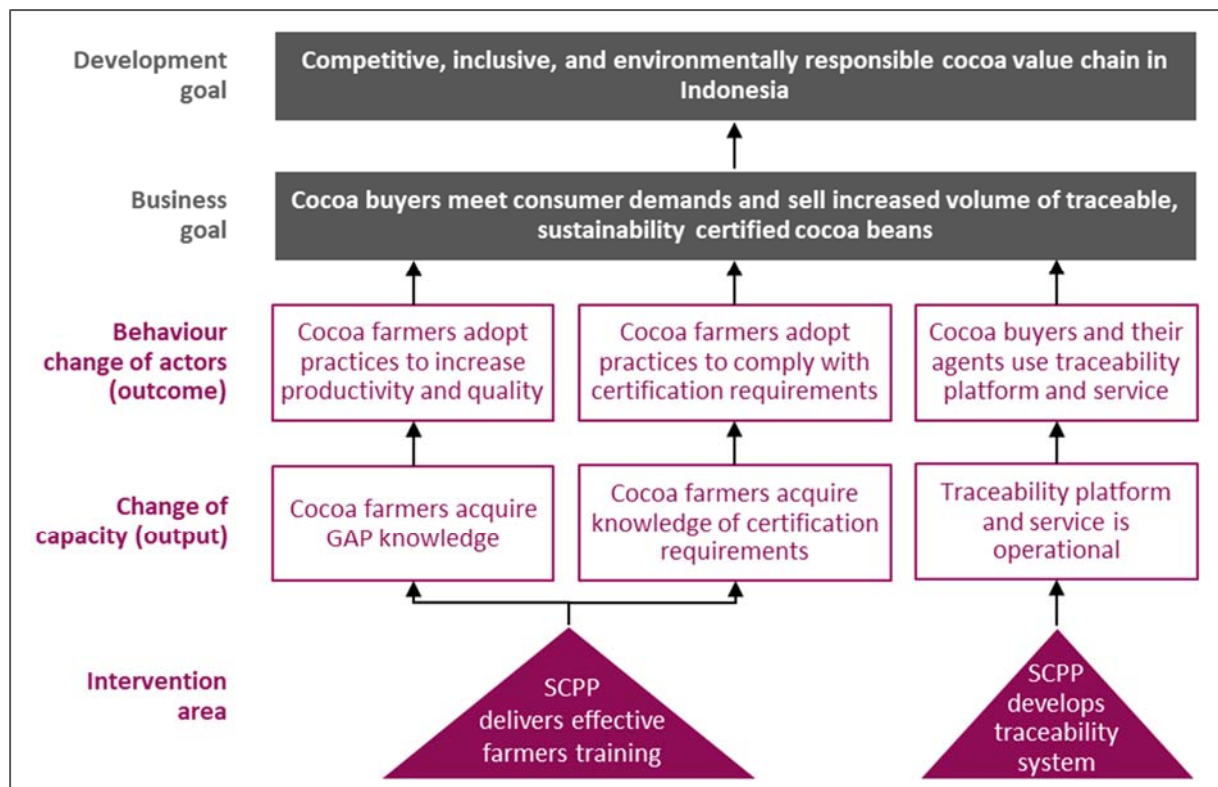
The development organisations in the Partnership wanted to engage with businesses in a structured, efficient way and leverage the capability of the private sector to reach beneficiaries at scale. They also expected that innovations supported by the Partnership would be replicated by businesses to ensure that development outcomes would be sustained.

A key reason for donors and businesses to join the Partnership was Swisscontact's credibility to convene and guide the diverse parties involved, because of its track record in the sector and its technical and logistical capacity:

- Swisscontact was able to provide evidence that its training approach could increase cocoa yield (see Background). PEKA's experience was instrumental: a large-scale survey (1,100 samples) comparing the productivity and income of cocoa farmers before and after PEKA's intervention found that training could improve the average cocoa yield by 124%, from approximately 300kg/ha to 700kg/ha. This appeared to be one solution to prevent the cocoa sector from shrinking further. Scaling up proven models with measurable results was undoubtedly less risky and more efficient than establishing and testing new models from scratch.

- SCPP funding built on a proven training approach and put skilled technical teams on the ground. SCPP was able to deliver large-scale, effective training on different topics and measure and report on the behaviour changes of trainees using CocoaTrace (see Box 1). At its peak, with over 300 staff, SCPP worked in 57 cocoa-producing districts across ten provinces.
- SCPP’s strong presence on the ground offered access to local networks of farmers, village collectors, regional traders, input shops, and other market players. It also allowed establishing and maintaining trustful relationships with local government agencies whose endorsement and support was needed for conducting large-scale training.

Figure 4 Simplified theory change for stage 1 of the Partnership and SCPP support



Partnership modalities

In 2012, SCPP started with SECO funding and a handful of firms. As the programme evolved, other donors and firms joined, bringing in additional developmental and commercial aspects. By the end of the programme, the Partnership had seven development organisations, eleven private cocoa buyers, five implementing partners, three international and two national sector platforms (see Figure 5).

To join the Partnership, cocoa buyers were required to make cash and in-kind contributions. The level of contribution was negotiated with each private partner relative to the number farmers in their supply chains that would be trained by Swisscontact and the volume of certified cocoa beans the trained farmers could deliver. In this regard, the Partnership was transactional in nature and allowed firms to justify investment in the Partnership¹⁴ based on tangible business outputs.

Development organisations involved in the Partnership had different interests. Some emphasised improving the competitiveness and volume of Indonesian cocoa supplies to the global market. Others were more interested in environmental (e.g. reducing GHG emissions, improving carbon sequestration

¹⁴ Private contributions made up around 25% of the total funds managed by SCPP.

and climate-smart practices) and social dimension (e.g. reducing poverty and empowering female and young farmers). Swisscontact had to negotiate with each donor and company to ensure that developmental aspects were balanced with achieving the commercial interests of cocoa firms.

Figure 5 Partnership members



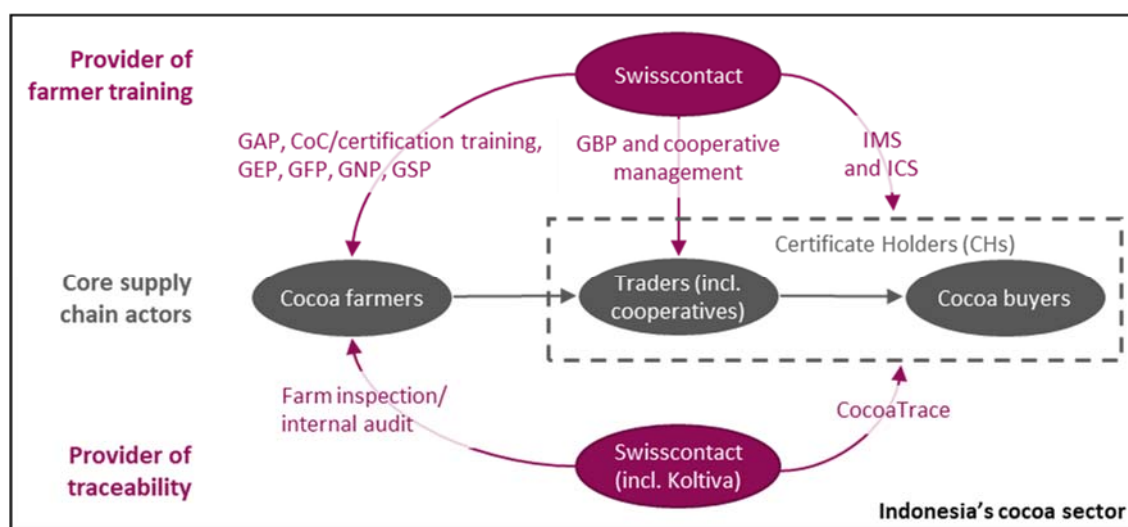
Initial approach

The Partnership envisaged that its outcomes would be sustainable by achieving a critical mass of changed practices, which would crowd in service providers.

- To reach critical mass, the Partnership set a target of training 15-20% (165,000) of cocoa farmers in Indonesia. Lead farmers were also supported to demonstrate the benefits of adopting GAP and participating in certified supply chains to encourage copying by other farmers that did not directly participate in the training.
- As the commercial benefits of farmer training and traceability services became more evident, it was expected that specialised service providers – on the supply side – would emerge and replicate and develop further these services, creating a service market, and – on the demand side – cocoa buyers would continue and expand their use of such services.

Delivering farmer training and traceability services directly to supply chain actors¹⁵ (see Figure 6) was seen as necessary because no market actors were currently providing these services.

Figure 6 Supporting services provided by Swisscontact under SCPP



(1) Farmer training

Initially, farmer training focused exclusively on increasing cocoa yield and quality and certification compliance since the expansion of supply volumes – for certified and non-certified cocoa beans – was the primary goal. SCPP trained government extension workers and the field staff of cocoa buyers to maximise outreach and ensure the capacity to deliver farmer training would remain after the programme ended.

Working with the sector association, Cocoa Sustainability Partnership (CSP), and two international VSS bodies, UTZ and RA, **SCPP harmonised its training curriculum with their certification requirements**, so that Swisscontact could guarantee that its GAP training and Code of Conduct (CoC)/certification training would result in certification. Simplifications were made to ensure that farmers, traders, and certificate holders could comply with the certification control points. Swisscontact also trained cocoa traders on Good Business Practices (GBP) and cooperative management, and certificate holders on Internal Management System (IMS) and Internal Control System (ICS) to ensure they had the capacity to record and administer data related to traceability and certification compliance.

As Swisscontact progressed with these services and began showing convincing results, more donors joined the Partnership and broadened the scope of its farmer training. Training modules were added to cover Good Financial Practices (GFP), Good Environmental Practices (GEP), Good Nutrition Practices (GNP), and Good Social Practices (GSP).

(2) Traceability

Swisscontact found that the combination of a cloud-based traceability platform and farm inspection could generate reliable traceability data down to the farm level. The traceability system, called CocoaTrace (see Box 1), allowed full traceability in the Indonesian cocoa supply chain for the first time. To ensure that the traceability service remained available beyond the life of the programme, Swisscontact engaged a commercial service provider, Koltiva, to build the traceability platform. The platform was used by all supply chain actors to record data and transactions. In preparation for

¹⁵ For further detail on the cocoa sector services supported by SCPP, see Springfield Centre (2021a).

external audits, SCPP staff inspected each actor in the supply chain for compliance and to provide support if any non-compliance was identified.

Box 1 CocoaTrace: Traceability platform and service

The concept of traceability was developed under PEKA and then built upon by SCPP. Before and after farmer training, PEKA recorded the production and yield data of more than 12,000 farmers, assigning each farmer a unique ID. Building on this basic framework, Swisscontact engaged a start-up company, Koltiva, to develop CocoaTrace, a cloud-based data management system accessible through web and mobile applications. Initially, CocoaTrace was used by Swisscontact for monitoring and reporting. Recognising its potential, in 2014, Swisscontact rolled out CocoaTrace as the sector's farm management and traceability platform. To ensure transparency, programme funders, supply chain partners and other stakeholders were given access to collect, edit, and review farmer data according to their needs.

CocoaTrace enabled transparent and traceable cocoa sourcing. Farmers used an ID card with a barcode when selling their certified produce. Buying units scanned the cards, checked farmer profiles, including farm and location data, recorded transactions in the system and printed invoices. The same process applied when beans were sold by farmers or buying units to certificate holders, cooperatives, warehouses, or exporters. The calculation of prices and premiums based on quality happened automatically in the platform. All transactions with a unique ID were available online and could be traced at any time.

CocoaTrace's functionality was improved iteratively in consultation with Swisscontact and Partnership members to fix errors, improve user friendliness and add new features to meet the growing needs of Swisscontact and the partners. Key features of CocoaTrace included cocoa supply data, farmer profile, farm data and polygon mapping, greenhouse gases (GHG) emission reduction, poverty index, and administrative for farmer groups, cooperatives, traders, warehouses, nurseries, and input retailers.

In 2017, Koltiva offered the traceability service on a fully commercial basis. Cocoa firms contracted Koltiva directly. Some firms purchased the full traceability service, comprising CocoaTrace and farm-level inspections; others only purchased CocoaTrace and used their in-house staff to conduct farm inspections.

Outcomes

By 2018, the Partnership had enabled the integration of 79,000 cocoa farmers into sustainable, certified supply chains, generating USD 927,000 of certification premiums, in addition to a yield increase from 422kg/ha (2013) to 647kg/ha (2020). These results demonstrated that the model (training plus certification plus traceability) promoted by the Partnership could upgrade conventional cocoa supply chains to traceable, certified supply chains. Furthermore, the Partnership triggered some sector-wide changes that indicated growing sector maturity:

- **Investment in farmer training as a core business function, not a Corporate Social Responsibility (CSR) or philanthropic activity.** Some cocoa firms have incorporated farmer training into their supply chain investment and management costs, integrating farmer support into the core commercial functions of their procurement or sourcing departments, as opposed to running them separately under sustainability or CSR departments.
- **Cocoa sector stakeholders started developing their own training programmes based on the content developed under the Partnership.** Cocoa firms established their own CoC/certification training programmes. The Ministry of Agriculture adapted the training modules and incorporated them in the development of a cocoa national curriculum to build the capacity of public extension officers assigned to the cocoa sector.
- **Koltiva started offering a full-fledged commercial traceability service in 2017.** CocoaTrace, initially offered as software as service (SaaS), was fortified by field-level capacity. Koltiva hired

former SCPP field staff and developed farm inspection and internal audit functions, which previously had been delivered by Swisscontact. Koltiva's team expanded from 15 to 250 people. Two years later, Koltiva expanded its offer to include Chain of Custody (ChoC) training for supply chain actors and CoC/certification training for farmers, which contained simplified aspects of SCPP's GAP and GEP modules. Koltiva now provides services to various clients in cocoa, palm oil, coffee, coconut, and rubber sectors in more than 15 countries.

- **As traceability became the new norm in the sector, cocoa firms found different solutions.** Some fully outsourced their traceability requirements to Koltiva; others only procured CocoaTrace as Software as a Service (SaaS) and then used their own field teams for training and internal inspection. At least two multinational cocoa firms developed their own, in-house traceability platform and established or expanded their field teams.

PARTNERSHIP STAGE 2: CONSOLIDATING TO BUILD RESILIENCE AND COMPETITIVENESS

Sector context

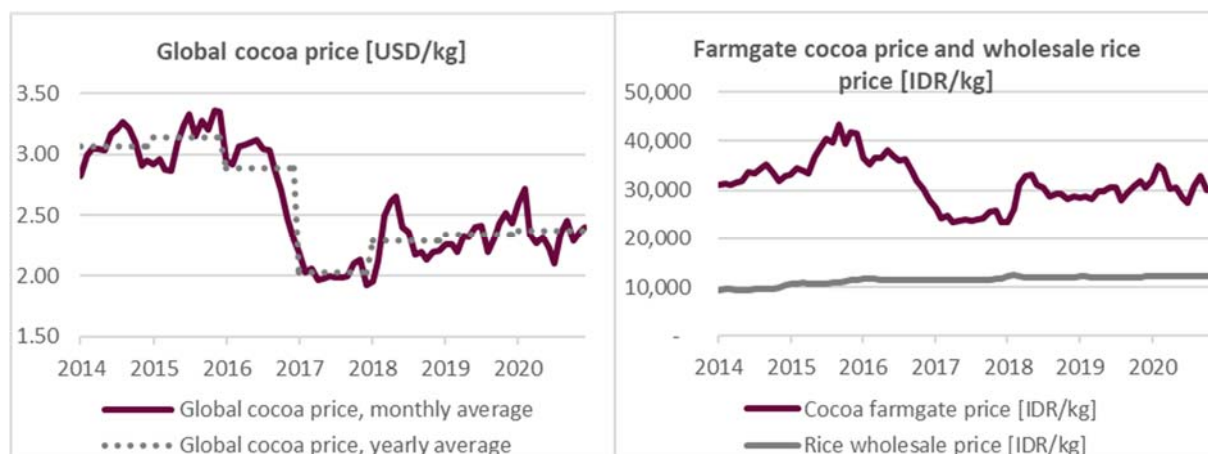
A surge in global supply

A shock hit the sector towards the end of 2016. According to ICCO, global cocoa production increased by 19.4% from 3.99m to 4.77m tonnes due to bumper harvests in Côte d'Ivoire and Ghana. This created a supply surplus of 326,000 tonnes and increased end-of-season stocks to above 1.7m tonnes after five years of record lows. The stock-to-grinding ratio, a good predictor of cocoa price, rose from 34.6% to 39.9%.

Global cocoa prices slumped as a result, reaching a low of below USD 2/kg (see Figure 7), a level not experienced since 2007. Global cocoa prices have yet to recover to previous highs of above USD 3/kg – remaining at an average of USD 2.2-2.3/kg.

Farmgate prices in Indonesia suffered tremendously and cocoa became unattractive for smallholder farmers. At peak prices, 1kg of cocoa beans was worth 3-4kg of rice, but since 2017 it was only worth 2-3kg of rice. Many smallholders stopped investing in cocoa and converted part or all their land to more lucrative crops such as maize or oil palm. Others abandoned cocoa farming and sought employment outside the agriculture sector. These changes were reflected in the stagnating yield of SCPP trained farmers. A large portion of cocoa farmers continued to have an annual yield below 500kg/ha. The GAP adoption rate of farmers also did not progress as expected. Up to 10% of farmers who successfully accomplished the certification process dropped from the certification scheme.

Figure 7 Global, farmgate cocoa prices¹⁶ and wholesale rice prices



Domestic cocoa production shrivelled as the number of cocoa producers and the amount of land cultivated dropped. In 2017-18, Indonesia slipped from third to sixth position in global cocoa production, overtaken by Ecuador, Cameroon, and Nigeria.

Revised approach

Triggered by these drastic changes, the Partnership revisited its strategy and approach. Swisscontact analysed farmers' incentives to understand how the change in prices affected them. It discovered that the certification premiums paid to farmers, which reflect global price levels, were not substantial

¹⁶ Figures for farmgate prices are estimates. On average, farmgate prices for high-quality cocoa beans are around 90% of global cocoa prices.

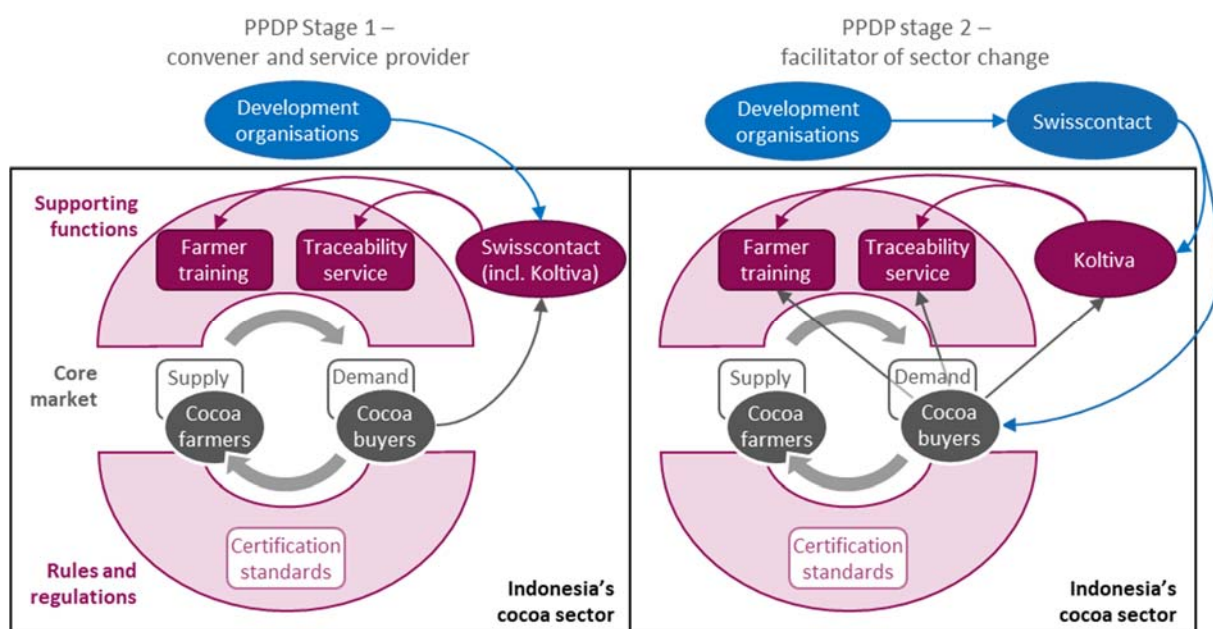
enough to justify farmers' extra efforts and costs of complying with certification. Farmers were opting to sell to non-certified channels that offered lower prices but demanded fewer requirements and were familiar to them. This explained why farmers were dropping out of the certification scheme. Furthermore, it appeared that only specific types of farmers could weather such severe price fluctuations: those with higher productivity (above 500kg/ha), a dedicated business focus on cocoa farming as their primary source of income, but with supplementary sources of income from their farms, such as fruits, maize, timber, or livestock.

For cocoa buyers, the price drop called for more efficient supply chain management. Farmer training and traceability are variable costs that grow as the number of farmers and traders involved in the certification increases. The challenge now was to achieve more with less: dealing with fewer traders and farmers but those that could supply larger volumes of cocoa.

The original strategy of expanding the supply chain was now inappropriate. Training as many farmers as possible no longer made sense. Cocoa buyers needed to consolidate their supply chains and direct their investments towards those traders and farmers with the best prospects of reliably supplying the cocoa that buyers needed. This called for a different, more sophisticated way of working. Cocoa buyers needed to better understand and segment their farmers, increase the adoption rates of recommended practices of select farmers and help them develop more profitable and resilient cocoa farming – to remain in the sector. This required cocoa buyers to engage with farmers more closely.

Consequently, the Partnership shifted its approach to support cocoa buyers to better engage with their farmers instead of delivering services directly to farmers. Swisscontact's role evolved from being a service provider within the cocoa sector to facilitating cocoa buyers and other sector stakeholders to develop, test and adopt innovations that could aid supply chain consolidation (see Figure 8).

Figure 8 Evolution of Swisscontact's role in the cocoa sector



Swisscontact worked with cocoa buyers, RA, and CSP to develop, test and adopt three innovations to identify, engage and support farmers in a more focused, efficient, and effective manner: FarmNetX, Transformative Coaching¹⁷, and polyculture models. The starting point was to ensure that these

¹⁷ For further detail on FarmNetX and Transformative Coaching, see Springfield (2021b).

innovations produced net benefits for cocoa firms, certificate holders and farmers, and could be delivered on a commercially feasible basis without ongoing support from Swisscontact.

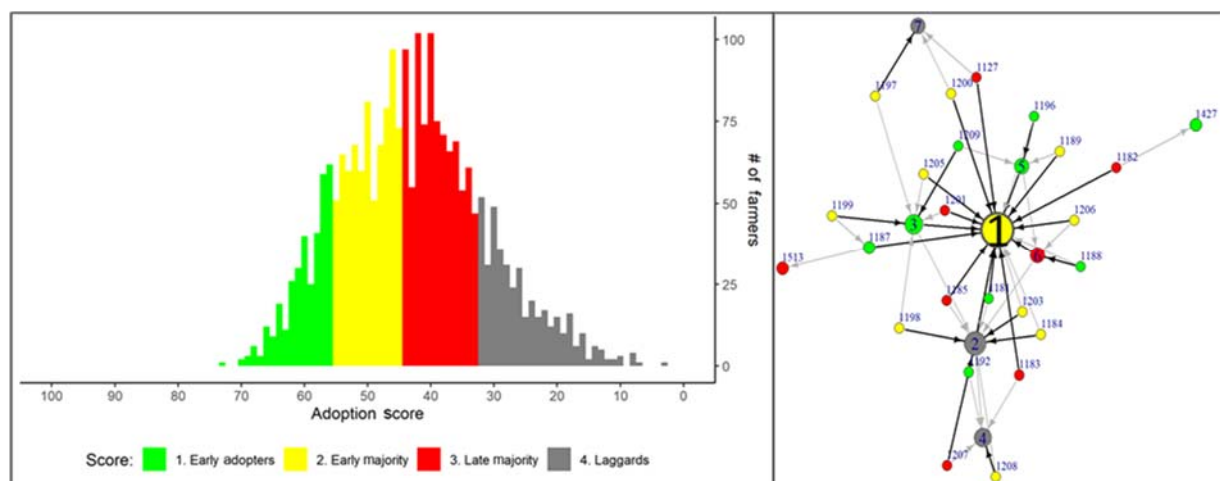
FarmNetX

FarmNetX is a tool to help sustainability managers improve the adoption of good practices among their farmers in a more efficient way. FarmNetX identifies key influencers in buyers' farmer networks so that sustainability managers can focus their investments to upgrade these influencers, instead of the whole network. In turn, these influencers then disseminate the new practices to fellow farmers, increasing the adoption rate. Influencers are used as a conduit to convey know-how to their followers. FarmNetX is efficient because it leverages prevailing social trust structures as opposed to creating new ones – such as forming new groups or organising new collective actions – a process that requires a lot of time and resources¹⁸.

FarmNetX combines the diffusion of innovation theory and social network analysis (see Figure 9). It assesses the level of adoption of farmers using existing data collected for internal supply chain management and/or voluntary sustainability standards. These data are then added to sociometric analyses using primary data collected through farmer surveys. This builds up a 'map' that helps firms direct their support to farmers most appropriately. For example:

- Farmers that are influential in their networks and are adopters of good practices (positive norm setters) are a place to seed the next level of innovation.
- Farmers that are influential but currently have yet to adopt good practices (priority farmers) receive intensive coaching to increase their adoption scores, so that they can influence their followers more positively.
- Farmers that have adopted good practices but currently are not influential (potential influencers) are supported to increase their influence, e.g. conducting demonstration plots on their farms.

Figure 9 Illustrations of adoption curve and sociogram



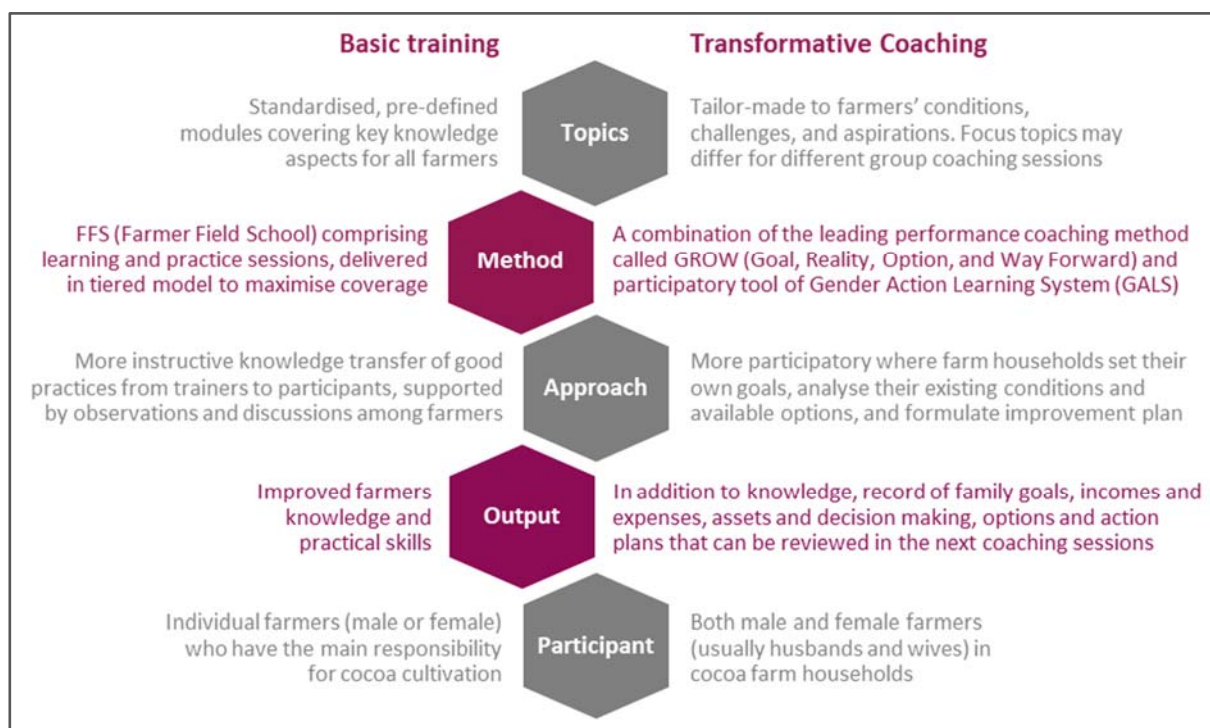
Transformative Coaching

Transformative Coaching (TC) is a bespoke, participatory coaching approach that recognises that cocoa farming is a family business and inseparable from the household (see Figure 10). Farmers, their spouses, and other adult members of the household are coached. TC emphasises the role of women in co-managing cocoa, since they play a vital role in farming activities and decision making within the household. TC can be deployed following FarmNetX and used to help influencers (priority

¹⁸ For a review of group formation experience, see FAO (2010), Hellin and Lundy (2009).

farmers) improve their cocoa farms and develop a business model to deliver services to fellow farmers, e.g. nurseries producing quality seedlings.

Figure 10 Key differences between basic training and Transformative Coaching



Polyculture models for cocoa production

Polyculture is an agriculture production model in which more than one species of plant and/or animal are farmed at the same time and place, and includes intercropping, agroforestry, and agro-silvo-pastoral systems. Polyculture strives for production optimisation, as opposed to productivity maximisation under a monoculture system, through a mix of commodities or livestock with agroecological compatibility and complementary commercial values.

Polyculture can reduce farmers' vulnerabilities to economic shocks and strengthen the adaptive capacity of the farm ecosystem. Polyculture creates multiple revenue streams and thus reduces the downside risk of price fluctuations. Polyculture also brings agroecological benefits by lessening pest, disease and weed pressure, reducing exposure to weather risks, improving nutrition, and enhancing soil fertility and biodiversity.

Swisscontact collaborated with a cocoa buyer, a certification body and CSP to explore potential complementary crops suited to cocoa production. Depending on the prevailing local agroecological and market conditions, 35 commodities or animals were found to be suitable for complementing cocoa trees. This included planting shade trees (e.g. coconut, fruit trees, timber crops) and rearing small livestock (e.g. goats). Detailed studies found that crop diversification increased cocoa tree productivity by up to four times under best management practices. This means that, despite lower cocoa tree density, yields per plot could be maintained or enhanced. In addition, the complementary commodities generated additional income equivalent to 15-50% of income from cocoa.

Cocoa sector platforms

During Stage 2, in addition to introducing these innovations, **Swisscontact continued to assist various cocoa sector platforms at the national and international level.** For example, CSP was supported to take over some of the functions that Swisscontact had been performing, such as convening cocoa

firms and advocacy. Swisscontact delivered technical advice to CSP to expand its Sustainability Roadmap to 2030. Working with the Partnership for Indonesia Sustainable Agriculture (PISAgro), CSP advocated for partial subsidies from the government to promote a newly developed cocoa-specific fertiliser to cocoa farmers. In 2020, the government allocated 25,000 tonnes of cocoa-specific fertiliser. To ensure its proper application, Swisscontact helped CSP establish 242 demonstration farms in partnership with cocoa firms.

Outcomes

By 2020, three major firms in the cocoa and coffee sectors had used FarmNetX, with support from Swisscontact, to analyse farmer networks comprising over 20,000 smallholders. The results of FarmNetX were fed into supply chain improvement plans for 2021 and onwards.

Swisscontact supported Koltiva and a cocoa buyer to pilot Transformative Coaching in certified networks of more than 2,000 farmers. SCPP trained and mentored Koltiva's field agents responsible for collecting the relevant data for internal inspections and providing coaching sessions to farmers. Key results of the pilot included the following:

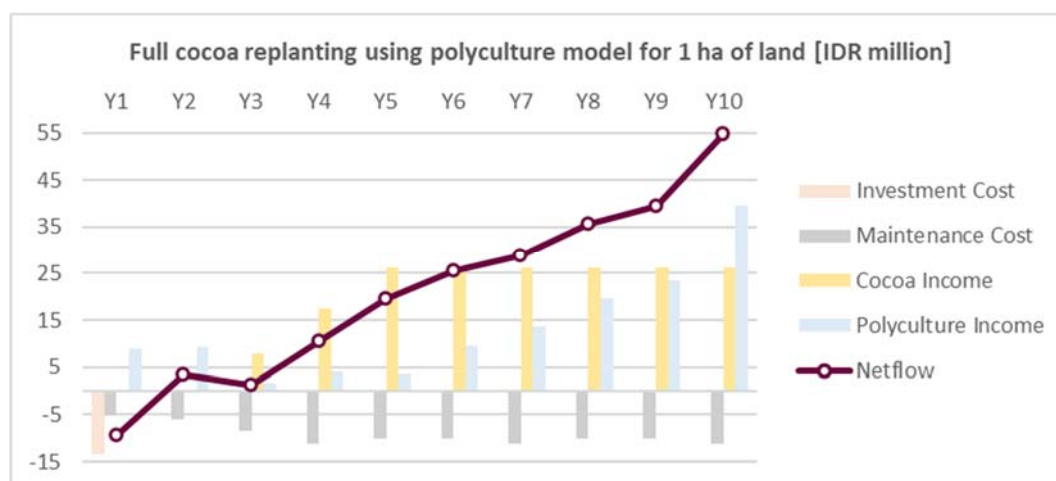
- The pilot had 18 farmer participants whose immediate first-degree followers were 280 other farmers in the network. In other words, the pilot had influenced 14% of the total network in the certified networks.
- Farmer loyalty, indicated by the volume of beans sold to the Certificate Holders, was better in networks where TC was conducted, compared to the rest of the network. Coaches and participants gave positive feedback about TC.
- Replanting rates in the pilot network increased to 5%, more than double of the expected rate of 2%. This was a result of improved replanting practices and availability of seedlings availability in the area, because two farmers that had been coached established new nurseries, with a combined capacity of 13,000 seedlings/year.

Building on field data and experiences, Swisscontact developed a simplified business calculation for cocoa replanting investment using a polyculture model. The model was based on full replanting of 1 ha of cocoa plot with an investment period of 10 years. The model's total cost was USD 8,000¹⁹, consisting of investment cost in the first year (USD 1,000) and on-going maintenance costs (USD 7,000); the income generated was USD 22,000, comprising:

- Cocoa income of USD 13,000 starting from year 3 and reaching an optimum level in year 5, at USD 1,900 annually (based on an annual yield of 950kg from 625 trees at 1.5kg/tree, farmgate price USD 2/kg).
- Polyculture income of USD 9,000, from maize (year 1-2), banana (year 2 onwards), pepper (year 3 onwards), durian (year 6 onwards) and bitti wood (vitex cofassus) (year 10).

¹⁹ For this calculation an exchange rate of USD 1 = IDR 14,105 was used. (Source: <https://www.statista.com/>, 2020 annual exchange rate)

Figure 11 Annual costs and incomes of full replanting of cocoa plantation under a polyculture model



The calculation revealed opportunities and challenges. The investment had an internal rate of return (IRR) of 77%, net present value (NPV) at a discount rate 6%/year of USD 9,000, and a benefit-to-cost ratio (BCR) of 2.9. However, the substantial upfront investment led to a negative cash flow of USD 700 in the first year. The additional maintenance costs of USD 250/month were substantial for resource-constrained households. Some farmers coped with these challenges by making partial investments over time, for example, an initial investment in 10-20% of their plot, then subsequent investment after three to five years. Others offset investment costs by raising small livestock, which had strong demand in certain locations.

In addition to introducing innovations, Koltiva and cocoa buyers were supported to improve their delivery quality of CoC/certification training. Swisscontact supported firms and Koltiva to adapt elements of SCPP's training content into their training activities, strengthened the capacity of buyers' trainers by conducting training of trainers (ToT), and providing quality assurance feedback in co-moderated training sessions.

Over 10,000 farmers were trained and certified by the private sector. Using certification control points as the training framework, one cocoa buyer combined GAP, GEP, and GBP modules into its CoC training. Training content was rationalised to only include topics that were directly relevant to their specific supply chains, in order to reduce the duration of training from six to two sessions of four hours. This rationalisation was necessary to ensure that training costs could be covered by the certification premium.

Reflecting their supply chain consolidation, buyers are transitioning from mass training to a coaching approach focused on select farmers, using FarmNetX and TC.

Results to date

Table 2 Results achieved from 2012-20



Commercial	Economic	Social	Environmental
<ul style="list-style-type: none"> • 99,000 tonnes cocoa produced and traded annually • 53% increase in annual cocoa yield from 422 kg/ha in 2013 to 647 kg/ha in 2020 • 92,000 farmers certified cultivating cocoa on 123,000 ha of land • 165,000 farmers trained on GAP, CoC, and/or traceability standards by 1,659 master trainers • 55% farmers adopted recommended agricultural practices, replanting and regeneration techniques 	<ul style="list-style-type: none"> • 42,000 farmers with an income increase of at least 75% • USD31m additional annual income generated for farmers • 5.8% and 49.6% of cocoa farmers living under USD1.25 and USD2.50 poverty line, respectively, lower than the national averages • 3,500 additional jobs created • 92,000 farmers trained in GFP by 445 master trainers • 972 micro, small, medium enterprises or farmer organisations established and/or supported • 2,700 of their staff trained in GBP and IMS by 742 master trainers 	<ul style="list-style-type: none"> • 41% women in cocoa farm households with increased dietary diversity • 42% farmers maintained their own nutrition gardens and/or fishponds • 235 ha of nutrition garden and 5 thousand sqm of fishpond established • 66,000 farmers trained in GNP by 361 master trainers • 22% young farmers engaged in the cocoa sector • 60% community action plans implemented by the communities • 4,9000 farmers trained in GSP by 412 master trainers 	<ul style="list-style-type: none"> • 24% reduction in total CO2 emission on cocoa farms • GHG emission reduction from the use of agro-inputs from 0.77 to 0.51 tonnes CO2e per tonne cocoa produced • 259 tonnes C/ha carbon sequestration by shade trees in cocoa farms • 55% farmers adopted climate-smart practices • 117,000 ha of land managed with climate-smart practices • 110,000 farmers trained in GEP by 705 master trainers

The Partnership has helped Indonesia establish itself as a sustainable cocoa-producing origin. The Indonesian cocoa sector is markedly different from a decade ago.

The cocoa sector is becoming more resilient. Despite strong headwinds caused by falling or stagnating global prices, new sector functions have taken hold, businesses have continued to invest in the sector, and the sector platform has stepped up its advocacy to garner support from the Government of Indonesia.

The role that Swisscontact played as a service provider in the first stage of the Partnership was fraught with sustainability challenges, but it was necessary to trigger sector-wide momentum. The functions needed to turn around the sector – farmer training and traceability – were missing and no single actor was willing to invest in or able to deliver them. The private sector perceived these functions to be public, yet public agencies were not delivering them effectively.

The Partnership influenced the perspectives of industry stakeholders and helped make farmer training and traceability the new norm in Indonesia's cocoa sector. With contributions from development organisations and the private sector, the Partnership enabled these new functions to develop, at large scale with high quality, and demonstrated their benefits and commercial value. During SCPP around 15% of Indonesia's cocoa farmers were trained, raising their average productivity by half, and helping 60% of them participate in certified and traceable global cocoa value chains. The functions that were developed are now an integral part of the core business functions of cocoa buyers,

who are investing in them and are delivering them using their own in-house teams or procuring them commercially from service providers like Koltiva.

The collapse of global cocoa prices forced a shift from supply chain expansion to consolidation. The ambition to bring more farmers into the supply chain was no longer appropriate or feasible; cocoa buyers were under pressure to find smarter ways of securing the cocoa they needed. They had to focus on fewer farmers that were willing and able to perform better and then support them more efficiently. Innovations like FarmNetX and Transformative Coaching enabled them to do this. The polyculture model helped farmers mitigate the downside risk of price volatility and encouraged them to stay in the cocoa business. Diversified crops strengthened the resilience of farming ecosystems, and diversified sources of farm income increased the adaptability of farming households.

The role of the Partnership also had to change in response to changing sector circumstances and as the drive of cocoa firms grew stronger. Initially, development funding had stimulated private investment in farmer training and traceability services, delivered by Swisscontact directly. Consolidation meant that Swisscontact had to play a different role: using its technical know-how to introduce innovations that helped the private sector perform farmer training and traceability effectively, efficiently, and sustainably without recourse to donor funding in future.

The Partnership after the end of SCPP funding

The context and strategy of the second stage of the Partnership have remained unchanged after SECO support for the PPDP ended in 2020. Cooperation and collaboration continue in various forms:

- Sector advocacy: Joint policy positioning and representation to government by CSP, PISAgro and individual firms.
- Innovations: Introduction of international living income survey benchmark and measurement methodology by CSP and selected firms, assisted by Swisscontact.
- Service use by commodity firms: Traceability services, mainly by Koltiva, and FarmNetX and TC, supported by Swisscontact.
- Swisscontact and firms transferring lessons learned beyond Indonesia.

LESSONS

The Partnership's endeavours to make Indonesia's cocoa sector more sustainable, competitive and resilient through public-private development partnership have highlighted several lessons that might be more widely applicable to agricultural development initiatives in general. These lessons relate to analysis and approach, convening stakeholders, and operation and administration.

Analysis and approach

Understand how incentives, feasibility and sensitivity affect behaviour change

Even the best quality training does not automatically lead to new practices being adopted and maintained. Change entails uncertainty and risk. For farmers, adopting GAP and complying with standards require additional effort and cost. If the net benefits are marginal, adoption rates will not grow. The additional income farmers generate might not cover their additional labour and expense or persuade them that there is a compelling business case to shift from the status quo. Understanding the factors that influence farmers' attitudes to change and risk, and the sensitivity of their business models to changes in prices, costs and other sector conditions is an essential part of the analysis needed to design interventions.

The price collapse exposed a more deep-rooted feasibility problem in the cocoa farming business model: for many farmers it is not sufficiently lucrative when compared to other crops, given the investment required to increase yields and comply with standards. This realisation forced the MSP to adjust its strategy. Arguably, a more rigorous analysis of farmer incentives and the feasibility and sensitivity of their business model might have identified this issue before the price collapse and led to an earlier focus on consolidation rather than unsustainable expansion.

Direct delivery can be a valid tactic, but it must be guided by a vision for sustainability

Swisscontact delivered services directly to farmers and firms because no-one else was doing it and because it could generate demonstrable results to encourage others to invest. This gave the Partnership momentum and ensured a focus on achieving practical things that needed to be done in the sector that could not be accomplished by any single actor. However, direct delivery created another problem – dependency on Swisscontact to deliver these functions. Swisscontact did such a good job that it attracted more funding and ended up delivering more over time.

If direct delivery is to be used as a demonstration tactic, it needs to be timebound and guided by a clear strategy and active measures to crowd in private or public market actors. Wider experience indicates that demonstration rarely results in spontaneous uptake by others. And the longer a project remains in delivery mode, the more difficult it is to switch to facilitating others. The demonstration model can become an unassailable, aid-funded delivery machine and other service providers do not emerge to compete with it.

A structured approach to crowding in entails identifying potential providers and a feasible business model for delivery in future. As a project develops solutions, it must keep these potential providers and business models in mind to ensure that it is likely that the solutions are feasible to deliver within their resources and capacity. The involvement of donor funding can often create a problem in this regard. Aid funding makes it possible to 'gold plate' any solution, making it the best or the most comprehensive, because development and delivery costs are being covered by aid funding. When the aid stops, and the time comes to transfer the solution into the market, it proves too costly or difficult to deliver. If the vision and exit strategy is commercial delivery, then the design of the solution needs to be 'right sized' to that reality. Swisscontact found that firms had to streamline its training modules

considerably in order to meet their needs and cover the costs of delivery. Donors and their partners can save time and money if they consider how solutions can be right sized from the outset.

Convening function

Anticipate and manage conflicting developmental and business interests

Development and business partners are different: they have different objectives, structures, systems, people, cultures, and time frames. They come together temporarily in an PPDP to achieve a shared interest, but these differences will always remain and must be anticipated and managed. For example:

- Donors usually want to maximise outreach – to impact as many farmers as possible within the timeframe of a project. This may not be the case for businesses. In general, firms aim to limit the size and complexity of their supply chains. Beyond a certain level, more suppliers mean more transactions costs and quality control problems. Throughout history, agricultural supply chains have tended to consolidate and involve fewer farmers over time, not more. The more investment is required in the supply chain, the more this tends to be the case, as the Partnerships' experience shows. Scale, therefore, can mean different things for development partners and businesses.
- Donors and businesses have different information needs. In a sector focused PPDP, the Key Performance Indicators (KPIs) of business partners are relatively common. However, different development partners often require different KPIs. Swisscontact found that new arrivals to the Partnership wanted development indicators specific to their organisation, causing 'indicator inflation' – SCPP ended up having more than 100 KPIs. This creates an administration burden for the manager of the PPDP and dilutes focus, especially if KPIs or activities are linked to reimbursements. More KPIs often require more activities to achieve them, which can contribute to the right-sizing problem discussed above, as solutions are developed to meet funders' requirements rather than what can be feasibly delivered in the market. An effective PPDP needs a clear theory of change and a small number of KPIs associated with it. This strategic framework must be accepted as part of the price of admission to the PPDP by all parties. The rules of the partnership cannot be altered every time a new member joins if focus and effectiveness is to be maintained.

The rationale for establishing an PPDP involving the private sector is to harness business capacity and incentives to achieve sustainable development outcomes. The private sector isn't just another source of funds to pursue development activities, but a driver of lasting change, underpinned by commercial benefit, be that profit, market share or brand reputation. If the interests of business partners are not achieved through the PPDP, then not only will commercial outcomes fail but so will development outcomes. This is not to diminish the importance of achieving development outcomes – to all parties – but a clear understanding and pursuit of commercial interest and feasibility is at the heart of a successful PPDP.

Foster consensus and manage tensions between competing firms

Building a coalition between competing firms in a PPDP is a daunting task, as proved to be the case during Stage 1 of the Partnership, where cocoa buyers competed fiercely for raw materials due to supply shortages. Potential conflicts can be mitigated if competing firms can agree on a joint vision for the sector. This is, of course, easier said than done. Swisscontact had to convince the business partners that to turn around the cocoa sector, collaboration – at least temporarily – was the only way to reach critical mass and sector-wide improvement. The process of brokering consensus took a lot of time, intensive, and required both joint meetings and a one-on-one approach. Once consensus was achieved and implementation began, tensions still need to be managed. For example, Swisscontact

negotiated different working locations for each cocoa-buying firm to avoid conflicts and unhealthy competition on the ground.

Operation and administration

Provide operational stability as a basis for expansion and experimentation

SECO's long-term funding commitment enabled the Partnership to build and maintain technical and logistical capacity. This operational stability allowed the Partnership to engage new development and business partners, expanding the scale and scope of implementation in Stage 1. Stable core funding also allowed the Partnership to revise its approach and explore innovations in Stage 2.

Build adaptability to changing conditions into contracts and partnership agreements

The Partnership's experience showed that sector context can change drastically and often requires a rapid adjustment to approach. A provision for adaptability needs to be included in contracts and agreements with partners to allow for adjustment if it is required. To justify contractual amendments, PPDPs can conduct a strategic review to demonstrate the benefits of adaptation (e.g. higher chance of achieving goals under the new conditions) and the risks and potential losses of the status quo (e.g. the amount of funding wasted due to irrelevant activities). Adaptability is best ensured if partners agree to establish a strategic theory of change and high-level performance targets at the outset (i.e. outcomes and impacts) and leave flexibility to define, track, report and adjust implementation tactics and details (i.e. outputs and activities) on an annual or semi-annual basis.

Ensure administration system can cope with donor requirements and business pragmatism

The Partnership had to invest in a strong administration and operation system to deal with different contracting arrangements for different donors and businesses. Some donors had simpler regulations and procedures, while others (e.g. multi-donor trust funds or match-funding mechanisms) imposed demanding stipulations and complex procedures. Flexibility to temporarily increase administrative capacity and enlist external experts that are familiar with specific donor systems, for example, when dealing with audits, is essential.

Firms value pragmatic contracting arrangements. In Swisscontact's experience, a service contract, instead of a memorandum of understanding (MoU) or partnership agreement, with clear business outputs or outcomes (e.g. number of farmers trained, or volume of beans certified) allowed firms to justify larger cash contributions. To help business partners' field staff report their in-kind contributions as part of a match funding arrangement, simple tools were developed (e.g. lists of expenses and time sheets) and validation procedures via emails or signed minutes of meetings. Swisscontact also provided administrative support to business partners that had limited capacity to meet donors' compliance requirements – tasks beyond their core business functions and only necessary temporarily.

Donors should consider simplifying their funding requirements to avoid unnecessary operational burdens or distortions on business partners, to allow PPDPs to focus on quality implementation and achieving results. Streamlining bureaucratic requirements also enables smaller firms to join a PPDP.

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