

# MANAGEMENT RESPONSE



Regional office / cluster: Indonesia / Coffee

**Title evaluation report: Mid Term Review Report for Indonesia 2017-2019**

Date of the Management Response: 15 May 2020

Staff involved in the Management Response: Kiki Purbosari, Fransiska Rengo, Riniati Bulawan, Prima Interpares, Catur Utami Dewi

Cleared by: Chris Claes

<b>Evaluation recommendation / point of attention 1</b>	Rikolto empowers the Farmer Organisations (FOs) to become a reliable organisation led by an independent management team.			
<b>Management response</b>	<p><b>Accepted</b></p> <p>Rikolto has been facilitating farmer organisations (FOs) to improve their organisational capacity which helps them to improve their business professionalism and deliver services to members. A reliable FO should be managed by an independent management team that is independent and can perform their tasks and functions properly.</p>			
Key action(s)	Time frame	Responsible	Tracking	
			Status	Comments
1.1 Capacity building on organizational management. <i>Rikolto has been supporting FO in establishing FOs organisational structures or restructuring FOs organization; setting strategic planning; management reflection or evaluation. Rikolto will continue supporting FOs to become independent in managing the organizations where each of the management team member is able to do his/her main tasks and functions properly.</i>	2020-2021	Coffee Sector Coordinator	On going	
1.2 Capacity building on financial management. <i>Financial management capacity will enable FOs to plan, manage, direct and control financial activities such as</i>	2020-2021	Coffee Sector Coordinator	On going	

<p><i>procurement, purchasing and other allocations of the cooperatives' budget. Rikolto has been supporting FOs in financial management with capacity building on business accounting and bookkeeping. However, FOs financial management does not improve significantly, thus supports to FOs in financial management will continue.</i></p>				
<p>1.3 Capacity building on business management. <i>The main function of business management is planning. In this function the management has the responsibility to determine goals or targets. The management also makes strategies of how to achieve these targets. Rikolto has been supporting FOs in business management with capacity building in business plan development. Yet, FOs business plans have not been implemented carefully. Therefore, in supporting FOs business management aspect the focus is on capacity building on the development and implementation of business plan.</i></p>	2020-2021	Coffee Sector Coordinator	On going	
<p>1.4 Encourage FOs to prepare regeneration in the management team <i>FOs have limited number of capable people to run the business. Rikolto has been encouraging FOs to identify and groom potential human resources, especially from youth and women.</i></p>	2020-2021	Coffee Sector Coordinator	On going	
<p><b>Evaluation recommendation / point of attention 2</b></p>	<p>Rikolto connects the FOs with other enabling actors that can provide support for FOs' business.</p>			
<p><b>Management response</b></p>	<p><b>Accepted</b> To boost FOs' business growth and professionalism, they should be connected to actors that can support FOs' business. Rikolto has been linking FOs with such actors, from both public and private sectors. It is expected that they are able to nurture this network independently.</p>			
Key action(s)	Time frame	Responsible	Tracking	
			Status	Comments
2.1 Connecting FOs to financial Institutions (see further key action no 7)	2020-2021	Coffee Sector Coordinator	On going	

<i>To enhance FOs business especially through increase of working capital, FOs cannot rely solely on members' investment (membership fees). Financial institutions or other commercial sources of funding can provide working capital. Partners in Flores have already accessed loans from local financial institutions. Rikolto will continue to facilitate other FOs to access loans with feasible terms.</i>				
<i>2.2 Connecting FOs to key buyers /exporters Buyers are major FOs' business partners. Green coffee buyers essentially operate right in the middle of coffee chain. They serve as intermediaries for the coffee beans, standing between cooperatives and final consumers. We have been supporting FOs in access to market by connecting them to key buyers.</i>	2020-2021	Coffee Sector Coordinator	On going	
<i>2.3 Promoting FOs and buyers inclusive business. Inclusive business will add value for cooperatives. In inclusive business, buyers may pay premium for quality coffee, give FOs supports in the form of capacity building or facilities, and be transparent in the business transactions. Rikolto will continue to promote the implementation of inclusive business in FOs coffee business activities.</i>	2020-2021	Coffee Sector Coordinator	On going	
<i>2.4 Supporting FOs to access governments' supports. Rikolto has been supporting FOs to access supports such as facilities (coffee processing machineries) from government agencies and ministries.</i>	2020-2021	Coffee Sector Coordinator	On going	
<i>2.5 Encourage FOs to be actively involved in the formulation of regional government regulations and prepare FOs to be part of the implementation of local government regulations. By doing so, FOs will be able to voice the ideas that supports smallholder coffee farmers to the authorities. Partners in Flores and Toraja have engaged in the formulation of local coffee regulation. Continuous engagement is necessary in</i>	2020-2021	Coffee Sector Coordinator	On going	

<i>monitoring the implementation and proposing necessary measures.</i>				
<p>2.6 Development Coffee Value Chain with Village Owned Enterprises (BUMDES).  <i>FOs have strength in agriculture practices, post-harvest management and market networks. The BUMDES have strength in capital and access to supports from the government. If FO and BUMDES can collaborate, it will have a very positive impact in advancing FOs' business, village institutions, and most importantly coffee smallholder farmers.</i></p>	2020-2021	Coffee Sector Coordinator	On going	
<p>2.7 Connecting FOs to investors.  <i>To make significant improvement in production capacity that will increase FOs business scale, FOs require centralized, complete, advanced and up-to-date facilities. Thus they will be able to increase production capacity and quality at lower production costs. To make it happen FOs need investors. Discussion with Kampani a social impact investment has been started. FOs are potential to access the investment from Kampani to create high social impact for smallholder farmers embedded in the business plan through improved services, increased volume and improved margins.</i></p>	2020-2021	Coffee Sector Coordinator	On going	
<b>Evaluation recommendation / point of attention 3</b>	Rikolto ensures that 75% of FOs' members are actively involved in cooperative business activities.			
<b>Management response</b>	<p><b>Partially accepted</b></p> <p>We do agree to ensure that more FOs' members are actively involved in cooperative business activities. However, the percentage should be in proportion of the business scale which differs from one FO to the others. Some influencing factors are the membership size, the production capacity (facility), the market demands and the working capital. FOs work to increase the sales volume to accommodate sales from more members. Therefore, it is important to measure the increase every year in each FO rather than setting a certain percentage as a target to be applicable for all. Two examples illustrate:</p> <p><b>PPKT</b> has 1731 members with a total production capacity of 2,310 tons of coffee cherries. 75% members supplying PPKT means 1,732.5 tons of cherries will be supplied to PPKT. The current (processing)</p>			

	<p>production capacity is 50 tons of GBE which is equivalent to 350 tons of cherries. PPKT could not optimise the processing capacity in 2019 because of the low sale (4.5 tons) caused by the high price competition. Toraja coffee was too expensive compared to coffee from the other regions.</p> <p><b>KKBB</b> has 262 members and 100% of the members sell to KKBB. In 2019, it sold 80 tons of green beans to the buyers of which 97.5% (546 tons) of the cherry sourced from the members and the remaining from non members.</p>			
Key action(s)	Time frame	Responsible	Tracking	
			Status	Comments
3.1 Socialization of FOs business/value chain to members. <i>Socialization of FOs business to members is continuously done to improve members' involvement in the cooperatives business.</i>	2020-2021	Coffee Sector Coordinator	On going	
3.2 Improve FOs production capacity. <i>When FOs (processing) production capacity increases, FOs can accept more beans from the members. They can also be involved in different ways such as being a local collecting point, working in the processing unit, etc.</i>	2020-2021	Coffee Sector Coordinator	On going	
3.3 Improve FOs market demand. <i>This is inked to key action no 2.</i>	2020-2021	Coffee Sector Coordinator	On going	
<b>Evaluation recommendation / point of attention 4</b>	Encourage women and youth to involve in farm activities by letting experts managing the coffee estate.			
<b>Management response</b>	<p><b>Partially accepted</b></p> <p>It is Rikolto's strategy to encourage participation of women and youth. One of the ways are enabling them to earn income by providing services to (older) farmers to treat the coffee farm such as rehabilitation service, pruning service, harvest service, etc. However, as the income from the coffee farm is limited (because the farm is not well treated), farmers do not have the money to pay for these services. The strategy will be two folds: to train potential youth and women so they can deliver the services in the future as well as to train the existing (older) farmers on farm management so that they can have better income.</p>			
Key action(s)	Time frame	Responsible	Tracking	
			Status	Comments
4.1 FOs open for internships for agriculture vocational school students.	2021	Coffee Sector Coordinator	To be done	

<p><i>Internship is necessary for vocational school students to graduate. The internship program will enable students to receive first-hand experience in coffee agriculture and value chain with the expectation that they will understand that coffee agriculture is a promising business.</i></p>				
<p>4.2 Coffee-preneurship: market to farm for women and youth. <i>In addition to GAP, GEP and GPP materials, market information and coffee trends knowledge should be provided to open up the participants' (women and youth) insights so that their interest to involve in farm activities increases. They are also encouraged to better manage coffee farms and produce quality coffee.</i></p>	2021	Coffee Sector Coordinator	To be done	
<p>4.3 FOs encourage farmer members to allow their adult children to manage their farm.</p>	2020-2021	Coffee Sector Coordinator	To be done	
<p><b>Evaluation recommendation / point of attention 5</b></p>	Develop new women and youth-led business model.			
<p><b>Management response</b></p>	<p><b>Accepted</b> Women and youth have potentials to develop new business models.</p>			
Key action(s)	Time frame	Responsible	Tracking	
			Status	Comments
<p>5.1 Develop youth-led coffee online marketing. <i>Millennials are growing up with the internet. Online media has the potential for coffee promotion and marketing. This is a good chance for youth to develop coffee online marketing.</i></p>	2020-2021	Coffee Sector Coordinator	To be done	
<p>5.2 Develop youth-led Agrotourism/Coffee Origin Tour business <i>Agrotourism offers visitors the experience in coffee agriculture and processing which is combined with exploration of culture and nature. In Bajawa a group of youth has initiated an agro-tourism project. Since the end of</i></p>	2020-2021	Coffee Sector Coordinator	On going	

2019, PPKT began a partnership with Palawa, a Jakarta based coffee tour agent. Agrotourism project can be an interesting business for youth.					
5.2 Develop women-led coffee processing with various methods service as a business unit. <i>Learning from a female farmer in Bajawa, there is a potential to establish business unit for female farmers to produce a variety of coffee flavours from different processing methods.</i>		2020-2021	Coffee Sector Coordinator	To be done	
5.3 Develop women-led coffee sorting as an organized business unit <i>Women have the advantage of doing work that requires precision and perseverance. Those are necessary in doing coffee sorting. PPKT sorting workers are all female. There is a potential to develop coffee sorting as a service business led by women.</i>		2020-2021	Coffee Sector Coordinator	To be done	
<b>Evaluation recommendation / point of attention 6</b>	Organisational capacity building in marketing will significantly assist in maintaining recent deals and finding new buyers.				
<b>Management response</b>	<b>Accepted</b> In order for FOs business continues to run and they are able to sell farmers product, FOs should be able to analyze market, create marketing strategies and implement those strategies.				
Key action(s)	Time frame	Responsible	Tracking		
			Status	Comments	
6.1 Technical assistance to create an account and maintain the account in coffee trading platform. <i>By creating and maintaining coffee trading platform such as Beyco platform which is based in Europe, FOs will be able to expand its marketing globally. Trading platform will make it easier to trade and creates transparency in the worldwide coffee supply chain.</i>	2020-2021	Coffee Sector Coordinator	On going		
6.2 Capacity building in organizing participation in coffee exhibition.	2020-2021	Coffee Sector Coordinator	On going		

<i>Coffee exhibition will improve exposure of FOs coffee and bridge direct trade between FOs to coffee actors. Rikolto have been supporting FOs to participate in various national coffee exhibitions.</i>				
6.3 Capacity building in export marketing <i>By exporting, FOs will be able to sell larger volume. Capacity building in export marketing will enable FOs to administer export documents and understand the strategies in coffee export and international market.</i>	2020-2021	Coffee Sector Coordinator	To be done	
6.4 Developing quality control guarantee system to strengthen FOs bargaining power in business deals <i>In this year KBA will conduct training on organic coffee quality control with participatory system. This activity will create a local level of organic coffee guarantee system for buyers. Rikolto will encourage other FOs to develop their own quality control guarantee system that will strengthen FOs bargaining power in their business deals.</i>	2020-2021	Coffee Sector Coordinator	On going	
6.5 Capacity building in creating and maintaining web blogs and social media accounts for coffee promotion. <i>The outcomes of this capacity buildings are: FOs are able to post interesting information in their social media (FB, Instagram); coffee education or sharing coffee knowledge or coffee education to general audience; FOs social media get more followers and viewer that will also support FOs online marketing; Enhance FOs coffee promotion.</i>	2020-2021	Coffee Sector Coordinator	To be done	
6.6 Strengthening FO's brand by creating unique coffee through varieties of processing methods to influence tangible (i.e., taste and flavour) factors. <i>Various processing methods will produce various flavors and create varied prices. With diverse processing methods there will be more options of products for business partners and consumers.</i>	2020-2021	Coffee Sector Coordinator	On going	



<b>Evaluation recommendation / point of attention 7</b>	Encourage financial institution to finance FOs business.			
<b>Management response</b>	<b>Accepted</b> FOs have limitation in providing working capital and financing their facilities. Financing from financial institutions will push FOs business growth.			
Key action(s)	Time frame	Responsible	Tracking	
			Status	Comments
7.1 Preparing FOs to achieve bankability or fulfil financial institutions requirements. <i>These may consist of business legal documents, financial statement, business plan and business track records.</i>	2020-2021	Coffee Sector Coordinator	On going	
7.2 Supporting FOs in applying for loan provided by financial institutions. <i>Applying for loan from certain financial institutions, FOs require supports or technical assistance in loan application.</i>	2020-2021	Coffee Sector Coordinator	On going	
7.3 Expose FOs business potentials to financial institutions. <i>Exposing FOs business will attract financial institutions to provide loan or finance FOs.</i>	2020-2021	Coffee Sector Coordinator	On going	
<b>Evaluation recommendation / point of attention 8</b>	Encourage FOs to be actively involved in platform organisation (SCOPI and SCAI) activities and take benefit from that.			
<b>Management response</b>	<b>Accepted</b> Coffee platforms have programs that support the development of coffee value chain. As a platform member, Rikolto can also encourage platforms to support FOs or smallholder farmers.			
Key action(s)	Time frame	Responsible	Tracking	
			Status	Comments
8.1 Facilitate FOs to be actively involved in platform activities such as discussion forums, capacity buildings and exhibitions/coffee festivals. <i>We have been supporting FOs to be actively involved to platforms programs such as ToT of Master Trainers by</i>	2020-2021	Coffee Sector Coordinator	On going	

SCOPI, coffee exhibitions and auctions (Ex. Jakarta Coffee Week by and SCAI Micro-lots Coffee Auctions).				
8.2 Encourage platform to support capacity improvement of farmers in their cultivation, processing and business. <i>Participation in the platform enable Rikolto to influence the platform programs so that they are taking into account the condition and interests of farmers. Sustainable and continuous supply of quality coffee is the interest of all actors who are members of the platform.</i>	2020-2021	Coffee Sector Coordinator	On going	
<b>Evaluation recommendation / point of attention 9</b>	We are strengthening the agroforestry concept acceptance in all level of stakeholders to ensure the sustainability of environmental carrying capacity.			
<b>Management response</b>	<b>Accepted</b> By implementing agroforestry system, coffee farming will contribute to environmental sustainability and farmers improve climate change adaptability. Moreover, by planting food crops for the multicropping there will be additional income for the farmers family and improve their food resilience.			
Key action(s)	Time frame	Responsible	Tracking	
			Status	Comments
9.1 Capacity building in agroforestry system <i>Changes in rainfall patterns or weather strongly affect the coffee production. One of the strategies is the adoption of agroforestry system. Agroforestry system will be integrated in the farmer field school curriculum. This year AFB will conduct climate and financial smart farmer field school in which some materials of agroforestry system.</i>	2021	Coffee Sector Coordinator	On going	
9.2 Engaging other actors in the development and implementation of agroforestry system in coffee farming <i>We have been engaging other stakeholder in the development of coffee conservation in Manggarai. Next, we will direct the strategies to agroforestry system that is linked to coffee conservation and engage more stakeholders.</i>	2020-2021	Coffee Sector Coordinator	On going	

<p>9.3 Encourage platform to promote agroforestry system  <i>SCOPI has the recommendation/action plan to train farmers on climate change impacts; the needs to conduct research to assess the impact of climate change; assessing the impact of climate on all actors and supply chains in the coffee industry. SCAI also organise training on coffee agroforestry. As agroforestry system can mitigate the impact of climate change and give additional income to farmers through other crops grown in coffee farms, it is important to promote it to the coffee stakeholders private actors, community, non-profit organisation, SCOPI Members, and local governments.</i></p>	<p>2020-2021</p>	<p>Coffee Sector Coordinator</p>	<p>On going</p>	
--	------------------	----------------------------------	-----------------	--