

Foreword

Rural poverty and unemployment are two of the most critical issues facing Indonesia right now and for some years to come. Food security is another critical issue that should also be given the same degree of consideration. This is clearly stated in our VISION of agricultural development for 2005-2009 *“Establishment of vigorous agriculture for strengthening food security, increasing the value added and competitiveness of agricultural products, as well as increasing farmers’ welfare.”*

For achieving this VISION, the Ministry of Agriculture is focusing on the following MISSIONS:

- actualizing a professional agricultural bureaucracy with high moral integrity;
 - pursuing vigorous, competitive, sustainable, and environmentally friendly agriculture;
 - achieving food security by increasing agricultural production, diversifying food consumption patterns, increasing purchasing power, and improving food safety;
 - promoting an increase of agriculture’s contribution to the national economy through gains in gross domestic product, exports, employment, poverty reduction, and welfare;
 - providing agribusiness facilities through research and development, and growth of agro-input supply systems, agrofinance, and market access; and
 - advocating Indonesian farmers’ and our nation’s interests in international trade systems.
- This VISION is operationalized in the Medium-Term Development Plan through the:
- national food security enhancement program,
 - value added and competitiveness enhancement program, and
 - farmers’ welfare employment program.

Much more importantly, we have also decided that all our efforts to attain the VISION must be based on the *“spirit of agricultural development: clean and considerate.”* Clean means honest and free from corruption, collusion, and nepotism. We are determined to fully practice clean and good governance. Considerate means emphatically concerned about farmers’ and public interests. We believe that only with a spirit of moral uprightness will we be successful in achieving our idealistic vision of agricultural development.

President Susilo Bambang Yudhoyono has selected the revitalization of agriculture as one of the key vehicles for the Government to reduce poverty to 8% and unemployment to 5% by 2009. We may say this is the grand strategy for the country’s economic development, and a pledge of commitment of the Government for agriculture.

This publication is a précis of the impressive Agriculture and Rural Development Strategy Study undertaken by the Southeast Asia Regional Center for Graduate Study and Research in Agriculture/International Food Policy Research Institute/Center for Regional Resources Development

and Community Empowerment consultants under funding by the Asian Development Bank. I would like to thank ADB for its support. I believe that this publication is of significant value in reaching a broad audience both within and outside Indonesia to instill an appreciation of the opportunities offered by the agriculture and rural development sector, the challenges faced by the sector, and the roles expected of different stakeholders to overcome them.



Dr. Ir. Anton Apriyantono, MS
Minister of Agriculture
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Preface

Most of Indonesia's poor live in rural areas and depend on the agriculture sector for their livelihood. Thus, only through accelerated rural development can Indonesia achieve its goal of halving poverty by 2015. The Asian Development Bank (ADB) is privileged to work as one of Indonesia's partners to assist the Government in this vital undertaking.

ADB began operations in the agriculture sector in Indonesia in 1968 with two technical assistance (TA) activities – a rural credit survey and provision of advisers to the Ministry of Agriculture. By 2006, in the agricultural and rural development (ARD) sector alone we had provided \$4.2 billion in project financing and \$69.4 million in TA. These activities were concentrated in agricultural support services, crop production, fisheries and marine resources, livestock, tree crops and agro-industries, irrigation and rural development, and forestry and environmental management.

In 2001, the Government of Indonesia requested TA to provide inputs into its 2004-2008 Medium-term Development Plan (MTDP). ADB responded rapidly, bringing in a high-quality team of experts from the Southeast Asia Regional Center for Graduate Study and Research in Agriculture (SEARCA), International Food Policy Research Institute (IFPRI), and Center for Regional Resources Development and Community Empowerment to work with the Government to formulate realistic, effective strategies to advance agricultural and rural development. The team found that, through a strategic focus on development of human resources, institutions, knowledge, and infrastructure, and by providing an enabling environment, the ARD sector can fulfill its potential to contribute significantly to sustainable, pro-poor development of the country.

This publication summarizes the study's findings and recommendations to facilitate their dissemination to broader audiences both within and outside Indonesia. The original TA report was undertaken by a team of experts led by Mark Rosegrant and Ashok Gulati of IFPRI under the guidance of Arsenio M. Balisacan of SEARCA. Muhammad Ehsan Khan led the work on this publication with support from Bobur Alimov under the guidance of M. Jamilur Rahman. The original TA report was abridged by Mary Ann Asico and Claudia Ringler and edited by Stephen Banta with the help of Jo Narciso. Urooj S. Malik, Director, Agriculture, Environment and Natural Resources Division, Southeast Asia Department, provided oversight and direction in preparing the publication.

ADB is grateful for support from the former Minister of Agriculture, Dr. Bungaran Saragih, who requested the study; the current Minister, Dr. Ir. Anton Apriyantono, under whose stewardship the MTDP is being actualized; Dr. Joko Budiarto, former Director General of the Indonesian Agency for Agricultural Research and Development (IAARD); Dr. Achmad Suryana, current Director General of IAARD; and Dr. Harryono, Secretary of IAARD. We look forward to a continued and productive relationship with the Government of Indonesia to realize our shared vision of a much improved ARD sector and the reduction of poverty throughout the country.



C. Lawrence Greenwood, Jr.
Vice-President (Operations 2)

Abbreviations and Acronyms

ADB	Asian Development Bank
APBN	central government budget
ARD	agriculture and rural development
BAPPENAS	National Development Planning Agency
BIMAS	Farm Extension / Credit Program
BOT	build-operate-transfer
BPS	Central Statistics Agency
BRI	Bank Rakyat Indonesia
CAFC	community assistance facilitation center
CSO	civil society organization
DAK	special allocation grant
DAU	national government funds
DTK	group saving fund
GDP	gross domestic product
ha	hectare
IAARD	Indonesian Agency for Agricultural Research and Development
ICT	information and communication technology
IFPRI	International Food Policy Research Institute
kg	kilogram
KUM-WT	Karya Usaha Mandiri Wanita Tani
LFA	less-favored area
MOA	Ministry of Agriculture
NES	nucleus estates and smallholders
NGO	nongovernment organization
O&M	operation and maintenance
PAK	Income-Generating Project for Marginal Farmers and the Landless
PDAM	regional drinking water company
PRC	People's Republic of China
R&D	research and development
SMEs	small- and medium-sized enterprises
SOE	state-owned enterprise
SUSENAS	National Socioeconomic Survey
TFP	total factor productivity
WUA	water user association

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