

TECHNICAL ASSISTANCE COMPLETION REPORT

Division: SEAE

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| TA No. and Name TA No. 3843- INO: Agriculture and Rural Development Strategy Study | | | Amount Approved: \$900,000 | |
| | | | Revised Amount: \$900,000 | |
| Executing Agency Ministry of Agriculture | | Source of Funding: JSF | TA Amount Undisbursed \$85,219.76 | TA Amount Utilized \$814,780.24 |
| Date | | | Completion Date | |
| Approval | Signing | Fielding of Consultants | Original 31 May 2003 | Actual 31 December 2004 |
| | | | Closing Date | |
| 12 March 2002 | 19 September 2002 | 9 June 2003 | Original 31 August 2003 | Actual |
| <p>Description</p> <p>The rapid agricultural and rural growth in Indonesia in the 1970s to early 1990s was a foundation for the strong economic growth and poverty alleviation during the period. Growth in the non-farm economy came to outpace that in agriculture, with capital and labor freed from agriculture. As a result of the transformation, and despite continuing growth in agricultural output, agriculture's share in income, savings, and export declined dramatically. Despite this decline, agriculture remains a key sector in Indonesia with about 58 percent of the rural population deriving their income primarily from agriculture. Forty three percent of people engaged in agriculture are poor (the highest rate in any economic sector). Poverty is largely a rural phenomenon, and should be tackled by an agriculture and rural development strategy that addresses not only the issues evolving from the domestic transformation but also those emanating from changes in the international policy environment arising from commitments of member countries of the World Trade Organization (WTO) and the Association of Southeast Asian Nations Free Trade Area (AFTA) and providing opportunities for Indonesian farmers to better utilize their comparative advantage, increase the value of production, and access to hitherto inaccessible markets. The Government of Indonesia (GOI) requested ADB assistance in undertaking a study that will form the basis for such a strategy.</p> <p>Objectives and Scope</p> <p>The objective of the Study was to formulate and disseminate a medium-term agricultural and rural development strategy (2004-2020) to support the Government of Indonesia in its development of policies, investment programs, and institutional reforms to promote pro-poor and environmentally sustainable agriculture and rural development. The scope of the TA included: (i) identification and development of a comprehensive data base for analyzing market forces and economic trends relevant to agriculture and rural development; (ii) review of domestic and international agricultural policy environments, with particular attention to relevant WTO and AFTA regulations, and analyze their implications for agriculture and rural development in Indonesia; (iii) analyze the status and prospects of agricultural growth, policies and investments for making agricultural growth pro-poor and environmentally sustainable; (iv) conduct regional and central-level stakeholder consultation on sector issues; and (v) distil the results of the study into an agriculture and rural development strategy.</p> <p>Evaluation of Inputs</p> <p>A team of international and domestic consultants worked with the Ministry of Agriculture (MOA) to undertake the study. A total of 57 person-months (p-m) of consulting services were provided, 16 p-m of international consultants and 41 p-m of domestic consultants, with expertise in agriculture and rural development policies, international trade, private sector development, socioeconomics, environment and institutional development. The Center for Agro-Socioeconomic Research of MOA provided counterpart staff support to the Consultant through a team of five researchers. The study relied primarily on synthesis of existing reports and publications together with analysis of secondary data. Four case studies on selected topics were conducted for a better appreciation of specific issues and impacts of certain policies and trends in the sector.</p> <p>There were no significant changes in the scope of inputs envisaged at TA formulation. However, there were major changes in the schedule of inputs. The selection and fielding of the Consultant was delayed by eight months, largely because of the delayed finalization of contract with the first-ranked firm, Southeast Asian Center for Graduate Study in Agriculture in association with the International Food Policy Research Institute, because of differences on scheduling of international experts and duration of their field presence. Some adjustment to the schedule of key international experts was made and the Consultant fielded an additional expert throughout the TA study at no cost to ADB. The Consultant provided the required inputs within the agreed timeframe, and there were no change of experts during the TA implementation. Although the study was substantially completed within the originally contracted schedule, holding of briefing sessions on the recommended strategy with policy makers were postponed by eight months because of the national election and change of the Government.</p> | | | | |

Evaluation of Outputs

The study findings were presented in five reports: (i) an inception report laying out the detailed methodology and outline of the final report; (ii) an interim report with a detailed overview and assessment of the policy environment and recent domestic and international developments that were relevant to Indonesian agriculture; (iii) a draft final report on study findings and recommendations; (iv) a final report; and (v) a strategy paper. A series of regional and central level workshops were held to obtain the insights of key stakeholders on the ARD strategy for Indonesia, and to discuss the interim report and the draft final report and recommendations and the proposed sector strategy. The outcome of the workshop discussion helped the Consultant to finalize the study report and the recommended sector strategy which were further discussed in briefing sessions held for parliament members and senior government officials.

For the sector to remain a vibrant source of growth and an important means for poverty reduction, the study identified following strategic challenges: (i) reinvigorating agricultural productivity growth and inducing rapid technological innovation; (ii) managing quality and quantity of natural resources, particularly water; especially in Java; (iii) managing conversion of agricultural land to nonagricultural uses; (iv) accessing the benefits of globalization and economic liberalization while reducing the risks and possible negative impacts; (v) improving access of all to productive assets and employment so as to accelerate growth with poverty alleviation; (vi) responding to rapidly changing food consumption patterns and urbanization; and (vii) decentralization and good governance. The study identified six strategic priority areas in addressing the challenges in the medium- to long-term: (i) accelerated development of human resource and entrepreneurship; (ii) development of social capital through decentralization, collaborative action and community empowerment; (iii) revitalization of agricultural productivity through diversification and research; (iv) support for competitive and efficient agribusiness and farming systems, and viable rural industrial clusters; (v) enabling growth and enhanced productivity of rural non-farm economy; and (vi) enhanced natural resources management. Successful implementation of the strategy would require active and constructive collaboration of the three sectors of society: government, private sector, and civil society. The Strategy builds upon the movement to democratic governance and for greater devolution of the management of public resources to local governments and organizations through innovative institutional and policy reforms that require a blending of public sector, market, and civil-society roles and actions to address the challenges of Indonesian agricultural and rural development.

The comprehensive data base of agriculture and rural development prepared by the TA, enabled a critical review of relevant domestic and international policies and their implications on the Indonesian rural economy and poverty, and formulation of a strategy addressing the priority challenges for reinvigorating rural economy and reducing poverty. The findings of the TA and the strategy, discussed with stakeholders in the public and private sectors, were generally accepted. The TA findings and the strategy assisted the Government in formulating agriculture sector strategies for the Mid Term Development Plan (2005-2009). The TA findings formed the basis of ADB's strategy in the sector and will guide the preparation of the Indonesia Country Strategy and Program (CSP) 2006-2010.

Overall Assessment and Rating

The TA was highly relevant to the Government's development strategy and ADB's strategic objectives, both at the time of approval and completion. It was efficacious in achieving its output and purpose, and efficient in the use of inputs. The outcomes are likely to be sustainable, and the impact is expected to be substantial. Overall, the TA is rated as successful.

Major Lessons Learned

The TA was undertaken during the final year of the government in power and was completed under a new administration. There was continued ownership of the TA even after the change of the government, but there could have been a major setback if the priorities of the new government were different. However, the change of the government necessitated an eight-month deferment of the sector strategy dissemination phase to facilitate participation of the policy makers of the new government and members of the new parliament.

Recommendations and Follow-Up Actions

While the study helped develop an overall strategy for agriculture and rural development in Indonesia, it recognizes the potentials of different agro-climatic regions within Indonesia and the need for further refinement and adjustment of the strategy to suit specific conditions in individual regions. MOA should arrange for further dissemination of the strategy at regional level and encourage the regional governments to develop regional strategies and reflect these in the regional development programs. The study identified a number of areas for policy- and investment-based interventions. ADB may follow-up these areas with the Government within the framework of the Indonesia CSP.