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## Public-Private Partnership Between Indonesia and Swisscontact Through Sustainable Cocoa Production Program 2012-2015

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### Abstract

*Indonesia is the world's third largest producer of cocoa. However, the high number of resulting production is not aligned with the profit of value of exports. Each year, Indonesia suffered an estimated loss of several million dollars. There are many reasons for these shortcomings, but one frequent cause is a lack of farmers from access to technology, adequate counseling, and poor market integration. To make them continue to produce cocoa sustainably, they should have broad access to appropriate innovation, knowledge, and skills to create new tools are valuable in agriculture. Moreover, an opportunity for Indonesia to become the biggest supplier of cocoa in Europe, since the wide-open political circumstances of Ghana, which became the main supplier of cocoa in Europe is not stable. So Indonesia will not get a big loss and entangled in a classic problem that hasn't solved, Swisscontact offers cooperation in the form of public-private partnerships with the aim of enhancing the competitiveness of Indonesian cocoa value chain. The purpose of this research is to identify whether the partnership between Indonesia and Swisscontact conducted in accordance with the needs of industrial development in Indonesia Cocoa to achieve quality as international standard.*

Keywords: Public-Private Partnership, Indonesia. Swisscontact, Cacao

### I. INTRODUCTION

Developing countries rely on natural resources to be able to build the country. At the same time economic power is an important basis for political forces [1]. Indonesia as a developing country has a lot of potential to increase the economic value because of the abundance of natural resources. One of them is cocoa, Indonesia is the third largest cocoa producer after Ivory Coast and Ghana [2]. Yet the quality of Indonesian cocoa in the world market is not appropriate because it has not penetrated the European market which is the biggest cocoa market. Statement of Indonesian Ambassador to the EU, Belgium and Luxemburg, Arif Hafas Oegroseno, stated that Europe is the most lucrative market for Indonesian cocoa products because of their cocoa

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consumption which the largest and the most stable in the world [3]. In 1985 trade attache of Indonesia questioned Indonesian cocoa beans that has not be accepted as tenderable cocoa in London Terminal Market [4]. Until the end of 1987 cocoa Indonesia obtain permission to participate in the tender on the London Terminal Market for the period 1989 to the record gets a discount of £ 75 per metric ton [5]. Indonesia suffered loss around 100-200 pounds sterling annually. In 1991, 83,000 tons were exported, and the number of loss is Rp 29-58 billion [6]. In 1995-2000 Indonesian cocoa production increase to 200,000 tons per year, if quality problems are not immediately addressed Indonesia will get loss bigger and bigger. Deputy Trade Minister Bayu Krisnamurthi revealed that this fundamental problem hitherto unresolved [7].

In fact, the chances of Indonesian cocoa to export to the European Union are wide open with the direct request cocoa from Germany, Hamburg with the Working Group on Economic Trade and Agriculture, as well as the Mission of Indonesia to the European Communities (PRI-ME) [8]. This happens because of their fears of chocolate and food industry in the European Union on the supply of cocoa from West Africa, especially Ivory Coast due to unstable political situation [9]. Meanwhile, Indonesia's political situation is getting better and the benefit seen. There is a good chance that has not been optimized by Indonesia due to cocoa quality problems that is inappropriate as international standards.

Improving Indonesian quality need knowledge, systems, infrastructure, technological and managerial capabilities are adequate and sufficient funding to actualize it. Meanwhile, the needs of infrastructure keep increasing as the number of citizen or even the replacement of decaying infrastructure. If the construction of all infrastructure relies solely on funds derived from the government, the development would take a long time and complicated to build. Though farmers have stated and urged vice president, Jusuf Kalla about lack of infrastructure and instability of cocoa price while visiting Cocoa Plant Breeding Station at Alebo Desa Jaya, District Konda, Konawe South, South east Sulawesi [10].

If there is no improvement Indonesia will be stuck in stagnation, more uncompetitive due to the inability to provide adequate infrastructure. Therefore, efforts to involve the private sector in running partnership with various government projects seen as the solution of the existing limitations. This is commonly referred as public-private partnerships (PPP). The researchers looked the need to conduct a study related to international cooperation in the form of PPP between Indonesia and Swisscontact. This study was done to see effect form sustainable cocoa production program that Swisscontact launch toward the problems that the Indonesian cocoa farmers face.

## II. THEORETICAL FRAMEWORK

Public private partnership is a contractual agreement between the private and the government, both of which are joined together in a partnership to use the expertise and ability of each to improve services to the public, providing the best quality service at efficient cost [11]. The roles involved in this partnership collaboration could be more than one public and private such as agricultural companies, involving financial institutions, non-governmental organizations, farmers' organizations, small and large traders and individual farmers. This partnership can still be implemented if only one party is composed of a public and a private party. In general, the

purpose of convening PPP is to provide the needs of the public. If the partnership made a devastating effect, such partnerships do the networks mafia or even terrorists are not included in the definition of PPP, because PPP only intended to generate public goods, not public bad. [12].

Examples of this partnership, is generally carried out between transnational institutions is a form of dual function of government, such as transnational corporations or non-governmental organizations, with the government [13]. Then take over government functions previously this could only be done by the state as an authority of the country's sovereignty. Partnership transnational seen as a form of reconfiguration of authority in world politics that initially put the state to be the only source of authority prior to the fundamentals, through this partnership gives space to other parties such as the private sector to get involved in the process.

Meanwhile this partnership is also contributing in agenda setting, formulation and implementation of policies, on issues such as climate change, biodiversity protection, health, CSR and humanitarian aid [14]. PPP is mechanisms to obtain Government review and Services and Infrastructure Implement using public with resources and expertise from private parties. It helps the government face with problems of infrastructure that already old that need immediate replaced and Infrastructure that have to be built [15]. A Partnership that done with private parties can help develop new solutions including financial constraints. Opinion Economics states that PPP development seen as a Government strategy to minimize the reviews include transaction costs [16].

PPP combines the capabilities and resources of both parties, so does the risk and responsibility. No international operating standard which defines PPP. Different country or region has their local legal basis that determine differences nomenclature for implementing PPP projects. Then the success of PPP can be seen when efficiency and productivity increase, the creation of the more benefits, innovation and private investment [17].

### III. METHODOLOGY

This research is qualitative study exploring the case by doing an observation based on literature. This paper also assessing and analyzing the effect of Swisscontact existence towards the problem of Indonesian cocoa quality in the form of descriptive approach.

### IV. RESULT AND DISCUSSION

#### *An overview of Indonesian cocoa*

Indonesia is one of the third world countries that are associated with cocoa beans. This is due to the peculiarities of the tropics one of which is a plant cocoa. Cocoa beans from Indonesia known better than Ghana and Ivory Coast. This is because cocoa from Indonesia has a melting point higher than Singapore and Malaysia cocoa and contains no harmful pesticides as is often found in Ghana and the Ivory Coast. Therefore, the Indonesian Cocoa has a high potential to penetrate the world market.

However, the post-harvest process is poor cause the quality of Indonesian cocoa become worse and worse. The degree of acidity of less than five and a fat content only 53.1% [18]. In addition

80% of Indonesian cocoa is not fermented so European market reject it [19]. Although the amount of production Malaysia fewer than Indonesia, but the value of exports is greater than Indonesia because Malaysia could penetrate the European market that the selling price is more expensive than others market. While Indonesia could only penetrate the markets of USA, Malaysia, Singapore, Brazil and China. Countries that are willing to accept non-fermented cocoa. Even in the United States, Indonesia cocoa beans are always getting automatic detention because commonly found mold, dirt and insects. This happen because the Indonesian cocoa is not fermented. If there is no improvements, Indonesia builds a bad image in the eyes of the International on the quality of its cocoa indirectly. By that condition Indonesian cocoa get losses around US \$ 90-US \$ 150 per metric ton in the US market. Based on the Indonesian Cocoa Association of Entrepreneurs (ASKINDO) showed that 95% of quality South Sulawesi and South Sulawesi cocoa are exported to various countries, is low.

Although Indonesia has the peculiarities on cocoa products but the lack of quality control and low value-added industrial caused Indonesian cocoa get ranked seven in the world, under Netherland, America, Germany, Ivory Coast, Malaysia and Brazil. Based on ICCO, the value of world cocoa bean production is only US \$ 10 billion per year. While the value of retail sales of cocoa reached US \$ 107 billion. This suggests that the increase in the value of sales of cocoa products has tremendous potential as a foreign exchange input Indonesia and increase the social welfare of farmers.

Cocoa year	2010/2011	2011/2012	2012/2013	2013/2014 (forecast)
Production	440,000	440,000	410,000	425,000
Grindings	190,000	270,000	255,000	295,000
Exports of cocoa beans	275,184	183,813	173,605	-
Imports of cocoa beans	19,546	21,515	29,512	-
Exports of cocoa butter	64,342	100,791	87,203	-
Exports of cocoa powder and cake	69,276	98,668	81,487	-
Exports of cocoa paste/liquor	11,581	8,754	17,081	-

### *Swisscontact and sustainable cocoa production program*

Swisscontact is a business-oriented foundation for cooperation in international development. Working in 33 countries with more than 1,100 members of the team, the direction of Swisscontact is to develop economic, social and environment since 1959. Initially, Swisscontact established as Switzerland for Technical Cooperation, with Dr. Hans Schindler as its first president and Dr. Fritz Real as Ambassador Director. In 1971 the foundation was renamed Swisscontact and recorded in 1974 opened its first project in Bandung, the engineering school to be known as the Polytechnic Manufacturing (Polman).

Swisscontact in Southeast Asia have a representative in Laos, Cambodia, Myanmar and Indonesia. Swisscontact activities in Southeast Asia include development capabilities, promotion of SMEs, financial services, as well as the efficiency and effectiveness of resources. Particularly in Indonesia, Swisscontact is the main topic of Tourism, Cocoa and microcredit. Through the values of sustainability, inclusiveness markets and measurable results, Swisscontact and Indonesia has been a partner in various matters related to economic development. This study

focuses on the reviews on Sustainable Cocoa Production Program run by Swisscontact in several regions in Indonesia.

### *Sustainable Cocoa Production Program*

Sustainable Cocoa Production Program, abbreviated as SCPP, is a large program with a direction to increase the welfare and productivity of cocoa-producing land in Indonesia. Derivatives of SCPP are several programs that focus on specific issues related to the handling of cocoa and cocoa farmers that link with production process. SCPP formally began in 2012 and is planned to end in 2020. The program began informally with PEKA Project (Economic Improvement Aceh Cocoa) conducted in North Sumatra and Aceh. PEKA project is a project funded through the World Bank Economic Development Facility (EDF). The purpose of the project is to increase the sale value PEKA cocoa produced in the province of Aceh and North Sumatra. In 2012, the first phase of the SCPP by expanding its geographical coverage to Sulawesi project. The same year the SCPP start after receiving funds from companies that interested in sponsoring SCPP and make five core program of SCPP is Good Agricultural Practice and Transfer of Technology; Integration of Nutrition and Gender Sensitivity; Farmers Organization, Market Access and Certification; Integrated Agribusiness Financing Facility; and Stakeholder Management and Network Platform. The period of 2012 to 2015 involving many parties, including the Embassy of the Netherlands who are interested to join the SCPP. Given the tremendous potential of the SCPP, then in 2016 and there have agreed to the second phase of the SCPP to 2020.

## V. AN EFFECT OF SUSTAINABLE COCOA PRODUCTION PROGRAM

### *Good Agricultural Practices and Transfer of Technology*

Good agricultural practices in this case refers to the superior agricultural products as well as implementation of the values of sustainability in accordance with the reference international development. This program encourage the ability of farmers to obtain optimal results cocoa in quality and quantity. The fulfillment of these targets is done by training farmers to become coach cocoa farmers and disseminate good agricultural practices to others. Training for farmers was closed in 2015 as the first phase. In 2015 focuses on the implementation of the values that have been trained in cocoa farming practices. A total of 4,321 cocoa farmers have been the mainstay and join Farmer Field School with the topics such as good agricultural practices, good financial practices, as well as several other important topics. The farmers received eight days of training with technical modules such as planting, pruning, pest control, post-harvest practices and quality-related activities. Other activities are Climate-Friendly Farming (Climate-smart Agriculture) and Reduction of Greenhouse Gas Emissions. This program is intended to measure the greenhouse gas emissions generated by agricultural activity Cocoa for fertilizing, harvesting, running up land expansion. SCPP is the first program in Indonesia to monitor greenhouse gas emissions in their farming activities. Moreover, this activity is also intended to provide the knowledge for farmers to optimize their resources, both of fertilization, harvesting, until the land to be used in cocoa farming.

In the years 2012-2015 the amount to be trainee GAP is 59.386 that composed of 11.167 women and 48.219 men. According to data listed in SCPP, 15% more than the total global gas emissions contributed from agricultural greenhouse gas emissions. Emissions were derived from the use and

abuse of excessive chemical fertilizers, the expansion of new lands and so resulting in deforestation, population increases, changes in dietary preferences (choose to eat the meat than vegetables). With this training farmers become more aware of the environment problems especially warming greenhouse effect. During three years or less emissions released and after supported by the program can SCPP reduce emissions to 0756 tCO<sub>2</sub>e / MT from 216 tCO<sub>2</sub>e / MT which is about 38%.

### *Integration of Nutrition and Gender Sensitivity*

Related to nutrition, activity on the SCPP aims to reduce malnutrition in the cacao farmers. Due to the lack of welfare and knowledge, the diet of cocoa farmers became unwell and cause malnutrition to farmers or even future generations. Therefore, this training seek farmers to be able to balance their diet and their children. This program is also related to gender equality and the role of women in cocoa production activities. Some of the points outlined in the participation of women in cocoa production activities. The first is the welfare, this point refers to the availability of resources and human basic facilities, such as medical, financial or other matters of fundamental importance. Second is access, meaning the availability of access to goods into fulfilling the needs also the supporting facilities. Next is participation, SCPP encourage agricultural activities involving women, also in training activities, dissemination of agricultural knowledge and production. Lastly is control, where points have placed women as decision makers in important activities, this way is done by placing women in the position of chairman, deputy, secretary or treasurer farmer groups. During 2012-2015 this program feed children in the 1,000 days of their lives and beyond, exclusive breastfeeding in the first six months, and the last, the management of vegetable gardens and fish ponds in each home. Forty thousand targeted were reached number 40.777 consisted of 31.392 women and 8.785 men.

### *Farmers Organization, Market Access and Certification*

Cocoa Producer Group (CGP) consists of a group of cocoa farmers who are members of one region or tied to a cooperative that manages cocoa. This program aims to develop the capacity of cocoa farmers in CGP, continuous technical assistance for farmers to be more independent. In 2015, this activity facilitates 465 cocoa farmers in Sumatra and Sulawesi.

Efforts certification for smallholder farmer is a way to improve data collection in the SCPP. Traceability for any assistance in SCPP into the core activities of this certification. In addition, ownership certification increased bargaining power for the sale of cocoa farmers who have little land. In this way, the cacao farmers have an incentive to develop their cocoa business and have a competitive advantage in the market competition of cocoa.

The final activity is the information and communications technologies for certification and traceability. This activity uses software called Cocoa Trace, a software that stores data the cacao farmers who have received aid SCPP. Every farmer who has received aid is given a card marked with a QR code, this card can be used when buying or selling their cocoa products. Buyers can scan the card and determine the profile of sellers with ease, the quality of the fruit, to the land of farmers. This method is equipped with android applications for field data collection. Staff of these activities are equipped with GPS devices, cameras and tablet for field data collection.

### *Integrated Agribusiness Financing Facility*

This program encourage financial literacy for farmers. The activity is financial literacy training. This training emphasizes Good Financial Practices (GFP) to provide knowledge about the financial flows, savings and cash planning. This course is intended for members in the household to manage finances. Recorded 27.123 household members follow this exercise with the facilitator of business service. The next activity is a collaboration with the financial Institution. These activities are intended to promote GFP. The approach also performed at decision makers in any financial institutions, so there is a balance with the aim of SCPP.

The final activity is the development of cooperatives. This activity refers to the existence of cooperative cocoa is used as the center of the group of cocoa farmers. Cocoa cooperative development originally been done in the Project PEKA, SCPP upgrading the quality and geographical scope of this activity. The purpose of this cooperative development is established cooperative organization cocoa as a financial service provider that suits the needs of cocoa farmers.

### *Stakeholder Management and Network Platform*

This program develop the capability of local governments related to cocoa. Roles and government support is built through various seminars and discussion forums. A national discussion forums conducted with the cooperation of Cocoa Sustainability Partnership (CSP), which was held between January and June 2015. There were also workshops conducted from 26 to October 29, 2015 were carried out in Bali, is intended for government, private sector and development partners in Asia-Pacific region. Public-Private Partnerships were also conducted by Swisscontact in the international sphere with ICCO, the aim is to promote cooperation in the Indonesian Cocoa. The latter is a regional forums held in Sumatra and Sulawesi to address technical issues related to cocoa production activities.

## VI. CONCLUSION

Through PPP Swiscontact help Indonesian farmers to know appropriate knowledge about technology for agricultural and make them more aware. While till 2015 Swisscontact haven't give significant result for Indonesia but the programs that it provide encourage the quality on Indonesian farmers better. It'll be better if this program apply in many more region so that it will spread evenly towards all farmers in Indonesia.

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