

## Proceeding of Asian Workshop on Enabling Environments for Agribusiness and Agro-Industry Development

September 17-19, 2007, Bangkok, Thailand



**Agricultural Management, Marketing and Finance Service  
Rural Infrastructure and Agro-Industries Division  
FAO - Rome**

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## Foreword

Providing an enabling environment for enterprises to be started and thrive is an essential pre-requisite for economic development. Indeed, the growing amount of evidence on cross country, comparative assessments of the enabling environment for business enterprise development reveals that through a set of proper policies, institutions and services, some countries have been very successful in promoting investments, attracting capital and engendering economic growth. While the essential elements that constitute an enabling environment are cross-cutting, non sector specific, there are particularities in certain economic sectors that make it desirable to differentiate their nature and extent through an inter-country appraisal. Agribusiness and agro-industrial sectors, in particular, have not had their peculiar characteristics sufficiently examined in traditional assessments of enabling environments.

In order to address this need, the Rural Infrastructure and Agro-industries Division of the Food and Agriculture Organization of the United Nations (FAO-AGS) is conducting a cross-country assessment of key factors that contribute to the provision of an enabling environment for agribusiness and agro-industries development. Key areas of investigation in this regard are agro-related policies, as well as institutions and services.

Objectives of the workshop were to:

- Identify, characterize and assess the set of policies, institutions and support services that constitute the enabling environment for agribusiness and agro-industrial development in the country of reference
- Identify lessons and best practices from induced changes in policies, institutions and support services that have led to increased investments and improved competitive performance in specific agribusiness and agro-industry sub-sectors

The appraisals was be based on a combination of a literature review and direct consultations with government officials, academics, private sector representatives and individual companies with prominent roles in the agribusiness and agro-industrial sector of the country. Private sector views, in particular, are of special relevance to the objectives of the appraisal. While not neglecting the needs of larger scale firms, the appraisal is expected to focus primarily on the enabling environment for small and medium scale enterprise development in agribusiness.

Carlos A. da Silva, Ph.D.  
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FAO - Rome

**ASIAN WORKSHOP ON ENABLING ENVIRONMENTS FOR  
AGRIBUSINESS AND AGRO-INDUSTRY DEVELOPMENT**  
September 17-19, 2007, Bangkok, Thailand

**WORKSHOP AGENDA**

**Monday, 17<sup>th</sup> September 2007**

**8:00-8:30                    REGISTRATION**

**8:30-9:30                    WORKSHOP WELCOME AND OVERVIEW**

Official opening and welcome remarks: Mr. He Changchui,  
Assistant Director General and Regional Representative for  
Asia and the Pacific

Workshop Background and Objectives: Doyle Baker, Chief,  
Agricultural Management, Marketing and Finance Service, FAO,  
Rome

Introduction of Participants and Icebreaker: David Hitchcock,  
FAO - RAP

**09:30-10:00                DOING BUSINESS IN ASIA: OVERVIEW OF  
PERFORMANCE INDICATORS FROM CROSS COUNTRY  
SURVEYS; – Presented by Andrea Spears, UNESCAP**

**10:30-11:00                Coffee Break**

**11:00-13:00                PRESENTATIONS OF COUNTRY OVERVIEW PAPERS,  
(Moderated by Carlos da Silva, FAO AGSF, Rome)**

**Thailand**, Prof. Nipon Jayamangkala, Office of Research and  
Technology Transfer, Maejo University, Thailand

**India**, Dr. Meeta Punjabi, FAO Consultant, New Delhi, India

**Indonesia**, Dr. Roniie Natawidjaja, Center for Agricultural Policy  
and Agribusiness Studies (CAPAS), Padjadjaran University,  
Indonesia

**Nepal**. Mr. Basudev Dahal, Institute for Integrated  
Development Studies (IIDS), Nepal

**The Philippines**, Dr. Nerlita Manalili, Regional Advisor for Asia;  
Vredeseilanden, VECO - Indonesia

13:00-14:00 Lunch break

14:00 -15:00 **PLENARY DISCUSSIONS ON COUNTRY OVERVIEW**

**PAPERS:** (Facilitators: Nancy Morgan, FAO RAP and Carlos da Silva)

15:00-15:30 Country summaries; Regional comparisons (Carlos da Silva)

15:30-16:00 Coffee Break

16:00-17:30 **PLENARY PANEL DISCUSSIONS**

The objective of the plenary panel discussions is to exchange information about the current situation in Asian countries with regard to major issues and constraints affecting the creation and permanence of an enabling environment for agribusiness and agro-industry development. Each panel will be composed of one FAO staff and two outside discussants. Discussions with the floor will ensue.

Overall Facilitator: Jo Cadilhon, FAO RAP

16:00 – 16:30 **PRESENTATION OF METHODOLOGY AND EXPECTED OUTPUTS OF PLENARY PANEL DISCUSSIONS:**  
by Jo Cadilhon

16:30-17:30 **PRESENTATION OF THEMES:**  
Theme one: *Ensuring food quality and safety in agrifood supply chains*  
Briefing by Peter Hoejskov, FAO - RAP  
Facilitator: Carlos da Silva, FAO, Rome

**Tuesday, September 18<sup>th</sup>, 2007**  
**(Presentation of Themes continued)**

09:00-10:00	Theme two: <i>Good governance in the allocation and management of concessions</i> Briefing by Ralph Houtman, FAO - RAP Facilitator: David Hitchcock
10:00-11:00	Theme three: <i>Environmental sustainability of agroindustries</i> Briefing by Kenichi Shono, FAO RAP (prepared by Masakazu Kashio), FAO - RAP Facilitator: Ralph Houtman
11:00-12:00	Theme four: <i>Inclusion of small farmers in agroindustries</i> Briefing by David Hitchcock Facilitator: Peter Hoejskov
12:00-13:00:	<b>SYNTHESIS: OUTCOMES OF PANEL DISCUSSIONS ON THEMES, PLENARY DISCUSSIONS</b> Facilitator: Jo Cadilhon
13:00-14h00	Lunch
14:00-17:00	<b>GROUP WORK - DEVELOPING PRIORITY AREAS FOR POLICY ACTION AND ADVOCACY</b>  Breakout sessions will be organized to allow the exchange of information and viewpoints of participants with regard to the major issues and constraints affecting the business climate for agro-based enterprises in Asia. This preparation period will be used to present the key questions to be addressed, to discuss these and to decide on focus of group discussions, expectations of output, and the role of participants in group discussions.  Facilitators: Nancy Morgan and David Hitchcock  <b>Break-out sessions:</b> <ul style="list-style-type: none"><li>• <b>Successful/unsuccessful agribusiness development</b></li><li>• <b>The links to smallholder participation</b></li></ul>

**Wednesday, September 19th, 2007**

**(Continuation of group Work - Developing Priority Areas for policy action and advocacy)**

9:00-9:30            **WORKING GROUPS-DEVELOPING PRIORITY AREAS FOR POLICY ACTION (Reviewing presentations in small groups)**

9:30-13:00        **PLENARY PRESENTATIONS AND DISCUSSIONS ON OUTCOMES OF WORKING GROUPS (Facilitated by Nancy Morgan and David Hitchcock)**

10:30-11:00:      Coffee Break  
**Continuation of Presentations and Discussions on Outcomes of Working Groups**

13:00-14:00       Lunch Break

14:00-15:30       **AGRI-BUSINESS DEVELOPMENT IN ASIA: THE LESSONS LEARNED**

- The role of public policy/private sector initiatives
- How donors can effectively assist in the process
- Recommendations for FAO

Facilitator: Carlos da Silva

15:30-16:00       **WRAP UP AND CLOSURE OF WORKSHOP**  
Facilitator: Doyle Baker



# **APPRAISAL OF ENABLING ENVIRONMENTS FOR AGRIBUSINESS AND AGROINDUSTRY DEVELOPMENT IN INDONESIA**

**Ronnie S. Natawidjaja  
Achmad Firman**

This paper is provided for regional workshop on “Comparative Appraisal of Enabling Environment for Agribusiness and Agro-Industry Development” in Bangkok, Thailand from 17-19 September 2007, organized by The Food and Agriculture Organization (FAO).

**Center for Agricultural Policy and Agribusiness Studies (CAPAS)  
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September, 2007

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## **Executive Summary**

Characterization of the agriculture sector in Indonesia grows in average at 2.82% between 2003-2006 and the eight highest sector growths in the economy. The share of agricultural primary sector has been continually declining in the last two decades. In 1986, agricultural sector still contributes 24,2% to the GDP, by 1996 had dropped to 16.7%, and even dropped further to only 12.9% in 2006. However, agricultural sector still remain as the highest jobs provider and support more than 46% of the labors or more than 42 million people and effective policy toward poverty alleviation. In the agricultural sector, food crops and horticulture primary product makes the highest contribution to the economy and the estate crop is the second, both sectors are in increasing growth. Fruit and vegetables indicate very dynamic development in term of production and productivity. In animal husbandry sub-sector, all products appeared to increase in production. Meanwhile, estate crops production revealed sign of declining condition except for palm oil. The agricultural sector trade balances was calculated where fruits and vegetables production generally increasing, high and increasing trend of imported of food product have caused all of the food group are in trade deficit. The next characterization of the agriculture sector is land problem determined that the average land ownership in Java were down by 21.82% and outside Java Island were drop by 20%. On the other hand, the number of small farmers proportion were increase to 5.24% in period 1983 – 1993 (9.79 million to 10.30 small farmers) and the increase of land less farmer by 2.6% in period 1993 – 2003 (10.8 million to 13.7 million small farmers).

Among most important constraints that hamper small business development in rural areas are high transportation cost, poor infrastructure, limited access to credit, low quality of labor, regional taxes and retribution. However, general characterization of enabling environment for agribusiness and agro-industry development in Indonesia are rural infrastructure, access to credit, investment climate, local tax and retribution, business development service, license and business registration, and human resources education. There are six key elements of enabling environment such as agriculture trade policy, innovation system (Research and Development), technical assistance, rural farm infrastructure, market linkages and coordination, and risk sharing institution.

To analysis of selected elements of the enabling environment, it can be identified from external environment issue. Several external environment issues to drive enabling environment for agribusiness and agro-industry development in Indonesia are food market restructuring, business partnership, and role of financial institution.

The best practice and lesson learned can be taken from two kinds of experiences, failing experience and best experience. The best lesson learned from failure experience shows that because of no coordination and market linkage, both of producers and industry can be survived in their activities. The best lesson learned from best experience are both of producer and industry have market linkage and coordination and the industry have dedicated for improving farmer management.