SCPP
ANNUAL REPORT 2017
FOREWORD

SCPP had its best year in 2017 in terms of scaling up its successful approach. We reached more than 59,200 new farmers with high quality training on cocoa agronomy. The Public Private coalition continued to expand with new global partners and the ongoing support from the foundational donors of SECO and MCA - MCC. The Program surpassed 1.5 million farmer training days delivered and in fact, MCA-Indonesia recognized SCPP’s coalition as its “best performing partnership” in terms of reaching the most communities and farmers over the largest areas.

And yet, 2017 was the worst of times for the cocoa farmer, with unfavourable weather for production and historically low cocoa prices which make the rate of technical adoption fall. SCPP measures success beyond just assisting farmers to produce more cocoa. Important as that is, farmers’ resilience to earn a living income from their farm is key and the priority of the Program.

Looking forward to 2018, we will be building off the great gains made in 2017 to create a better future for cocoa farmers.

Editor: Denny Herlambang Slamet, Meg Phillips
Design & Layout: Tamni Suryani

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Background

01 PEKA (2010 - 2012):
Based on Swisscontact’s experience from earlier projects in Eastern Indonesia and North Sumatra, Swisscontact received funding from the Economic Development Financing Facility (EDFF), managed by the World Bank, to expand cocoa activities to five districts in Aceh to benefit 12,000 farmers.

02 SCPP SECO (2012 - 2015):
With support from the Swiss State Secretariat for Economic Affairs (SECO), SCPP officially started on January 1, 2012 as a continuation of the Economic Development Financing Facility Project (PEKA) in Aceh with expansion to Sulawesi.

03 CPQP - IDH (2012-2015):
Three private sector companies expressed their interest in working with Swisscontact in Sulawesi, which led to the inclusion of IDH as an additional funding partner to SECO.

04 GNP - EKN (2012 - 2015):
In December 2012, the Embassy of the Kingdom of the Netherlands (EKN) joined the Program with the Good Nutritional Practices (GNP) modules, adding huge value to the Program’s activities to improve farmer’s livelihoods.

05 AFF - SECO (2014 - 2016):
In March 2014, SECO expanded its commitment to SCPP by integrating Agribusiness Financing Facility (AFF) as a component to facilitate Access to Finance (A2F), especially savings and loans. AFF will now be integrated into SCPP-SECO Phase II until 2020.

06 READ - IFAD (2015 - 2017):
In January 2015, Swisscontact and IFAD entered a collaboration to continue to strengthen the institutional capacity, governance and market access for cocoa farmers in Central Sulawesi.

In March 2015, the Swisscontact Consortium and Millennium Challenge Account - Indonesia (MCA-Indonesia) signed a partnership called Green Prosperity – Sustainable Cocoa Production Program (GP-SCPP) with the overall goal to improve production and greenhouse gas emissions in the Indonesian cocoa sector.

08 SCPP/AFF SECO PHASE II (2016 - 2020):
SECO approved the SCPP extension and expansion proposal from Swisscontact to 2020. This also includes AFF activities.

09 Increasing Target (2017):
Program targets increased to 165,000 cocoa farmer households.

10 Partnership with 9 private companies:
SCPP works together with leading local and multinational cocoa and chocolate companies. The partnership works towards building the foundation for improved transparency and product traceability to encourage sector change.
As a large public-private partnership, the Sustainable Cocoa Production Program (SCPP), implemented by Swisscontact, works to enhance the economic, social and environmental aspects of the cocoa supply chain in Indonesia. The overall objective of SCPP is to increase the farmer household income from cocoa by 75% and reduce greenhouse gas emissions from the cocoa sector by 30%.

The partnership is comprised of the Swiss State Secretariat for Economic Affairs (SECO), public donors, and private sector partners from the cocoa sector. SCPP works with Indonesia’s Ministry of Home Affairs on a national level and local governments at the provincial and district level. The Program facilitates capacity-building measures for 165,000 smallholder cocoa farmers in 57 selected districts across 11 cocoa producing provinces.
In 2017, IDR 3,578,678,086 of premiums were distributed to farmers, buying stations, and certification holders in Aceh and Sulawesi, generating additional profit for farmers. Since 2014, the total premium payments disbursed amount to IDR 13,432,534,443.

Program activities have positively affected the poverty level of cocoa farmers. The percentage of people living under the poverty line (PPP) 1.25 and PPP 2.50 are 7.9% and 59%, respectively. Resulting in a 34% reduction of farmers living below PPP 1.25.

The amount of GHG emitted from agricultural practices has been reduced to 0.85 tCO2e/MT, surpassing the annual target of 0.87 tCO2e/MT and close to the 2020 target of 0.74 tCO2e/MT.

Farm productivity has increased from a baseline value of 513 kg/ha/year to a post-line value of 685 kg/ha/year (productivity increase of 33%) after farmers joined training activities and applied the knowledge to their farms. By 2020, the Program is aiming to increase to 1,000 kg/ha/year.
To improve cocoa farmers’ economic resilience, the program focuses on improving access to financial services and products, fostering enterprise development, and delivering professional farmer packages so that farmers can increase their production.

**Production Increase**

The program trains farmers on Good Agricultural Practices (GAP) to ensure that they have the skills to increase their production and household income from cocoa. Since 2010, the program has trained 136,547 farmers on GAP. When farmers are taught how to properly care for their plants, reduce production loss with better pest and disease management, and apply sufficient agri-inputs, they can significantly increase their earning potential from cocoa.

Before a farmer joins GAP training, their farm data, production, and current cultivation practices are recorded as a baseline reference. Every year following, farmers are visited again to track adoption and yield increase. Overtime farmers adopt more and more recommendations, leading to growing production overtime. (Figure 1)

**Economic Outcomes**

![Figure 1: Years After GAP Training](image-url)
Added-value

Besides increasing the quantity of beans produced, farmers can also focus on improving the quality of their beans with post-harvest processing knowledge attained through GAP training.

SCPP facilitates certification with third party sustainability standards for the motivated farmers that have a drive to succeed. Certification status means that farmers comply with international standards related to environmental awareness, health, safety, and child labor.

Through premium payments paid by chocolate manufacturers, farmers receive an incentive of 5-10% over the market price for maintaining the standards.

Financial Inclusion and Business Support

Lack of basic financial literacy at the household level and the shortage of financial products that are appropriate for cocoa farmers limits farmers’ access to finance. To address these issues, the Agribusiness Financing Facility (AFF) component of the program targets both the farmers and the banking sector. Cocoa farmers are trained on basic financial literacy, while bank staff are provided with Cocoa Sector Training (CST) to improve their understanding of the cocoa sector.

Besides working with farmers, the program also supports farmer organizations and Small and Medium Enterprises (SMEs) such as nurseries and cocoa buying stations to ensure that the enterprises have the capacity to maintain operations while also providing adequate services or input-supply for farmers and farmer organizations. Having a steady supply of cocoa seedlings, for example, improves farmers’ access to essential agri-inputs to rehabilitate their farm and increase their production. SME and farmer organization staff attend Good Business Practices (GBP) and Internal Management System (IMS) training so they can meet the growing needs of the business and farmers.

I never realized that the cocoa sector could have so much potential. Now I am aware that cocoa farmers can generate enough cash throughout the year to cover the regular scheduled loan payments.

- Dedi Satriya (left), Chairman of BRI Unit in Lubuk Jantan, Tanah Datar, West Sumatra

Cumulative Results

136,547
Households Trained on GAP

52,981
Households Trained on GFP

171
Bank Staff Received CST

3,393
Staff trained on GBP/IMS

The number of farmers living below $PPP 1.25 per day has decreased by 34% as a result of program activities.

Since 2014, total premium payments for farmers have exceeded USD 950,000.

Good Agricultural Practices (GAP) covers topics including pruning, soil health, pest and disease management, shade tree management, post-harvest processing, and quality control (cocoa bean sorting, fermenting, drying).

Good Financial Practices (GFP) improves farmers’ financial literacy by teaching them about cash flow planning, record keeping, and how to increase savings. After farmers attended GFP training, savings account ownership increased by 42%.

Through Cocoa Sector Training (CST), the banking sector will be able to design appropriate products and feel comfortable providing loans to eligible cocoa farmers. Formal loans for farmers increased ten-fold after program intervention.

From 984 SCPP supported Small and Medium Enterprises (SMEs), 3,393 staff have received training on Good Business Practices (GBP) to improve their business management skills. Enterprises involved in selling certified cocoa are trained on Internal Management Systems (IMS), which covers business skills for certificate holders.
SCPP promotes climate-smart agriculture and environmental awareness through multiple delivery channels including trainings and workshops. The main goal is to promote environmentally friendly approaches and encourage producers to use agri-input alternatives and techniques that promote soil conservation and lower Greenhouse Gas (GHG) emissions.

**Good Environmental Practices**

The program’s core curriculum on Good Agricultural Practices (GAP) promotes many environmentally friendly approaches such as soil conservation, proper use of agri-inputs and ecosystem management. Training in Good Environmental Practices (GEP) aims to extend the farmers’ understanding of the environment and how their farm management decisions may impact the environment and vice-versa. Farmers are made more aware of climate change and how they can mitigate and adapt to it.

**Local Stakeholder Workshops on Environment**

Promoting green growth cannot only be done at the farmer level. The program brings together various stakeholders including local governments, private sector companies and other institutions. The workshops aim to promote sector-wide discussion on environment and land use conservation awareness and discuss current environmental issues facing the sector. Furthermore, Swisscontact encourages the participation of local and regional environmental organizations and non-government organizations at the workshops to form stronger linkages between the organizations, thereby having a positive impact at the landscape level.
GHG Emissions Reduction

The global community generally agrees that reducing Greenhouse Gas emissions is the best way to address climate change. Agriculture remains a significant contributor to GHG emissions, whether that is due to a direct result of agricultural activities such as agri-input use or as an indirect result of land clearing to make way for new agricultural land. On Indonesian cocoa farms, excessive use of chemical agri-inputs and improper agricultural practices lead to higher amounts of emissions, soil degradation and water contamination.

The program addresses these issues by promoting agricultural practices that are not just good for production, but also the climate. When farmers are trained to apply agri-inputs correctly, they are decreasing the GHG emissions from their cocoa farm. Farmers are also increasing the number of cocoa and shade trees on their farms, which results in more carbon being captured through the process of sequestration before it enters the atmosphere.

The collaboration with the Millennium Challenge Account – Indonesia (MCA-Indonesia) gave SCPP the opportunity to accelerate its efforts to reduce the cocoa sectors’ carbon footprint with additional funding. A recent study published by MCA-Indonesia’s leading GHG accounting firm, ICF, found that the impact of SCPP activities in the MCA-Indonesia funded districts alone is estimated to be capable of reducing GHG emissions by 260,000 tCO2e/year. The reductions are largely due to increased planting of cocoa trees, shade trees, and expected reduction in the need to expand cocoa farming areas. Additionally, organic fertilizer use has doubled with 21% of farmers now applying it, and total chemical fertilizer use has decreased by 10%.

Out of the 65 projects under MCA-Indonesia’s ‘Green Prosperity’ portfolio, SCPP is accredited with contributing to 25% of the total GHG emission reductions from all projects in the portfolio. SCPP’s share of the MCA-I budget was only 3.5%, which makes the program an excellent return on investment.

Cumulative Results

Through Good Environmental Practices (GEP) training, farmers are taught about the principles of sustainability, the importance of maintaining ecosystems, and how to map and maintain natural resources.

From November 2015 until December 2017, nine environmental workshops were held to promote conservation and climate smart agricultural practices among 400 participants in total, comprising of producers, private sector partners, government officials and NGOs.

SCPP uses the UNFCCC methodology to track GHG emissions for every single cocoa farm participating in the program. Adoption of better agricultural practices has reduced GHG emissions to 0.85 tCO2e per metric ton of cocoa produced from a baseline of 1.11 tCO2e/MT, a 23% reduction.

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Program activities can contribute to a reduction of 260,000 tCO2e/year, which is the equivalent of taking 55,000 cars off the road for one year.¹

The social component of SCPP aims to increase awareness of community health and social issues, while also empowering communities to enhance their own living standards. Through this approach, the program addresses a range of issues including lack of nutrition, child labor, gender inequality and low youth participation in agriculture.

**Good Nutritional Practices**

A nutrient-rich diet and healthy family is key to improving productivity in the long term. Through Good Nutritional Practices (GNP) training, households are taught about the importance of nutrition and its relation to health and childhood development.

The training also encourages families to plant their own nutritious vegetable gardens and/or fishponds for household consumption, and whenever possible, sell the excess produce for additional income.

As a result of nutrition training, **132 hectares** of vegetable gardens and **528 hectares** of fishponds have been established and supported.
Women Empowerment
SCPP aims to ensure gender equality in regards to access and control over resources through involving both men and women in the Program’s activities. Program approaches include:

1. Gender mainstreaming: Encouraging female participation in program activities and evaluation, as well as promoting female participation in decision-making.
2. Gender specific activities: Trainings and workshops on leadership, facilitation and negotiation specifically tailored for women.

Community Development
Communities in Indonesia can sometimes lack awareness on social issues and often do not know how to best address the problems they face. Good Social Practices (GSP) focuses on farmer groups and aims to engage cocoa communities to improve awareness about their social problems and trigger community action to address these problems. The training covers social issues such as gender equality, child rights, youth involvement and how to develop Community Action Plans to help move the community towards action.

As follow-up to GSP training, the program facilitates workshops for cocoa community stakeholders, including local government, farming households and community leaders. The workshop provides an overview of social issues and aims to get stakeholder commitment to support communities to address these issues.

In Atolanu village, Kolaka Timur, a youth entrepreneurship program was included in one of Atolanu’s community action plans and received support from the village administration. Swisscontact helped facilitate youth interventions such as training on public speaking, leadership, and compost making. With their newly acquired skills, the Atolanu Youth Group started a compost-making business. The village administrators chose to support the compost-making business because fertilizer supply in the community was limited, and organic materials for compost production were abundant. Now the group has been allocated two hectares of land to test their compost and they have the capacity to produce two tons of compost at a time.

While in Lambandia village, women were active in advocating actions plan that are related to their concern and needs, such as improving support for local health outposts (Posyandu) and the Early Childhood Program. Their activities won support from the village fund in 2017.

Cumulative Results

| Good Nutritional Practices (GNP) | Households Trained | 59,966 |
| Good Social Practices (GSP) | Households Trained | 4,946 |
| Overall Women Participation by Training Activity | 18% | 18% | 51% | 68% | 17% | 10% |
| Gender Equality Workshops Organized | 69 |
| Workshops on Community Action Plans facilitated | 55 |

Good Nutritional Practices (GNP) training provides an overview of balanced diets, nutritious foods, horticultural training for home gardening, fish ponds and important nutritional issues for vulnerable groups.

Good Social Practices (GSP) trains cocoa farming community members on sharing farming responsibilities between men and women, the potential roles of youth in cocoa farming, child rights and child labor prevention, and how to develop action plans to address social issues.

The program organized 69 workshops on gender equality to improve the communities’ awareness on gender issues and women’s involvement in decision-making positions.

Workshops on Community Action Plans help community members develop the skills needed to plan and advocate for their own social development. This year, 4 CAPs have received support from local government and NGOs.

Prior to the program, women participation in community development planning meetings was only around 10%. In the last meeting, about 25% of the participants were women. Hopefully next year it will be 50%.

- Mr. Thamrin, Head of Lambandia Village, Kolaka Timur
Innovation & Knowledge Transfer

Social Network Analysis (SNA)

During the long 6-years of implementation, the program has gained two great assets: a massive farmer network and detailed data on each of the 136,547 farmers involved in SCPP. In addition to approaching new farmers and broadening the working areas, SCPP will also focus on supporting agricultural innovation systems in certified cocoa supply chains.

As a first step, the program will assess the informal social network pattern between farmers, farmer groups, and buyers that are connected to a certificate holder. This Social Network Analysis (SNA) will explore the linkages and relationships between farmers, their peers, and community influencers, particularly in how they relate to knowledge transfer on cocoa cultivation.

The SNA survey, which will be conducted through the CocoaTrace application, will help reveal how these informal networks are structured and who in these communities fulfill the role of a ‘node’—an individual whose opinion is highly valued and/or acts as the bridge between individuals and groups. With this information, SCPP and its private sector partners will be able to better design interventions and maximize investments to improve the rate of adoption, accelerate knowledge diffusion, and build trust within the certified supply chain.

CocoaTrace is a cloud-based Software as a Service (SaaS) application for program management developed by Swiss-contact-SCPP and PT.Kotaboa. The features enable the industry to trace cocoa beans from the farm to the processing facility.
Training Manuals

Over the past ten years, SCPP has continued to evolve and expand into a holistic program that targets cocoa communities using an array of overlapping approaches. With expansion to new areas and topics to enhance the impact of the Program, ensure its sustainability and guarantee consistency, there was a need for creating new modules and manuals for trainers and other supporting learning materials for the farmers, their family members, and farmer organizations.

Swisscontact worked with private-sector partners and other stakeholders to develop a whole suite of training manuals to address a variety of concerns within the supply chain. These twelve high-quality training modules were developed, used and made publically available on www.swisscontact.org or are directly accessible through scanning the QR codes in this report. The training modules are written in Indonesian, with the two-part Bank Training Manual also available in English.
Financial Report

Total Funding from 2010-2017

CHF 42,881,880

Total Spending from 2010-2017

- 27%
- 16%
- 22%
- 17%
- 6%

Total Funding Per Respective Donor 2010-2017

- SECO - Switzerland
- IDH
- EKN
- IFAD
- MCA-Indonesia
- Private Sector
- EDFF/PEKA

Funding per Respective Donor per Year

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