Farmers' Perception of Japan's Second Kennedy Round (SKR) Program in Indonesia: Case Studies on Shallot and Wheat

「日本の第2ケネディラウンドプログラムに対する農民の評価：エシャロットと小麦の事例研究」

専　　攻　資源生物科学専攻

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Abstract

Many agricultural assistance programs are provided by local governments and foreign donors. However, even with such active support for agriculture, the impact of the programs still falls short of the expected results. This study focused on shallot and wheat projects in Indonesia funded by Japan's Second Kennedy Round (SKR) program. A survey was conducted in March 2013; to determine farmers' perceptions of such projects by observing the following: the socioeconomic characteristics of the farmers, the farmers' assessments of the projects benefits and obstacles, and farmers' assessments of support from local governments and extension workers.

Using Spearman's rank correlation coefficient, the results indicate that smaller farming families face greater obstacles in the shallot project. Family members who work in the agricultural sector have a significant correlation with the benefits gained from the projects. In wheat project, on the other hand, older farmers tend to face greater problems.

Cross-tabulation analysis shows that 91.7% of the surveyed farmers perceived many obstacles in shallot cultivation, mainly due to a lack of water (climate). On the other hand, 86% of farmers argued for the advantages of the wheat project. Climate and market access to local wheat were indicated as the main obstacles for wheat farmers.

A farming feasibility analysis shows that, the return-cost ratio (R/C) index and benefit-cost ratio (B/C) indexes for shallots are 5.33 and 4.33, respectively, while the same indexes for wheat crops are just 1.81 and 0.81, respectively. Although local wheat farming is feasible, its agribusiness competitiveness is still weak because of the market uncertainty.

Contents

		Page
	Abstract	1
	Contents	2
	List of Tables	3
	List of Figures	4
	List of Annexes	4
	Abbreviations and Acronyms	5
I	**Introduction**	6
	1. Farmers' Conditions in Indonesia	6
	2. The SKR Program and Its Contribution	6
II	**Research Objectives and Methodologies**	9
III	**Case Studies of Shallot and Wheat Projects**	11
	1. Case Study of Shallot	11
	a. Overview	11
	b. Farmers' Demographics	12
	c. Farming Characteristics	12
	d. Farmers' Perceptions of the Project	12
	2. Case Study of Wheat	14
	a. Overview	14
	b. Farmers' Demographics	15
	c. Farming Characteristics	15
	d. Farmers' Perceptions of the Project	16
	3. Data Analysis	18
	a. Spearman's Rank Correlation Coefficient	18
	b. Farming Feasibility	19
	c. Cross-tabulation	20
	4. Project Sustainability	22
IV	**Conclusion**	23
	References	24
	Annexes	25

List of Tables

		Page
1.	The Realization of Grants	8
2.	CF-SKR Accumulation and Utilization	8
3.	Shallot Farmers' Demographics	12
4.	Shallot Farmers' Farming Characteristics	12
5.	Respondent Assessment of the Advantages of the Shallot Project	13
6.	Respondent Assessment of the Complexity of the Shallot Project	13
7.	Respondent Assessment of Support from Local Government and Extension Workers on the Shallot Project	14
8.	Wheat Farmers' Demographics	15
9.	Wheat Farmers' Farming Characteristics	15
10.	Respondent Assessment of the Advantages of the Wheat Project	16
11.	Respondent Assessment of the Complexity of the Wheat Project	17
12.	Respondent Assessment of Support from Local Government and Extension Workers in the Wheat Project	17
13.	Correlation between Farmers' Characteristics and Farmer Perceptions of the Benefits and Obstacles of the Shallot Project	18
14.	Correlation between Farmers' Characteristics and Farmers' Perceptions of the Benefits and Obstacles of the Wheat Project	19
15.	Farming Analysis	20
16.	Shallot Benefit * Shallot Obstacle Cross-tabulation	21
17.	Wheat Benefit * Wheat Obstacle Cross-tabulation	21

List of Figures

		Page
1.	Map of the Project Locations	10

List of Annexes

		Page
1.	Number and Percentage of the Poor in Indonesia by Region (Urban and Rural), 2004–2010	25
2.	Shallot Seed Production Flow Chart	26
3.	Farming Analysis	27

Abbreviations and Acronyms

APBMI	Asosiasi Perbenihan Bawang Merah Indonesia
APBMP	Asosiasi Perbenihan Bawang Merah Pamekasan
B/C	Benefit cost ratio
Bimas	Bimbingan Masal
BKM	Barokah Karya Mandiri
BPS	Badan Pusat Statitik
BPSB	Balai Pengawasan dan Sertifikasi Benih
BUMN	Badan Usaha Milik Negara
CF-SKR	Counterpart Fund of the Second Kennedy Round
DAC	Development Assistance Committee
FMP	Fused calcium-magnesium phosphate
Gapoktan	Gabungan Kelompok Tani
IDR	Indonesian rupiah
Inmas	Intensifikasi Masal
KCL	Kalium chloride
KUT	Kredit Usaha Tani
NAD	Nanggroe Aceh Darussalam
NTB	Nusa Tenggara Barat
NTT	Nusa Tenggara Timur
ODA	Official Development Assistance
OECD	Organization for Economic Cooperation and Development
PUAP	Pengembangan Usaha Agribisnis Pedesaan
R/C	Return cost ratio
Rp	Rupiah
SK	Sri Kuning
SKR	Second Kennedy Round
SOP	Standard operating procedure
THL-TBPP	Tenaga Harian Lepas Tenaga Bantu Penyuluh Pertanian
TM I	Tani Makmur
TM II	Tani Makmur II
UPTPSBTPH	Unit Pelayanan Terpadu Pengawasan Mutu dan Sertifikasi Benih Tanaman Pangan dan Holtikultura

I. Introduction

1. Farmers' Conditions in Indonesia

Discussion about poverty in Indonesia will certainly lead to the small farmers, who are always in a weak position. As of March 2010, the number of poor people in Indonesia is as high as 31.02 million, and 19.93 million in rural areas are engaged in agricultural activities[1]. In general, farmers in the countryside cultivate their plants on small scale land, less than 0.3 hectares. Moreover, most farmers face difficulties in accessing capital resources to finance their farming; this is due to their inability to meet the requirements set by the banks. Most of Indonesia's farmers operate with a lack of modern management principles, no formal business entity, limited assets and land ownership, inadequate technology, and a shortage of labor. Banking institutions, however, demand that businesses operate according to principles of modern management, have an official license, and can provide guarantees or collateral. High interest rates bank loan, difficult loan application procedures, and a lack of collateral prohibit many farmers from obtaining bank credit.

A wide range of programs and assistance has been provided. Indonesia's Ministry of Agriculture has launched several assistance programs for agriculture. The Bimas (*mass guidance*) Program in 1965 was an early milestone in the government's efforts to help farmers cope with financing problems. Agricultural assistance continued to expand with other credit programs such as Inmas (*mass intensification*) in 1977, Farm Credit (KUT) in 1985–1999, and Food Security Credit in 2000. However, the implementation of such funding programs has not met expectations. Some observers claim that the failure of agricultural credit programs is caused by various institutional issues, including credit funds being used for businesses other than farming (Irianto et al. in Mucharam, 2011). After many unsatisfactory agricultural assistance efforts, in 2008 the Ministry of Agriculture tried to address the problem of farmer capital by empowering rural communities through the Rural Agribusiness Development Program (PUAP). Through this program, farmer group associations (*Gapoktan*) receive direct assistance (*Bantuan Langsung Masyarakat*) amounting to Rp 100 million (approximately US$10,000; US$1.00 = Rp 10,000). This program is expected to address the financing difficulties faced by farmers and strengthen farming institutions.

2. The SKR Program and Its Contribution

Stemming from the idea that poverty is an enemy of all countries, at the Millennium Summit in 2000 world leaders adopted the Declaration of the Millennium Development Goals (MDGs). It consisted of eight international development goals, to be achieved by 2015 through a global partnership, directed toward improving socioeconomic conditions in the world's poorest countries. In 2010, net international aid (official development assistance/ODA) flowing from members of the

[1] From the Central Statistics Agency/BPS (2011) as presented in annex 1.

Development Assistance Committee (DAC) of the OECD had reached US$128.7 billion, an increase of 6.5% over 2009. This was the highest ODA level ever, surpassing the volume provided in 2005, which was boosted by exceptional debt relief. Net ODA as a share of gross national income (GNI) was 0.32%, equal to 2005 and higher than any other year since 1992[2].

Japan's Official Development Assistance (ODA) program for Indonesia, in the form of a grant called the Second Kennedy Round (SKR) program, started in 1977. Early that year, agricultural equipment and materials were distributed to farmers and farmer groups as grant aid (known as a *direct-use* distribution scheme) from the government of Japan. This program was originally called Grant Aid for Increase of Food Production. The direct-use distribution scheme, implemented between 1977 and 1998, was not running effectively in Indonesia. Assistance in the form of agricultural materials, such as hand tractors, water pumps, fertilizer, and pesticides, required a complicated procedure. Transporting materials to the destination areas required no small amount of freight costs, which placed a burden on the state budget. In addition, some technical constraints, such as spare part availability and the difference in Japanese voltage, required special handling. This system also did not have multiple benefits since there was no CF-SKR collection to fund the project for agricultural development.

With SKR 2000 in 1998, the scheme of distribution was changed to *indirect use*. With this scheme, the government of Japan donated the grant in the form of imported KCL fertilizer. KCL fertilizer is sold to farmers or farmer groups at an affordable price through a third party (a state-owned enterprise/BUMN) that has experience in the distribution of agricultural production inputs. This third party is called the *end user*. End users are obliged to deposit the sales revenues from KCL fertilizer directly into a special account with Bank Indonesia. These funds are hereafter referred to as SKR counterpart funds (CF-SKRs). The target of the SKR shifted to poor and small-scale farmers in 2005. The name of the program was also changed to Grant Assistance for Underprivileged Farmers.

Since the policy change, SKR has been running more effectively. Through the indirect-use scheme, the government of Indonesia has gained sevenfold with a total grant of US$4,720,000,000 in the form of KCL fertilizer and FMP (SKR 2000 only). The detailed data is presented in table 1.

[2] http://www.oecd.org/document/35/0,3746,en_2649_34447_47515235_1_1_1_1,00.html

Table 1. The Realization of Grant

Year	Grant Nominal (JPY)	Realization	Location of Distribution
2000	1,400,000,000	50,000 tons KCL 5,000 tons FMP	Banten, West Java, Lampung, East Java, and Central Java
2001	1,200,000,000	59,000 tons KCL	Banten, West Java, NAD, Bengkulu, Lampung, South Sulawesi, East Java, Central Java, and Bali
2003	600,000,000	21,000 tons KCL	North Sumatera, South Sulawesi, and East Java
2005	380,000,000	11,633 tons KLC	South Sulawesi, West Sulawesi, Central Java, South East Sulawesi, Central Java, D. I. Yogyakarta, and East Java
2006	200,000,000	5,123 tons KCL	NAD
2007	420,000,000	4,509 tons KCL	West Sumatera, Jambi, and Bengkulu
2009	520,000,000	13,864 tons KCL	South Sulawesi and Central Sulawesi
Total	4,720,000,000		

Source: SKR National Team Report (2010).

Grant assistance provided in the form of KCL fertilizer—as much as 165.129 tons since 2000—could reduce Indonesia's dependence on imported fertilizer P and K and save the foreign currency. The state-owned enterprise, being the KCL distributor, also gains economic benefits. In addition, KCL fertilizer in the form of grant aid ensures the availability of the K element needed by plants to improve plant production. This boosts the awareness of farmers, especially outside of Java, about the importance of this macro element in balanced fertilization.

Table 2. CF-SKR Accumulation and Utilization

SKR Program (Year)	CF-SKR Accumulation	CF-SKR Utilization		Balance (IDR)
		Fiscal Year	Amount (IDR)	
2000	42,324,759,496	2004	4,786,317,275	
		2005	4,675,600,000	
		2006	6,676,304,000	
		2007	651,281,000	
		2008	29,964,187,000	
2001	40,259,226,548			
2003	30,435,272,766	2009	32,356,067,991	
2005	14,612,817,748	2010	28,397,107,000	
2006	7,002, 267,542	2011	25,000,000,000	
2007	14,339,700,000	2012	9,661,943,000	
2009	23,512,215,019			
Total	165,483,991,577		142,168,807,266	33,977,127,311

Source: SKR National Team Report (2012)

As presented in table 2, Indonesia has gained economic benefits from the funds collected from the sale of fertilizer (CF-SKR). Fifty-seven projects/activities were funded by CF-SKR up until 2012, including the two projects discussed in this research. The CF-SKR project can be utilized by four ministries that have close cooperation, called *line ministries*: Ministry of Agriculture, State Ministry of Cooperative and Small Medium Enterprise, Ministry of Manpower and Transmigration, and Ministry of Public Works. The CF-SKR is utilized in line with the policy directions for food and agricultural development plans established since the introduction of decentralization and regional autonomy.

When Indonesian agricultural policy has focused on rice, meat, soybean, sugar, and corn self-sufficiency, Japan's SKR program has contributed actively to achieve those development targets. Japan's SKR program has additionally supported many aspects of the agricultural sector that still lack government attention in terms of budget, such as shallot and wheat projects— the main concerns of this research. Shallot seed and wheat projects are considered risky projects, challenged by their complexities and huge potential for failure.

On the other hand, while many agricultural assistance programs have been supported by Indonesia governments and foreign donors, the impact of these programs has fallen short of the expected results. Therefore, it is necessary to analyze the extent to which programs have contributed to agricultural development based on farmers' perceptions.

II. Research Objectives and Methodologies

The purpose of this study is to determine farmers' perceptions of shallot and wheat projects funded by Japan's SKR program by observing the following: the socioeconomic characteristics of farmers as the beneficiaries of the projects, farmers' assessments of the benefits and obstacles of the projects, and farmers' assessments of support from local government and extension workers in project implementation.

Significance of the Research

The agricultural sector assistance thus far implemented has many obstacles and shortcomings. Changes in the aid scheme indicate that the Indonesian government still seeks the right formula for effective aid implementation. The findings obtained from farmers' perceptions can reveal valuable information and provide ideas to the Ministry of Agriculture and other Indonesian ministries/institutions for improving future aid policies. Furthermore, it will help promote sustainable shallot seed and wheat production to ensure reliable incomes for farmers and meet domestic needs.

The study used information taken from the following:

a. Questionnaire surveys distributed to four farmer groups involved in two SKR-funded projects in March 2013: the Development of Dry Terrain Shallot Seed Cultivator Project in Polagan village, Galis, Pamekasan district, East Java; and the Farmers' Revenue

Improvement through the Wheat Plant Development Project in Tosari and Podokoyo villages, Tosari, Pasuruan district, East Java

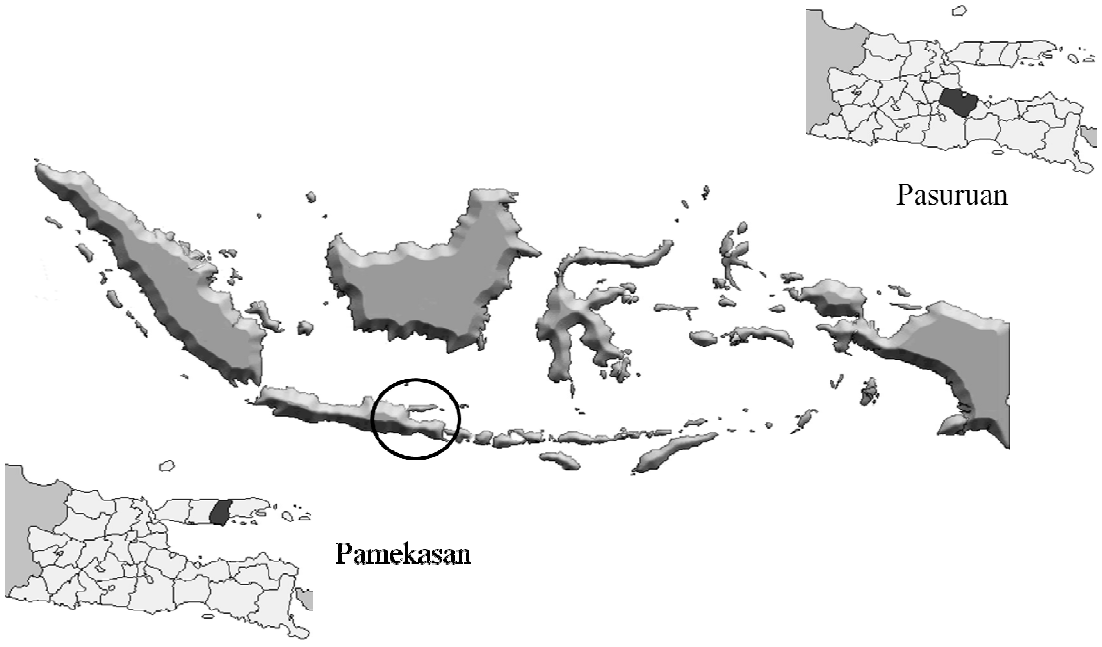
b. Secondary data obtained from official documents, notes, reports, and records

Locations

The shallot projects in this study were located in Polagan village, Galis district, Pamekasan district, East Java. This regency is located on Madura island, approximately 6–350 m above sea level. its temperature range is 28–30°C with an average rainfall of 176 mm/year. The wheat project took place in Tosari and Podokoyo villages, Tosari, Pasuruan district, East Java. Tosari is located approximately 1,800 m above sea level and 50 km from Pasuruan, East Java, with temperatures averaging around 18°C and an average rainfall of 2,200 mm/year. This area is also the entrance to Mount Bromo in the tourist area of Bromo Tengger Semeru National Park.

The Pamekasan district was chosen as the research area since it is one of the most productive areas for shallot seed cultivation in East Java. The Pasuruan district was chosen because it successfully introduced wheat as a new cultivated crop, and it is one of the national wheat seed stock production areas.

Figure 1. Map of the Project Locations



Limitations of the Study

Most studies on this topic consider the socioeconomic characteristics of the farmers as key determinants affecting their perceptions. The data collection for this research was assisted by extension workers, which may result in biases in the interpretation of survey results. In such cases, farmers tend to express the positive aspects of the projects and are reluctant to discuss the negative aspects. Spearman's rank correlation coefficient, farming feasibility, and cross-tabulation analysis are used to factually describe the farmers' perceptions.

III. Case Studies of Shallot and Wheat Projects

Two projects were chosen for this study: 1) the Development of Dry Terrain Shallot Seed Cultivator Project in Polagan village, Pamekasan, East Java (fiscal year 2009) and 2) the Farmers' Revenue Improvement through the Wheat Plant Development Project in Tosari and Podokoyo village, Pasuruan, East Java (fiscal year 2011).

Data were collected from surveys administered to farmers involved in two projects funded by the SKR program: 12 members of the Sri Kuning (SK) farmer group in the shallot project and 25 members of the Tani Makmur I (TM I), 25 members of Tani Makmur II (TM II), and 50 members of Barokah Karya Mandiri (BKM) farmer groups in the wheat project. The questionnaire contained three parts. The first section asked about demographic characteristics such as family, assets, and income; the second focused on farming activities such as planting areas and cropping patterns; and the third inquired about farmers' opinions of the project.

1. Case Study of Shallot

a. Overview

Shallot is a very special commodity based on its high economic value and its intensive-care cultivation. This plant is also known for its price fluctuations, which are caused by interactions between supply and demand.

Indonesia is now the largest shallot producer and consumer. Per capita consumption in 2006 amounted to 4.56 kg/year; total consumption reached approximately 1.16 million tons in 2012. However, that high demand is not supported by improvements in shallot productivity, including certified seed availability. The availability of certified seeds only meets 0.68% of the total seed demand in East Java; the total need is as much as 25,557–37,500 tons per year. The use of certified seeds in Pamekasan can increase shallot productivity from 7.5 tons/ha to 12–15 tons/ha. With the support of the SKR program, the Sri Kuning farmer group released Manjung as the national shallot variety in 2009.

b. Farmers' Demographics

The average age and education of the shallot farmers was 42.25 and 10.83 years, respectively. The average participating shallot farmer had completed nine years of compulsory primary education. The average family size was 4.4 persons in one household. Family income and assets were Rp 2,086,927 and Rp 166,957,500, respectively.

Table 3. Shallot Farmers' Demographics

Item	Shallot Project (average)
	SK (n = 12)
Age (years)	42.25
Education (years)	10.83
Family Size	4.4
Family Income (IDR)	2,086,917
Assets (IDR)	166,957,500

c. Farming Characteristics

In General the farm size of farmers involved in shallot project is relatively small (less than 1 Ha). In contrary, the family members engaged in farming of shallot project is relatively high (58.63%). The result of survey shows that most of farmers in shallot projects implementing crop rotation.

Table 4. Shallot Farmers' Farming Characteristics

Item	Shallot Project (average)
	SK (n = 12)
Farm Size (own + rent in ha)	0.29
Family Members Working in Agricultural Sectors	2.58
Family Members Working in Nonagricultural Sectors	0.75
The Cropping Pattern:	
a. Monoculture	8%
b. Plant Rotation	92%

Note: Land ownership type is omitted due to the small amount of rented land.

d. Farmers' Perceptions of the Project

Six advantages were determined based on farmers' perceptions of the project. Most farmers agreed that after project implementation they were able to produce certified shallot seeds (91.67%). In addition, 83.33% of farmers benefited from the short period of shallot cultivation (2–3 months), and 41.67% said they produced their own shallot seeds for the next cultivation season.

Table 5. Respondent Assessment of the Advantages of the Shallot Project

Question	Available Answer	Farmer Groups	Percentage
		SK (n=12)	
What kinds of benefits and new agricultural knowledge were obtained from the project?	New farming experience and knowledge	4	33.33%
	Can produce their own seed	5	41.67%
	Certified seed production	11	91.67%
	Pest and disease control	7	58.33%
	Short time period for cultivation	10	83.33%
	Good and stable price	4	33.33%

At least three obstacles were determined based on the questionnaire responses. Climate—mainly the lack of water supply during the dry season and low rainfall intensity—was a major problem identified by shallot farmers (91.67%).

Table 6. Respondent Assessment on the Complexity of the Shallot Project

Question	Available Answer	Farmer Groups	Percentage
		SK (n=12)	
What obstacles are encountered in shallot seed cultivation?	Climate	11	91.67%
	Lack of capital	5	41.67%
	Pests and disease	2	16.67%

Shallot farmers did not have significant problems in terms of post-harvest handling, marketing, and selling prices. The farmers already had good network marketing, and when prices were low, they could save for 2–8 months until the seed stock was at a good price. The price of shallot seed is higher than that of shallot for consumption (Rp 45,000/kg and Rp 30,000–35,000/kg, respectively). It is comparable with the level of complexity needed to produce a qualified seed.

According to Baswarsiati (2010), the lack of water supply due to the unfavorable climate resulted in a low frequency of plant watering. In general, plant watering was done only once a day (below the recommended two times per day), resulting in a decline of shallot seed quality. Under these unfavorable conditions, farmers faced many complexities in passing seed-certification inspections, as presented in annex 2.

Table 7. Respondent Assessment of Support from Local Government and Extension Workers in the Shallot Project

Statement	Available Response	Farmer Groups	Total	Percentage
		SK (n=12)		
Your awareness about the project	Aware	12	12	100%
	Not aware	0	0	0%
The project gave you many benefits	Agree	12	12	100%
	Disagree	0	0	0%
The project can increase the farmers' welfare	Agree	12	12	100%
	Disagree	0	0	0%
Local government and extension workers support the implementation of the project	Agree	12	12	100%
	Disagree	0	0	0%
The frequency of agricultural extension during the project	Never	0	0	0%
	1-3 times	0	0	0%
	More than 3 times	12	12	100%
The frequency of farmers' participation at the project meeting	Never	0	0	0%
	1-3 times	0	0	0%
	More than 3 times	12	12	100%

As shown in table 7, the shallot farmers were aware that the project provided many benefits and increased their welfare. Farmers experienced other benefits from improvements in communication between them, local government, and extension workers. Farmer group meetings were scheduled once a week back to back with their religious activities (*Yasinan*).

2. Case Study of Wheat

a. Overview

Wheat consumption per capita has grown substantially—approximately 8.1 kilos in 1980 to 21.2 kilos in 2010—and it is expected to continue growing, potentially reaching 22.4 kilos by 2050. Indonesia is now the largest wheat importer in South Asia. The quantity of imported wheat—5.5 MMT in 2010—could potentially reach 7.1 MMT by 2050[3]. With this consideration, the government tried in 2001 to develop wheat plants in Indonesia.

In Indonesia, wheat can be grown in areas with an altitude of 400–800 m above sea level and temperatures of 10–25° C. The suitable lands for wheat development reached 1.972 million ha, competing with vegetable commodities as the main crops. There are still opportunities for wheat development in an area of 706,500 ha that spreads across Sumatra, Sulawesi, Kalimantan, and NTT[4].

[3] Based on Weigand (2011) from the US Wheat Association.
[4] Puspita (2009).

b. Farmers' Demographics

As shown in table 8, wheat farmers were on average slightly older than shallot farmers (44.8 years old). Wheat farmers' education levels were relatively low (less than 9 years). The remote mountainous location explains this statistic.

The family size of wheat farmers (3.11 persons) was smaller than that of shallot farmers. However, the family income and assets of wheat farmers were higher than those of shallot farmers (Rp 2,374,800 and Rp 240,113,000, respectively).

Table 8. Wheat Farmers' Demographics

Item	Wheat Project (average)
	TM I, TM II, and BKM (n = 100)
Age (years)	44.8
Education (years)	7.61
Family Size	3.11
Family Income (IDR)	2,734,800
Assets (IDR)	240,113,000

c. Farming Characteristics

The farm size of wheat farmers (1.23 ha) was significantly larger than that of shallot farmers. However, the number of family members engaged in the agricultural sector (1.89 persons) was lower.

Similar to the shallot farmers, most wheat farmers implemented crop rotation. The shallot farmers cultivated rice as their main crop and corn or tomato as their secondary crop; the wheat farmers cultivated potato as their main crop and cabbage, green shallot, or carrot as their secondary crop. The data show that most farmers understood the importance of crop rotation for breaking the cycles of pests and diseases.

Table 9. Wheat Farmers' Farming Characteristics

Item	Wheat Project (average)
	TM I, TM II, and BKM (n = 100)
Farm Size (own + rent in ha)	1.23
Family Members Working in Agricultural Sector	1.89
Family Members Work in Nonagricultural Sector	0.42
The Cropping Pattern:	
a. Monoculture	0%
b. Plant Rotation	100%

Note: Land ownership type is omitted due to the small amount of rented land.

d. Farmers' Perceptions of the Project

New farming experience and knowledge were the top answers for wheat farmers (88%). The function of wheat as an alternative/processed food and its flexibility to be grown in the dry season were the second and third highest responses (79% and 70%, respectively). Farmers gave less attention to the minimum inputs required to grow wheat (9%).

Table 10. Respondent Assessment on the Advantage of Wheat Project

Question	Available Answers	Farmer Groups			Percentage
		TM I (n=25)	TM II (n=25)	BKM (n=50)	
What kinds of benefits and new agricultural knowledge were obtained from the project?	New farming experience and knowledge	24	19	45	88%
	Additional capital	1	10	8	19%
	Plant rotation to break the cycles of pests and diseases	7	12	30	49%
	Land use optimization	0	3	9	12%
	Can be cultivated in the dry season	21	13	36	70%
	Low agricultural inputs	0	9	0	9%
	Soil structure improvement	0	0	12	12%
	As the alternative/ processed food	25	14	40	79%

Previously, the farmers in Tosari only cultivated horticultural crops such as potato and cabbage year-round. This method certainly is not recommended due to the continued cycles of pests and disease. The effect of allelopathy in wheat root systems is useful for controlling nematodes on potato crops[5]. Crop rotation increases potato productivity from 12 tons per ha to 15 per ha. In addition, the heavy tillage involved in potato cultivation will ruin soil consistency and result in landslides. Lastly, the benefits of wheat cultivation are related to its low agricultural inputs and its resistance to pests and disease. The application of pesticide to control pests and disease can be reduced to the lowest level.

The wheat farmers experienced many obstacles regarding weather and the market (81% and 75%, respectively). Creating a new wheat market and changing the established market system that has been monopolized by large companies are certainly not easy. In addition, local wheat cannot compete with imported wheat due to its dull color.

[5] Tarigan (2013).

Table 11. Respondent Assessment of the Complexity of the Wheat Project

Question	Available Answer	Farmer Groups			Percentage
		TM I (n=25)	TM II (n=25)	BKM (n=50)	
What obstacles are encountered in wheat cultivation?	Climate	24	18	39	81%
	Capital	0	0	1	1%
	Pests and disease	0	0	0	0%
	The market	22	13	40	75%
	Postharvest handling	5	11	22	38%
	Low productivity	0	4	15	19%
	Low price	3	17	15	35%

Postharvest handling was the medium obstacle for the wheat farmers (38%). Wheat plants do not have a dormancy period. Rain during the harvest time resulted in a decrease in harvest quality due to the fast grain germination.

Table 12. Respondent Assessment of Support from Local Government and Extension Workers in the Wheat Project

Statement	Available Response	Farmer Groups			Total	Percentage
		TM I (n=25)	TM II (n=25)	BKM (n=50)		
Your awareness of the project	Aware	25	25	50	100	100%
	Not aware	0	0	0	0	0%
The project gave you many benefits	Agree	25	25	50	100	100%
	Disagree	0	0	0	0	0%
The project can increase the farmers' welfare	Agree	25	25	50	100	100%
	Disagree	0	0	0	0	0%
Local government and extension workers support the implementation of the project	Agree	25	25	50	100	100%
	Disagree	0	0	0	0	0%
The frequency of agricultural extension during the project	Never	0	0	0	0	0%
	1-3 times	0	0	0	0	0%
	More than 3 times	25	25	50	100	100%
The frequency of farmers' participation at the project meeting	Never	0	0	0	0	0%
	1-3 times	0	0	0	0	0%
	More than 3 times	25	25	50	100	100%

As shown in table 12, all wheat farmers had a similar opinion about their awareness of the project (100%). They absolutely agreed that the project offered many benefits and increased their welfare. In summary, in both the shallot and wheat projects, all farmers, local government, and extension workers contributed positively to the successful implementation of the projects.

3. Data Analysis

a. Spearman's Rank Correlation Coefficient

Spearman's rank correlation coefficient (rs) is a statistical measure of the strength of a monotonic relationship between paired data. In a sample, it is denoted and is by design constrained as follows:

$$-1 \leq rs \leq 1$$

Table 13. Correlation between Farmers' Characteristics and Farmers' Perceptions of the Benefits and Obstacles of the Shallot Project

Farmers' internal and external characteristics		Shallot Benefit	Shallot Obstacle
Age	rs	0.262	0.351
Education	rs	-0.309	-0.501
Family size	rs	-0.041	-0.623*
Work in agriculture	rs	0.737**	0.093
Nonagricultural	rs	-0.018	-0.055
Income	rs	0.028	0.106
Farm size	rs	0.162	-0.072

*. Correlation is significant at the 0.05 level (2-tailed).
**. Correlation is significant at the 0.01 level (2-tailed).

Spearman's rank correlation analysis results in tables 13 and 14 indicate that there is a significant negative correlation between family size and obstacles; a smaller family size resulted in higher obstacles for shallot farmers. The number of family members working in agriculture has a significant correlation with the benefits gained from the project. The demographic data in table 5 show that the Sri Kuning farmer group had the highest number of family members working in agriculture (59%). Other variables such as age, income, and farm size showed no significant correlation with benefits and obstacles.

Table 14. Correlation between Farmers' Characteristics and Farmers' Perceptions of the Benefits and Obstacles of the Wheat Project

Farmers' internal and external characteristics		What Benefit	Wheat Obstacle
Age	rs	0.051	0.224*
Education	rs	0.005	-0.051
Family size	rs	0.068	0.138
Agriculture	rs	-0.124	-0.044
Nonagricultural	rs	0.131	-0.045
Income	rs	0.165	0.101
Farm size	rs	-0.051	0.065

*. Correlation is significant at the 0.05 level (2-tailed).
**. Correlation is significant at the 0.01 level (2-tailed).

On the other hand, a contrasting condition occurred in the wheat project: the number of family members working in agriculture had a weak negative correlation to benefits and obstacles. Age had a significant correlation with obstacles; older farmers tended to face greater problems.

b. Farming Feasibility

Here, we will determine the feasibility of the two projects by using farming analysis. Return-cost ratio (R/C) and benefit-cost ratio (B/C) are considered the proper methods for measuring the influence of crop choice on the improvement of farmer welfare.

Return-cost ratio (R/C) is the ratio between sales revenue and cost during the production process. A farm business will gain a benefit if R/C > 1. The greater the value of R/C, the greater the benefits derived from such farming.

$$R/C = \frac{\text{Total product sales revenue}}{\text{Total cost}}$$

Benefit-cost ratio (B/C) is the ratio between the level of benefit obtained and the total cost. A farm business is feasible and beneficial if B/C > 0. The greater the value of B/C, the greater the benefits derived from such farming.

$$B/C = \frac{\text{Net pro it}}{\text{Total cost}}$$

Table 15. Farming Analysis

Item	Shallot (IDR)	Wheat (IDR)	Potato (IDR)
Cost	54,895,000	6,555,000	41,180,000
Revenue	292,500,000	11,875,000	52,500,000
Net Profit	237,605,000	5,320,000	11,320,000
R/C	5.33	1.81	1.27
B/C	4.33	0.81	0.27

The summary of the farming analysis of shallot seed and wheat is presented in table 15, and the detailed analysis is depicted in annex 3. Potato farming analysis is presented to provide a comparison with wheat farming. Shallot seed cultivation requires the highest agricultural input, however it produces the highest revenues and net profits.

Wheat cultivation, on the other hand, not only requires the least agricultural input, but also produces the lowest revenues and net profits. Compared to potato as the main crop, the net profit for wheat farming is significantly lower than for potato farming. Potatoes deliver a double net profit compare to wheat, although potatoes require greater agricultural input in the beginning of the growing season.

Table 15 also shows that the index of R/C and B/C for shallot is higher than for other crops (5.33 and 4.33, respectively). The index shows that each Rp 1 of input will generate as much revenue as Rp 5.33, or 533%, and each Rp 1 of input will earn as much profit as Rp 4.33, or 433%.

While wheat crop has a low profit level, its R/C and B/C indexes are higher than for potatoes. Wheat generates Rp 1.81 from each Rp 1 used and gains Rp 81 in profit from every Rp 1 of input. Potatoes, however, only generate 127% in revenue and gain Rp 27 for each Rp 1 of input. Potatoes are chosen as the main crop due to the greater agricultural profit when compared with the same farming size to wheat. However, wheat could be considered as the alternative or off-season crop by considering the unfavorable weather, limited input, and limited human resources.

According to the above analysis, shallot seed cultivation produces the highest level of profit. As shown in table 3, the average farm size for shallot farmers was very small (0.29 ha). The limited scale of farming can be a problem in gaining adequate farming revenue. However, this issue is easily addressed with a valuable commodity choice like shallot seed.

c. Cross-tabulation

To determine the real conditions of project implementation from the farmer's perspective, cross-tabulation (or *crosstabs* for short) is used to provide a basic picture of the interrelations between two variables (benefit and obstacle) and find the interactions between them.

Table 16. Shallot Benefit * Shallot Obstacle Cross Tabulation

			Shallot obstacle		
			Yes	No	Total
Shallot benefit	Yes	Count	6	0	6
		% of total	50%	0%	50%
	No	Count	5	1	6
		% of total	41.7%	8.3%	50%
Total		Count	11	1	12
		% of total	91.7%	8.3%	100%

Based on respondent assessments of the project and the support of local government and extension workers, all farmers agreed that they were aware and obtained many benefits from the projects. However, the cross-tabulation analysis of shallot projects in table 15 shows different results. Fifty percent of farmers agreed that the project gave them many advantages, but they also perceived many obstacles. In addition, 41.7% of respondents thought the project resulted in much complexity.

Overall, 91.7% of farmers said they perceived many obstacles in shallot cultivation, and only 50% of farmers experienced benefits. Farmers might have been aware that the high profit of shallot seed cultivation is in line with its level of complexity. Climate—namely, a lacking water supply—was considered the main obstacle in shallot seed cultivation.

Table 17. Wheat Benefit * Wheat Obstacle Cross-tabulation

			Wheat obstacle		
			Yes	No	Total
Wheat benefit	Yes	Count	43	43	86
		% of Total	43%	43.0%	86%
	No	Count	7	7	14
		% of Total	7%	7%	14%
Total		Count	50	50	100
		% of Total	50%	50.0%	100%

On the other hand, 43% of respondents said wheat provided many benefits and had no obstacles at all; another 43% reported both benefits and obstacles. In addition, seven farmers reported no benefits or obstacles, and there were seven farmers who argued that the obstacles outweighed the benefits.

The findings suggest that 86% of the farmers argued for the advantages of the projects, and 50% agreed about the projects' constraints. Climate and market access to local wheat were considered the main complexities for wheat farmers.

In this project, 60% of harvested wheat was used as national stock seed (*opkup* system), and the rest was sold to the wheat processing industry in Bali. In other words, farmers did not face serious problems regarding market certainty. However, if farmers cultivate wheat by their own motivation without any market guarantees, the complexities of the project will be greater.

The data analysis shows that several factors affect the level of benefits and obstacles in SKR program implementation. Although farmers explicitly stated that they perceived many benefits, the results of the correlation analysis and cross-tabulation show that many farmers have unsatisfactory perceptions of the projects.

4. Project Sustainability

A commitment from the local government to maintain the projects with advanced program and budget support is essential. It is reported that after SKR implementation and the establishment of Manjung as the national seed variety in 2009, the Agricultural Service of Pamekasan district continued to develop shallot breeders in other subdistricts. In 2010, nine new shallot breeders were registered in several subdistricts, namely Galis, Batu Marmar, Palayangan, and Padenanan. This is interesting to compare: Nganjuk and Probolinggo, as the prior shallot centers, only have three registered breeders.

Those breeders joined the Pamekasan Shallot Seed Association (APBMP) and the Indonesian Shallot Seed Association (APBMI). The development of shallot seed breeders is focused under the guidance of the Integrated Service Unit—Quality Control and Certification of Food Crops and Horticulture Seed (UPTPSBTPH) and Directorate of Seed and Horticultural Input Facility. With this system, the shallot seed market is more coordinated, and market uncertainty can be avoided.

Wheat development in Indonesia is still in the stages of introduction and research. Japan's SKR program has supported wheat development at the initial stage by introducing wheat crops to farmers, increasing local wheat planting areas, and providing capital assistance. Meanwhile, the following challenges should be addressed by the government: small plantation areas, limited seed stock, a lack of farmer interest, and the lack of a local wheat market system.

Puspita (2009) found that competitiveness in the local wheat agribusiness in Indonesia is weak. The local wheat agribusiness subsystems in Indonesia do not support and relate to each other. The upstream agribusiness subsystems and farming activities cannot support downstream agribusiness subsystems that are much more developed. In this matter, Indonesia could learn from India's experience as a similar non-subtropic country. India was able to transform from the net wheat importer in the 1900s to the world's second-largest wheat-producing country following China. India, which started to develop wheat crops in the 1960s, implemented several policies such as research and development, market promotion, seed production, fertilizer chain establishment, and factory and processing machinery improvements.

Considering the survey results and the sustainability of the projects, it can be declared that there are still many areas that need to be addressed to cope with the complexities faced by farmers. However, if we consider the capability enhancements of farmers who adopt the new farming technologies, the projects clearly serve as triggers for improving the overall socioeconomic well-being of the farmers. In addition, it is important to note how the project was able to activate every related element following the unfavorable conditions of extension services and ignored national agricultural policies of the decentralization era. The bottom-up coordination system among central government, local government, and extension workers set by the shallot and wheat projects provide an indication of institutional improvements.

IV. Conclusion

The following are the conclusions of the study:

1. Family size and the number of family members engaged in agriculture have a significant correlation with the benefits gained by shallot farmers. On the other hand, older farmers tend to face greater complexities in wheat cultivation.

2. Although the farming feasibility of shallot cultivation is higher than for wheat, cross-tabulation analysis shows that most farmers (91.7%) perceived many obstacles. The water supply constraints related to the SOP recommendation is considered the main complexity in this project.

3. Eighty-six percent of farmers made claims about the advantages of wheat, contrasting with its low farming feasibility. The *opkup* system resulted in low market complexity for the project. The issue of project sustainability will arise when farmers cultivate wheat by their own motivation without any market guarantees. Wheat crops compete with the main crops, which are more profitable and easier to sell.

4. Considering the significant advantages and high income of shallot seed cultivation, further assistance should be directed toward addressing the irrigation system as the crucial problem in the project.

5. Further agricultural assistance should be directed toward the expansion of commercial wheat by improving the local wheat-based industry. Cooperation among related ministries is needed to improve competitiveness in the local wheat agribusiness.

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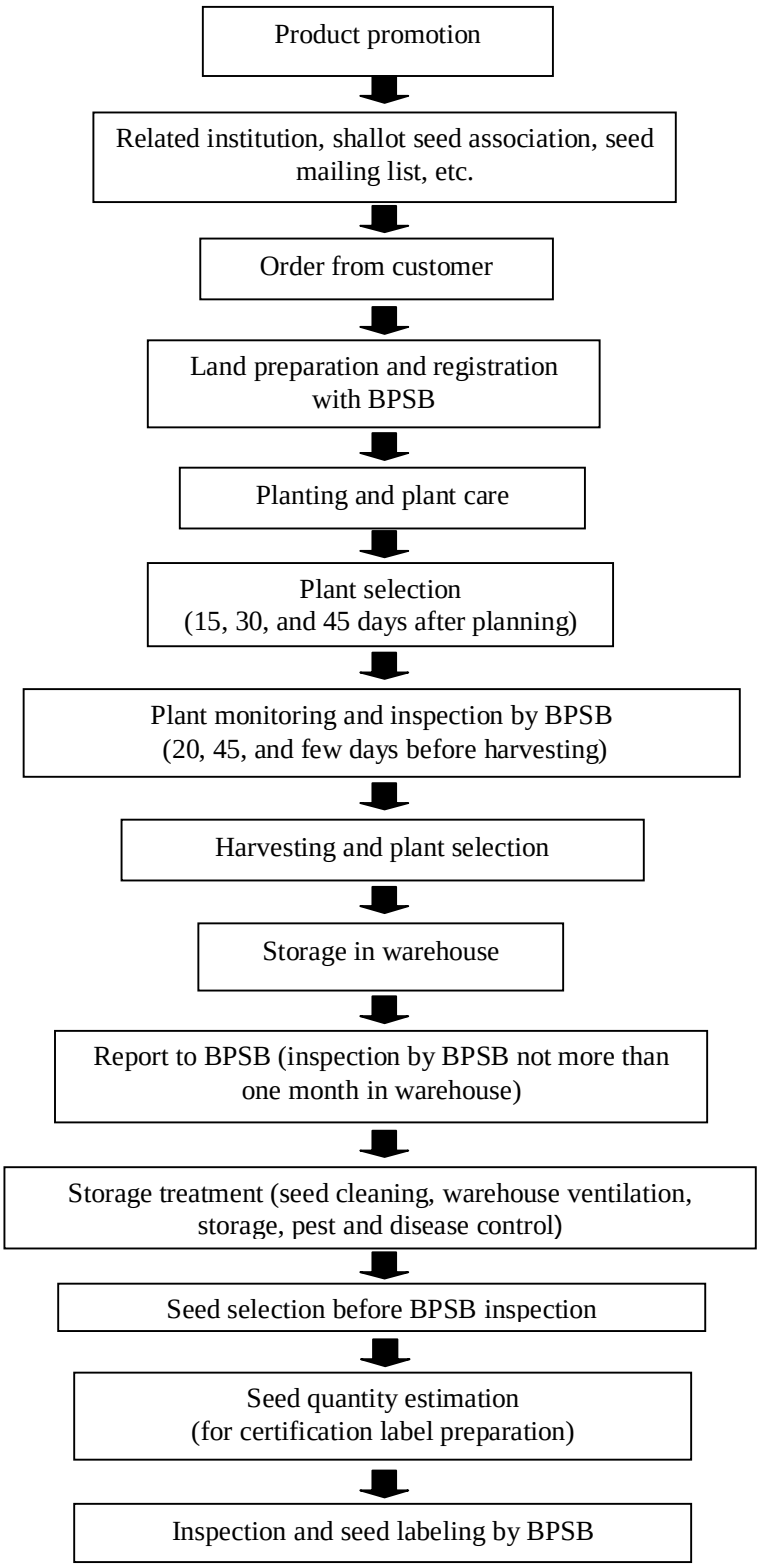
Annex 1. Number and Percentage of the Poor in Indonesia by Region (Urban and Rural), 2004–2010

Year	The Number of Poor People (millions)			The Percentage of Poor People		
	Urban	Rural	Urban + Rural	Urban	Rural	Urban + Rural
2004	11.40	24.80	36.10	12.13	20.11	16.66
2005	12.40	22.70	35.10	11.68	19.98	15.97
2006	14.49	24.81	39.30	13.47	21.81	17.75
2007	13.56	23.61	37.17	12.52	20.37	16.58
2008	12.77	22.19	34.96	11.65	18.93	15.42
2009	11.91	20.62	32.53	10.72	17.35	14.15
2010	11.10	19.93	31.02	9.87	16.56	13.33

Source: BPS in Mucharam (2011)

Annex 2. Shallot Seed Production Flow Chart[6]



[6] Source: Baswarsiati et al. in Baswarsiati (2011)

Annex 3. Farming Analysis

1. Shallot Seed Cultivation

Item		Unit (kg/liter)	Price (IDR)	Value (IDR)
Cost				
Seed		1,000	45,000	45,000,000
Fertilizer	a. ZA	400	1,400	560,000
	b. NPK	600	2,000	1,200,000
	c. Organic	4,000	500	2,000,000
Pesticide	a. Insecticide (Virtako)	2	100,000	200,000
	b. Insecticide (Endure)	2	100,000	200,000
	c. Insecticide (Arjuna)	2	135,000	270,000
Subtotal (1)				49,430,000

Item	People	Day	Wage (IDR)	Value (IDR)
Tillage	100	1	25,000	2,500,000
Planting	35	1	17,500	612,500
Fertilizing	9	1	17,500	157,500
Spraying	10	1	22,000	220,000
Weeding	30	1	17,500	525,000
Harvesting	45	1	20,000	900,000
Transporting	1	1	200,000	200,000
Drying	10	1	17,500	175,000
Binding	10	1	17,500	175,000
Subtotal (2)				**5,465,000**
Total cost (1) + (2)				**54,895,000**

Revenue

Item	Production (kg)	Price/kg (IDR)	Value (IDR)
Shallot	6,500	45,000	292,500,000
Net Profit			**237,605,000**
C/R	5.33		
B/C	4.33		

Source: Author's interviews

2. Wheat Cultivation

Item		Unit (kg/liter)	Price (IDR)	Value (IDR)
Cost				
Seed		100	10,000	1,000,000
Fertilizer	a. Urea	200	1,850	370,000
	b. NPK	200	2,400	480,000
Pesticide	Insecticide	5	65,000	325,000
Subtotal (1)				**2,175,000**
Item	People	Day	Wage (IDR)	Value (IDR)
Tillage	10	5	20,000	1,000,000
Planting	5	10	20,000	1,000,000
Fertilizing	5	3	20,000	300,000
Spraying	3	3	20,000	180,000
Weeding	5	5	20,000	500,000
Harvesting	5	7	20,000	700,000
Transporting	3	7	20,000	420,000
Drying	2	7	20,000	280,000
Subtotal (2)				**4,380,000**
Total cost (1) + (2)				**6,555,000**
Revenue				
Item		Production (kg)	Price/kg (IDR)	Value (IDR)
Wheat		2,500	4,750	**11,875,000**
Net Profit				**5,320,000**
C/R	1.81			
B/C	0.81			

Source: Author's interviews

3. Potato Cultivation

Item		Unit (kg/liter)	Price (IDR)	Value (IDR)
Cost				
Seed		1,500	10,000	15,000,000
Fertilizer	a. Urea	400	1,850	740,000
	b. NPK	800	2,400	1,920,000
	c. Organic	300	10,000	3,000,000
Pesticide	a. Insecticide	20	90,000	1,800,000
	b. Powder fungicide	60	60,000	3,600,000
	c. Liquid fungicide	20	180,000	3,600,000
Subtotal (1)				29,660,000

Item	People	Day	Wage (IDR)	Value (IDR)
Tillage	20	7	20000	2,800,000
Planting	20	5	20000	2,000,000
Fertilizing	5	3	20000	300,000
Spraying	6	16	20000	1,920,000
Weeding	10	5	20000	1,000,000
Harvesting	15	7	20000	2,100,000
Transporting	10	7	20000	1,400,000
Subtotal (2)				**11,520,000**
Total cost (1) + (2)				**41,180,000**

Revenue

Item	Production (kg)	Price/kg (IDR)	Value (IDR)
Potato	15,000	3,500	52,500,000
Net Profit			**11,320,000**
C/R	1.27		
B/C	0.27		

Source: Author's interviews

THESIS

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APPROVAL SHEET OF THESIS

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The Researcher

SUMMARY

Talking about poverty in Indonesia will certainly lead to the small farmers who are always in a weak position. From the idea that poverty is enemy for all countries, at Millennium Summit in 2000, all world leaders adopted the Declaration of the Millennium Development Goals (MDGs) to achieve eight international development goals include eradicating extreme poverty. Foreign aid should be part of the solution for the governments to more quickly and effectively meet their development objectives, and can improve the standard of living of the poor. The Japan's grant aid for agriculture sector in Indonesia is distributed through Second Kennedy Round Program (SKR) since 1977.

The objectives of the research are to analyze the effectiveness of SKR program, to discover what factors influence the effectiveness of SKR program, and to obtain essential information about the appropriateness of SKR program and its eligibility as a model/guidance for foreign aid scheme.

From the results of the discussion and analysis undertaken in this study, it can be assumed that Japan's grant aid through SKR Program started in Indonesia since 1977 generally has been performing well. The provision has been well managed and administered by the National Team of SKR consisting of various stakeholders from the central, provincial and district levels. Technical and economic benefit (both in terms of program and projects), policy changes, and the existence of secretariat of National Team of SKR are considered as the elements that influence the effectiveness of SKR program. Based on the appropriateness and the eligibility of SKR program, Indonesia can use the model of SKR program for Indonesia's aid disbursement and reduce the weakness of this scheme by modifying, improving, and adjusting the program with Indonesia's objective and capability.

As the suggestion, bilateral cooperation between Indonesia and Japan could be expanded within the framework of South-South Cooperation. Indonesia may propose to the Japanese to be awarded a grant in the form of KCL fertilizer and the collected CF-SKR can be used to finance the training program. The Ministry of Agriculture has many training centers and trainers who are ready to support the implementation of this program. Ministry of Agriculture as the head of the National Team of SKR should expand immediately the socialization of utilization of CF-SKR to the related Ministry, namely State Ministry of Cooperative and Small Medium Enterprise, Ministry of Manpower and Transmigration, Ministry of Public Work in order to obtain a significant impact of the program. The integration of the projects funded by state budget with projects funded by CF-SKR is needed as a breakthrough boost a significant impact on agricultural development in Indonesia.

Key words: Foreign aid, SKR program, Evaluation, Effectiveness, Agriculture

CONTENTS

		PAGES
	Approval Sheet	ii
	Curriculum Vitae	iii
	Acknowledgements	iv
	Summary	v
	Contents	vi
	List of Figures	viii
	List of Tables	ix
	Annex	x
I	INTRODUCTION	
	1.1. Background	1
	1.2. The Importance of the Research	3
	1.3. Research Questions	8
	1.4. Research Objectives	9
	1.5 Research Benefit	9
II	LITERATURE REVIEW	
	2.1. Theory of development	10
	2.1.1 Modernization Theory	10
	2.1.2 Dependency Theory	11
	2.1.3 World System Theory	12
	2.2. Development Administration	15
	2.3. Theory of Evaluation	20
	2.4. Foreign Aid	23
	2.5. The Second Kennedy Round (SKR) Program	28
	2.6. Evaluation of Aid Effectiveness	30
	2.7. Previous Studies	36
III	RESEARCH METHOD	
	3.1. Type of Research	40
	3.2. Focus of the Research	40
	3.3. Collecting Data Process	41
	3.4. Location	42
	3.5. Data Analysis	43
IV	RESULT AND ANALYSIS	
	4.1 SKR Program and Its Policy Changes	45
	4.2 SKR Program Has Been Effectively Implemented.	51

4.2.1. Effectiveness Evaluation at Program Level 52
4.2.1.1. Ownership 52
4.2.1.2. Alignment 54
4.2.1.3. Harmonization 58
4.2.1.4. Managing Results 58
4.2.1.5 Mutual Accountability 59
4.2.2. Effectiveness Evaluation at Project Level 60
4.2.2.1. Relevance 62
4.2.2.2. Effectiveness 63
4.2.2.3. Efficiency 65
4.2.2.4. Impact 66
4.2.2.5. Sustainability 67
4.3. The Factors that Influence the SKR Program Effectiveness 64
4.3.1 Technical Benefits 68
4.3.1.1 In Terms of Program 68
4.3.1.2 In Terms of Project 70
4,3.2 Economic Benefits 70
4.3.1.1 In Terms of Program 70
4.3.1.2 In Terms of Project 72
4.3.3 The Policy Changes 73
4.3.4. The Secretariat of National Team of SKR 75
4.4 SKR Program as the Ideal Scheme 76
4.5 The Projects 77
4.6. Analysis 82
4.6.1. Review of the Interview 82
4.6.2. SKR Program and Development Administration 83
4.6.3. The Effective Program Versus Its Minor Impact 90
4.6.4. SKR Program, Human Security, and Development 91
V CONCLUSIONS AND SUGGESTIONS 97
5.1. Conclusions 97
5.2. Suggestions 98
Bibliography 99

LIST OF FIGURES

No.	Title	Page
Figure 1.	Share of Japan's ODA to Indonesia (2001 – 2005)	4
Figure 2.	The Number of Japan’s Aid to Indonesia in 2006	5
Figure 3.	Development Administration Approach	16
Figure 4.	The Japan’s ODA Flow Chart	25
Figure 5.	Trends in Aid to Agriculture and Rural Development (ARD)	26
Figure 6.	The Number of 2KR Project	29
Figure 7.	Data Analysis in Field Research	43
Figure 8.	Data Analysis	44
Figure 9.	The Mechanism of KCL Fertilizer Distribution	46
Figure 10.	The Mechanism of CF-SKR Utilization	47
Figure 11.	The Harvest Ceremony as the Completion of the Project	79
Figure 12.	The Continuation of SRK project	80
Figure 13.	Japan’s ODA distribution by region (¥ billion)	93

LIST OF TABLES

No.	Title	Page
Table 1.	The Comparison of Public Administration and Development Administration	17
Table 2.	Types of Evaluation	22
Table 3.	Main Aid Providers and Recipients in the ARD Sector (Million USD)	27
Table 4.	The Realization of Grant	49
Table 5.	CF-SKR Accumulation and Utilization	50
Table 6.	Fertilizer Needs Projections 2010-2014 (Million Tons)	69
Table 7.	Export - Import of Fertilizer 2001 -2005 (Ton)	71
Table 8.	The Projects Funded by CF-SKR	77
Table 9.	Donor Countries and the Form of Assistance	86
Table 10.	Indonesian Aid to Partner Countries	88
Table 11.	The list of G-20 Member Countries	92

ANNEX

No.	Title
Annex 1.	Number and Percentage of Poor in Indonesia by Region (Urban and Rural) 2004-2010
Annex 2.	Position of Capital Loan Banks by Economic Sector 2009-2010 (Billion Rupiah)
Annex 3.	The List of Project/Activity Funded By CF-SKR FY 2004 - 2012

CHAPTER I

INTRODUCTION

1.1. Background

Talking about poverty in Indonesia will certainly lead to the small farmers who are always in a weak position. Without doubt, farmers' poverty in developing countries occurs in past, now, and future of all world's period. The effort to eradicate poverty has become a top priority for international development; new norms, facts and findings on global poverty are gradually becoming part of the established economic wisdom. But contrary to common belief, poverty is not easy to define and quantify, and of course to eradicate.

From the idea that poverty is enemy for all countries, at Millennium Summit in 2000, all world leaders adopted the Declaration of the Millennium Development Goals (MDGs). MDGs are eight international development goals that all 193 United Nations member states and at least 23 international organizations have agreed to achieve by the year 2015. They include eradicating extreme poverty, reducing child mortality rates, fighting disease epidemics such as AIDS, and developing a global partnership for development. The aim of the MDGs is to encourage development by improving social and economic conditions in the world's poorest countries through a global partnership for development. It is expected that the rich countries give their hand to help developing countries through international aid.

Long before the declaration of the MDGs, the Development administration was born from a need for developing countries to establish and improve their life and reach their prosperity. Development administration was born out of concern for the first and second world countries (with a variety of interests in it) to help developing countries runs the Administration as a form of moral responsibility. The winner countries of World War II eager to help the lose countries through US Marshall Plan which include: reducing the hunger, homelessness, sickness, unemployment, and political restlessness of the 270 million people in sixteen nations in West Europe. The Development administration is believed to be a way and effort to improve the systems used by developing countries to achieve the development goals that include cultural, social, and political aspects programmatically and have been adjusted to circumstances in that country. Since that era, the International aid became a worldwide issue.

The International aid is in the spotlight as never before and the role of foreign aid in the growth process of developing countries has been a topic of intense debate. Many researchers find evidence to suggest that aid has no impact on growth. In the face of the pessimism that has grown up around aid, new research shows that with a good institutional environment large amounts of aid can have very positive results in developing countries.

In 2010, net international aid (Official Development Assistance/ODA) flows from members of the Development Assistance Committee (DAC) of the OECD reached USD 128.7 billion, representing an increase of 6.5 % over 2009. This is the highest real ODA level ever, surpassing even the volume provided in 2005 which was boosted by exceptional debt relief. Net ODA as

a share of gross national income (GNI) was 0.32%, equal to 2005, and higher than any other year since 19921.

According to the huge numbers above, aid should be part of the solution for the governments to more quickly and effectively meet their development objectives, and can improve the standard of living of the poor. Unfortunately, most developing countries do not currently have a good institutional environment, and in these countries, high levels of aid have a much less certain impact. There are many reasons why governance and the institutional environment may be poor in developing countries.

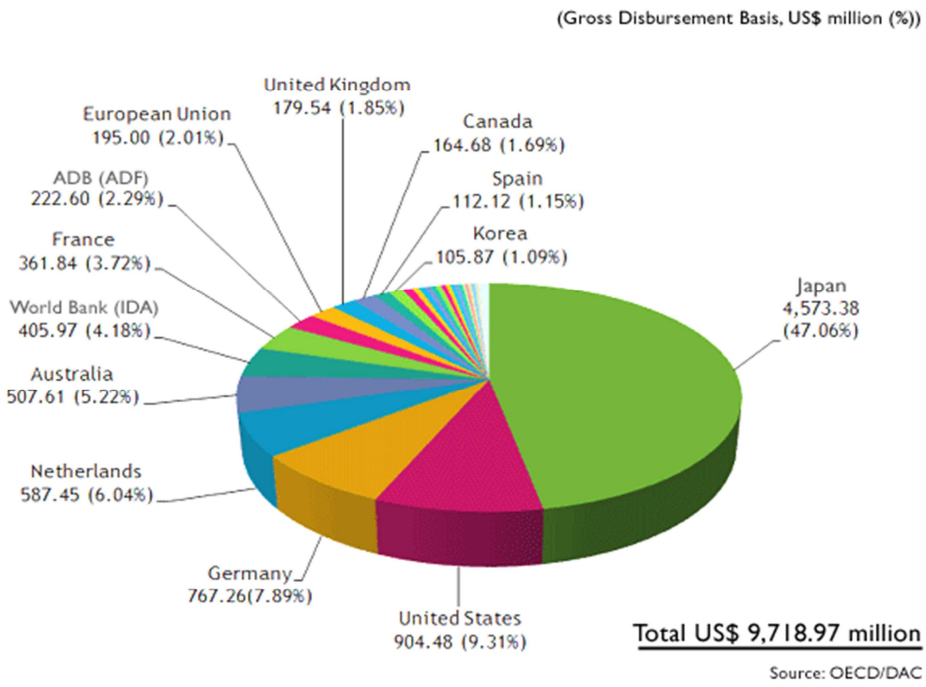
According to Rahman (2008), Botswana and the Republic Korea in the 1960s, Indonesia in the 1970s, Bolivia and Ghana in the late 1980s, and Uganda, Vietnam Bolivia, El Salvador, Ghana, Honduras, and Mali in the 1990s are all examples of countries that have gone from crisis to rapid development. Foreign aid played a significant role in each transformation, contributing ideas about development policy, training for public policymaker, and finance to support reform and expansion of public service. Aid now lifts about 30 million people a year out of absolute poverty. With a poverty-efficient allocation, the same amount of aid would lift about 80 million people out of poverty.

1.2. The Importance of the Research

This research becomes important and interesting to be analyzed because of 'bitter experience' with Japan prior to the end of World War II. Japan's occupation in Indonesia which lasted for 3.5 years (1942-1945), in fact, raised miseries almost relatively comparable to that raised by Dutch

[1] http://www.oecd.org/document/35/0,3746,en_2649_34447_47515235_1_1_1_1,00.html

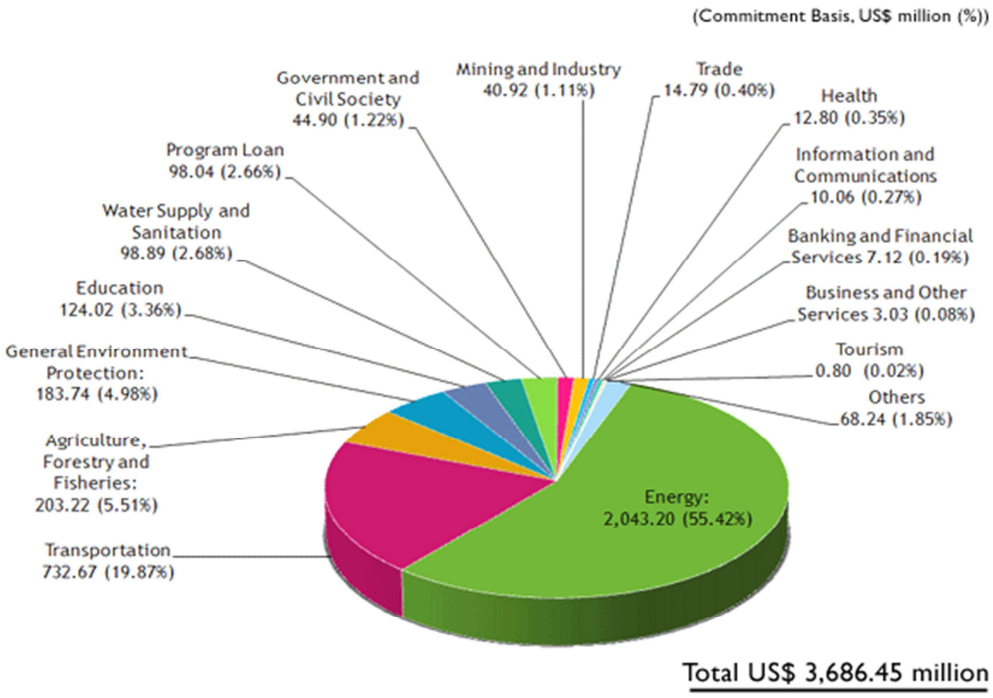
occupation for 350 years. This gives a very contrasting picture of current conditions in which Japan is a major donor to Indonesia.



Source: http://www.id.emb-japan.go.jp/oda/en/datastat_02.htm

Figure1. Share of Japan's ODA to Indonesia (2001 – 2005)

The number of Japanese aid to Indonesia in 2001-2005 reached $ 4.573,38 million or 46.07% of foreign aid to Indonesia is coming from Japan. Share of Japan's ODA to Indonesia amongst Foreign Governments and International Organizations can be depicted as figure 1 above, while Japanese aid for agriculture, forestry and fisheries in Indonesia can be seen at figure 2 below.



Source: http://www.id.emb-japan.go.jp/oda/en/datastat_02.htm

Figure 2. Breakdown of Japan's ODA to Indonesia by Sector (2003-2005)

The main part of Japanese aid is directed to Asia and there has been a strong emphasis on economic infrastructure that is building railways, roads and ports etc. Recently however there is a refocusing towards environmental aid and softer types of aid such as poverty alleviation and social infrastructure.

According to World Bank database on July 2011[2], Indonesia is placed on top 20 of the biggest Gross National Income country in 2010. It means that Indonesia should be ready to release its status as a recipient country and become donor country. In contrary, poverty is the biggest chore

[2] http://siteresources.worldbank.org/DATASTATISTICS/Resources/GNI.pdf

faced by the Government of Indonesia today. Based on data from the Central Statistics Agency (BPS), in March 2010 the number of poor in Indonesia there were 31.02 million people. Of this amount approximately 19.93 million people in rural areas with the main livelihood in the agricultural sector. Data development of the poverty level in 2004 to 2010 is shown in Annex 1.

According to the BPS (2011) the overall poverty rate is down but the poverty rate in rural areas remained higher than in urban areas. This shows that rural area is still the center of poverty. If we investigate the type of occupation in rural area, we will find a fact the majority of poor people dependent on agriculture.

In general, farmers in the countryside cultivate their plant in small scale land, less than 0.3 hectares. Poverty in rural area is the main national problem and central issue that must be solved immediately in order to reach a national social welfare. Therefore, national economic development and rural-based agriculture, directly or indirectly will have an impact on reducing poverty.

Development in agricultural sector now faces many challenges and obstacles such as the increase of populations; the pressures of globalization and market liberalization; the rapid advancement of information technology; the limited resources of land, water and energy; the global climate change; the dynamic development of social culture; the limited land ownership status; the limited ability of national seed systems; the farmers' limited access to capital; the weakness of farmers institution and extension capacity; the

fragility of food security and energy; the low rate of farmers' exchange; and the lack of inter-sector coordination.

Most farmers face difficulties in accessing capital resources to finance their farming. It is because of the limitations and the inability of farmers to meet the requirements proposed by the owners of capital (bank). Limitations and the inability of farmers to access capital resources due to the lack of common ground between farmers as borrowers as bank capital and capital owners. Most of Indonesia's farmers still run their farming without the principles of modern management, without a formal business entity, the limitations of assets and land ownership, inadequate use of technology as well as the small amount of labor. On the other hand the banking institution as the owner of the capital, demanding that business activity is run by the principles of modern management, the official license and the guarantee or collateral. The high interest rate bank loan, the difficulty of loan application procedure to be fulfilled and the absence of collateral pledged result in the difficulty for the farmers to access bank credit.

BPS data (2010) suggests that working capital loans distributed by banks to the agricultural sector is lower than the loan disbursed to the services sector, trade and industry. Whereas the amount of labor involved in the agricultural sector is the largest compared to other sectors (Annex 2).

The Government of Indonesia through Ministry of Agriculture has already launched a range of programs and agricultural development projects in the field of agriculture financing assistance. Bimas Program in 1965 was a milestone early in the government program to help farmers cope with the problem of financing. Credit programs in agriculture continues to expand as

needed with improvements in institutional terms, procedures, collateral and assistance to farmers, such as Inmas (1977), Farm Credit (Kredit Usaha Tani/KUT) (1985-1999) and the Food Security Credit (2000). However, the implementation of funding programs is still not in line with expectations. In fact, some observers claim that the failure of the agricultural program of Farm Credit is caused by several issues related to institutions, including credit funds are not used for farming but for other businesses (Irianto *et al* in Mucharam, 2011). Began in 2008, Ministry of Agriculture tried to address the problems of farmers' capital through empowerment of rural communities as outlined in the program of Rural Agribusiness Development (PUAP).

Funds for agricultural development have been widely disbursed, both from the state budget and from International aid. However, scientific studies that evaluate the impact of foreign aid programs, especially through the Second Kennedy Round (SKR), are still limited. These studies that directly analyze in the implementation level of SKR program will be very useful in formulating the policy related to Indonesia's foreign aid scheme in the future.

1.3. Research Questions

The research questions on this research are:

1. Has the Japan's grant aid to Indonesia through SKR program been effectively implemented?
2. What factors influence the effectiveness of the implementation of SKR program in Indonesia?
3. Is the scheme of SKR program appropriate and eligible to be used as a model/guidance for Indonesia?

1.4. Research Objectives

The objectives of the research are:

1. To analyze the effectiveness of Japan's aid on agriculture through SKR program.
2. To discover what factors influence the effectiveness of SKR program.
3. To obtain essential information about the appropriateness of SKR program and its eligibility as a model/guidance for foreign aid scheme.

1.5. Research Benefits

The expected benefits of the study include:

1. **Practically**, findings obtained from this research study will share valuable information to governments as the input and guidance for the government official all over Indonesia especially in foreign assistance implementation.
2. **Theoretically**, this study will enrich the scope of public administration science especially on Development Administration.

CHAPTER II

LITERATURE REVIEW

2.1. Theory of Development

Salmonsson (2007) revealed that the evolution of development theory and foreign aid doctrine, show proof of foreign aid having dealt with an international arena on which uncertainty has been a major influence. Such an empirical foundation must be considered inappropriate for the formation of reliable experience from which one can draw conclusion about the prospects of future aid allocation. Foreign aid may not play as an important role in the development. Social and political changes continue to be recognized as a result from economic development. As long as economic factors are primarily analyzed, rather than social advances, dependency will continue to attract opponents of aid and aid in general will continue to be viewed through skeptical glasses.

Rapley (1996) listed two main theories to have a better understanding about development in the Third World Countries namely Modernization theory and Dependency theory. In addition, some journals of development mention World System theory as one important theory to identify the main indicators related to foreign aid development.

2.1.1. Modernization Theory

According to O'keef and Li (n.d.), the modernization theory argues that developing economies tend to benefit from economic

linkages with advanced economies. Via interdependence through trade, foreign investment, and international aid, developing countries gain access to export markets, capital, and technology that are essential for development. Developed economies also benefit from such interdependence, as they acquire cheap raw materials, opportunities for investment, and markets for their products. Liberals adopt the view that global economic openness redirects factors of production to where they have the highest returns; consequently, growth-generating capital flows not only compensate for the savings deficit of developing countries but also create productivity gains and positive spillover effects inside developing host economies. In the long run, this process has the potential to equalize economic levels, real wages, and input prices around the world.

2.1.2. Dependency Theory

According to Aluko and Aruwolo (2010) dependency theory explains the nature of the relationship between the countries of the world and the factors that have facilitated dependency of one group of countries on the other. Countries of the world have been sharply divided along economic prosperity. Countries that are economically buoyant and politically stable are termed Developed Countries and, on the other hand, countries that are economically backward are tagged Developing Countries or commonly referred to as ‘Third World Countries’. The dependency theory seeks to establish the factors that have propelled or contributed to the

development of the underdeveloped countries. The theoretical premises of dependency theory are that:

1. Poor states provide natural resources, cheap labor, a destination for obsolete technology and markets to the wealthy nations, without which the latter could not have the standard of living they enjoy.
2. Wealthy nations actively perpetuate a state of dependence by various means. This influence may be multifaceted, involving economics, media control, politics, banking and finance, education, culture, sport and all spheres of human resource development.
3. Wealthy states actively counter the attempts by dependency nations to resist their influences by means of economic sanctions and/or the use of military force.

2.1.3. World System Theory

World System theory was formulated by Immanuel Wallerstein. He argued that the modern system is capitalist. He divided the capitalist world system into three kinds of states:

1. Core states that can enforce unequal exchange relations; they produce goods and services for local consumption and export. In addition, they are highly industrialized wealthy countries such as United States, Japan, and Western Europe. The core countries enjoy a high standard of living.
2. The semiperipheral states separate core and periphery. The semiperipheral states are exploited by the core but they exploit the peripheral states also. The semiperipheral countries include middle-income countries such as South Korea and Taiwan.

3. The peripheral states are states that export cheap labor and raw materials and import goods and services. The peripheral states are made up of the poorest and least industrialized countries such as most countries in Asia, Africa, and Latin America.

The main argument of world system theory is that the traditional colonial period has been replaced by new colonialism through multinational corporations. According to world system theory, multinational corporations are interested in exploiting the cheap labor and the raw materials of noncore countries. In addition, world system theorists assume that the development of core countries is gained at the expense of peripheral and semiperipheral. The richness of the world results from the long-term economic exploitation of poor countries; this type relationship perpetuates poverty in the developing countries (Al Othman, 2012).

Because the term of development may mean different things to the different people, it is important to define of its meaning. According to Todaro and Smith (2006), there are traditional and new paradigm to measure the development.

In strictly economic terms, development has traditionally meant the capacity of a national economy to generate and sustain an annual increase in its Gross National Income (GNI) at rates 0f 5% to 7% or more. A common alternative economic index of development has been the use of rates of growth of income per capita to take into account the ability of a nation to expand its output at arte faster than the growth rate of its population. Levels and rates of the growth of “real” per capita GNI (monetary growth of GNI per capita minus the rate of inflation) are normally used to measure the overall

economic well-being of population-how much of real goods and services is available to the average citizen for consumption and investment.

The experience of the 1950s and 1960s, when many developing nations did reach their economic growth targets but the levels of the masses of people remained for the most part unchanged, signaled that something was very wrong with the traditional definition of development. Development must therefore be conceived of as a multidimensional process involving major changes in social structures, popular attitudes, and national institutions, as well as the acceleration of economic growth, the reduction of inequality, and the eradication of poverty.

Todaro and Smith further stated that development on all societies must have at least the following three objectives:

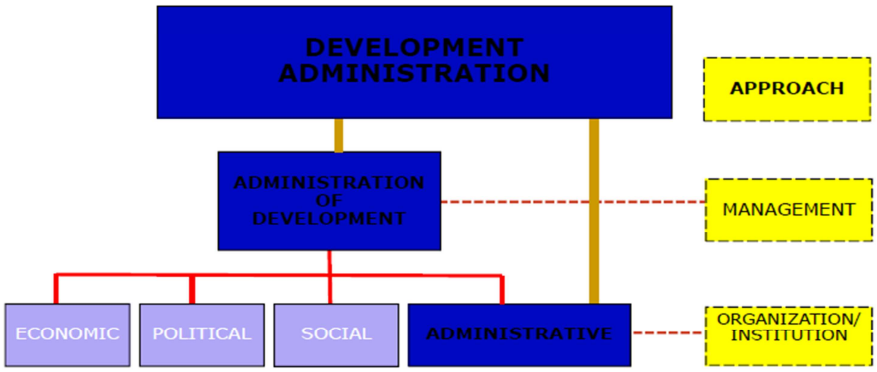
1. To increase the availability and widen the distribution of basic life-sustaining goods such as food, shelter, health, and protection.
2. To raise levels of living, including, in addition to higher incomes, the provision of more jobs, better education, and greater attention to cultural and human values, all of which will serve not only to enhance material well-being but also to generate greater individual and national self-esteem.
3. To expand the range of economic and social choices available to individuals and nations by freeing them from servitude and dependence not only in relation to other people and nation-states but also to the forces of ignorance and human misery.

2.2. Development Administration

Development administration existence is inseparable from its origin or source of knowledge and it became a public issue since the end of World War II. Development Administration was started from a wish or desire of developed countries to help Third World countries in terms of political, economic, military, technical, social and cultural with the expectation that the recipient countries would have the same side with the donor.

Siagian (1999) defined development administration as the whole work done by a nation state to grow, develop, and change in a conscious and well planned effort in all facets of life and livelihood in order to achieve the end goal. Meanwhile, Tjokroamidjojo (1988) argued that development administration is the process of control business (administration) by the state/ government to realize the planned and progress growth to the better direction in various aspects of life of the state.

Kartasasmita (1997) revealed that the first side of the development administration is administration from or for development (administration of development). To discuss the administration for development is more appropriate by using management approach. While to explain about administrative development, it is more precise use the organization's as the analytical approach as shown in following figure:



Source: www.ginandjar.com (2012)

Figure 3. Development Administration Approach

As description above, development management is one approach to analyze administration for development. It has a various distinctive functions namely: (1) planning, (2) deployment (mobilization) of resources, (3) mobilize (encourage) the participation of the community; (4) budgeting, (5) implementation of development which is handled directly by the government, (6) coordination, (7) monitoring and evaluation; (8) supervision, and (9) the role of information is very important as a tool or instrument for management.

In addition, to develop traditional administrative system into a modern administrative system that able to organize the development is one manifestation of administrative development especially in developing countries. Administrative reform as the continuation of administrative development covered many aspects include: (1) privatization and co-production, (2) de-bureaucracy, (3) reorganization, (4) the attitude changing of the bureaucracy, (5) bureaucracy ethics, (6) deregulation and regulations.

According Tjokroamidjojo (1988), although the Development Administration was based on the principles of Public Administration, however, the development administration has more advanced characteristics than the public administration as presented in table 1.

Table 1. The Comparison of Public Administration and Development Administration

No.	Public Administration	Development Administration
1.	More related to the environmental community of developed countries.	Give more attention to the environment in different communities, especially for developing countries communities.
2.	There are also groups that tend to argue that public has a role in the process of policy formulation, but the role was still not sufficiently emphasized. Public administration is in neutral position towards the development/society goals.	Development Administration has an active and committed role to the development goals, both in its effective policy formulation and its implementation. The administration involved and influence community development goals and supports the achievement of social, economic, and others objectives formulated through the political process.
3.	More emphasis on the order/ efficient implementation of the units of government activity in the present (present-oriented).	More oriented to the efforts that encourage changes (innovations) of the society in the future (future oriented)
4.	More emphasis to the common tasks (routine) in order to achieve an order government and public service (law and order). Public administration is more to be a "balancing agent".	More oriented to the implementation of the development tasks of the government. In this case, the ability to formulate policy-wise and the ability to control instruments for the achievement of development goals. Development administration is more to be a "development agent".
5.	Public administration is more to see the neatness of the administrative apparatus itself.	Development administration should linked itself to the substance of policy formulation and implementation of development goals in various fields such as economic, social, cultural etc.
6.	Public administration placed the administrator as just the executor.	Development administration placed administrator as the change agents.
7.	Legalistic approach	Ecological approach, action oriented and problem solving.

It can be concluded that the development administration is an approach, or a new idea of the public administration. However, according to Kartasasmita (1997) the difference is not very visible anymore, because basically, a modern administration wants to change and has initiative to renew the social environment, as reflected in the new paradigm of public administration.

Kartasasmita further stated that the distinction between public administration and development of administration lies in where the concept was applied. Development administration is generally for developing countries and not applied in developed countries, although the public administration in the developed countries is also actively involved in efforts to improve themselves and the life of their people.

Related this research, more detailed Siagian (1999) describes a wide range of foreign assistance and its implications in line with development administration include:

1. Political aid has motives such as: maintaining an elite group of like-minded; expand the sphere of influence; political power to prevent a group opposed country, and maintain an attitude of politicians at recipient countries
2. Economic aid not a “free” assistance. In this case recipient country is has a function as the source of raw material and becomes part of the international market. Economic assistance is usually in the form of debt that could strangle the next generation. Moreover, the aid in the form of grant should be paid with a "friendly attitude".

3. Military assistance is usually in the form: grant / sale of weapons; military education for officers, and dispatch of experts. Military assistance should be reduced to achieve world peace and in the future In the days to dating the type of assistance will continue to exist even in the form of which may vary.
4. Technical assistance is implemented in various sectors such as agriculture, fisheries, mining, communications, education, health and so forth. Foreign aid in the administration generally takes three main forms: sending experts to the need countries; establish educational institutions, and physical assistance (office equipment, vehicles, books and so on).

In general, developing countries still require foreign assistance as a source of additional construction costs. This is due to the mobilization of funds for development in the country is still limited, especially activities that require the development of foreign financing in the form of foreign advanced technology, or to cope with a very urgent things such as disaster management. International aid can be realized in the form of military aid, culture assistance, etc. However, the economic aid program is an indispensable aid for agricultural development (Tjokroamidjojo, 1988).

Furthermore, in terms of economics of the recipient countries Tjokroaminoto argued that the evaluation of foreign aid must consider several things such as:

1. Whether assistance is relevant to coping with the economic situation, or to contribute to economic growth or in the framework of the country's development plans.

2. Assistance requirements as far as possible not to burden the recipient country. Also whether the aid can be used or not to purchase and procurement of donor countries.
3. Assistance must pay attention to the economic capacity and development growth of the recipient country.
4. Foreign aid should support and be complementary to the development of business with domestic sources. The use of both sources of funding must be used efficiently.
5. Recipient countries should pay attention to domestic financing of priority so that more effective use of aid.

Taking into account the circumstances and political relations, economic considerations, the development aid distribution through the consortium or international agencies and in particular consideration of the recipient countries, it is necessary to be prepared and carried out the implementation of administrative activities. Foreign aid requires the involvement of many government agencies and central banks, and this requires the coordination of policy and implementation of the receipt of assistance.

2.3. Theory of Evaluation

Evaluation can be described as a ubiquitous process because we can find it everywhere. Due to its use in many different disciplines, evaluation has been considered as a section of other disciplines instead of a discipline in itself. Nevertheless, according to Scriven in Lopez (2000), evaluation is one of the most powerful and versatile of the “trans-disciplines” – tool disciplines

such as logic, design, and statistics – that apply across broad ranges of the human investigative and creative effort while maintaining the autonomy of a discipline in their own right. While, Kahan and Goodstadt in Kahan (2008) defined evaluation is a set of research questions and methods geared to reviewing processes, activities and strategies for the purpose of improving them in order to achieve better results.

He revealed the list evaluation values such as: quality and excellence; shared responsibility; openness and honesty; equity and fairness; comprehensiveness; informed decision making; authenticity and validity; professionalism; appropriate resources and staff development; long-term planning for improved learner outcomes; and the last is parental and community engagement

Kahan also listed the standards and types of evaluation are organized into the following four categories:

1. **Feasibility:** e.g. use resources efficiently and balance vested interests.
2. **Propriety (ethics):** e.g. protect human and legal rights and be fiscally responsible.
3. **Accuracy:** e.g. use sound qualitative and quantitative methods and report truthfully.
4. **Utility (usefulness):** e.g. align evaluation purposes with stakeholder and user needs and encourage participants to revise their understandings.

In addition, Kahan from the current trend in the literature, listed a range of evaluation types as table 2 below:

Table 2. Types of Evaluation

Types of Evaluations	Explanation
Preliminary Evaluation	A needs assessment is used to learn what the people or communities that you hope to reach might need in general or in relation to a specific issue. For example, you might want to find out about safety issues in your community, about access to services, or about the extent to which your community is dealing with a certain type of crime or a certain form of victimization. A resource assessment is used to assess the resources or skills that exist among the people or communities with which you hope to work. It is often conducted alongside a needs assessment. Resource assessments identify the skills that community members can contribute to a project and resources such as community space, in-kind and financial donations, volunteer time, and other attributes that can be tapped by your crime prevention project. An evaluability assessment is done to determine whether a project is ready for a formal evaluation. It can suggest which evaluation approaches or methods would best suit the project.
Formative Evaluation	Also known as process evaluation, a formative evaluation tells how the project is operating, whether it is being implemented the way it was planned, and whether problems in implementation have emerged (for example, it might identify that a project is reaching a less at-risk group than it intended, that staff do not have the necessary training, that project locations are not accessible, or that project hours do not meet participant needs)
Process Evaluation	A process evaluation reviews project development and examines project activities to assess whether the project is being offered in the way it was intended and to identify areas where project administration and delivery can be improved.
Outcome Evaluation	An outcome evaluation examines the extent to which a project has achieved the outcomes it set at the outset.
Summative Evaluation	Summative evaluations examine the overall effectiveness and impact of a project, its quality, and whether its ongoing cost can be sustained.
Economic	A cost-effectiveness study examines the relationship between project costs and project outcomes. It assesses the cost associated with each level of improvement in outcome. Cost-benefit analysis is like cost-effectiveness analysis in that it looks at the relationship between project costs and outcomes (or benefits). But a cost-benefit study assigns a dollar value to the outcome or benefit so that a ratio can be obtained to show the number of dollars spent and the number of dollars saved.
Meta-Evaluation	The term is used for evaluations designed to aggregate findings from a series of evaluations. It can also be used to denote the evaluation of an evaluation to judge its quality and/or assess the performance of the evaluators. (Development Assistance Committee [DAC] Working Party on Aid Evaluation 2002).
Ongoing Review	**Project monitoring** counts specific project activities and operations. This is a very limited kind of evaluation that helps to monitor, but not assess the project.

Evaluation theory has evolved slowly since the late 1960s when it was first introduced in U.S. Government agencies. Advances in evaluation theory have focused on the purposes served by evaluations; options with respect to evaluation timing; the role of the evaluator, including evaluation competencies and evaluation ethics; what constitutes “good enough” evaluation evidence; what methods are best suited for various evaluation tasks; and when and how evaluation is utilized. Trends in evaluation policy and practice draw on evaluation theory, but their reach is just as likely to be to the entire body of evaluation theory as it is to be the most recent innovation (Hageboeck, 2009).

2.4. Foreign Aid

According to Radelet (2006), the standard definition of foreign aid comes from the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD), which defines foreign aid (or the equivalent term, foreign assistance) as financial flows, technical assistance, and commodities that are (1) designed to promote economic development and welfare as their main objective (thus excluding aid for military or other non-development purposes); and (2) are provided as either grants or subsidized loans.

The DAC classifies aid flows into three broad categories:

1. **Official development assistance** (ODA) is the largest, consisting of aid provided by donor governments to low- and middle-income countries.
2. **Official assistance** (OA) is aid provided by governments to richer countries with per capita incomes higher than approximately $9,000 (e.g.,

Bahamas, Cyprus, Israel and Singapore) and to countries that were formerly part of the Soviet Union or its satellites.

3. **Private voluntary assistance** includes grants from non-government organizations, religious groups, charities, foundations, and private companies.

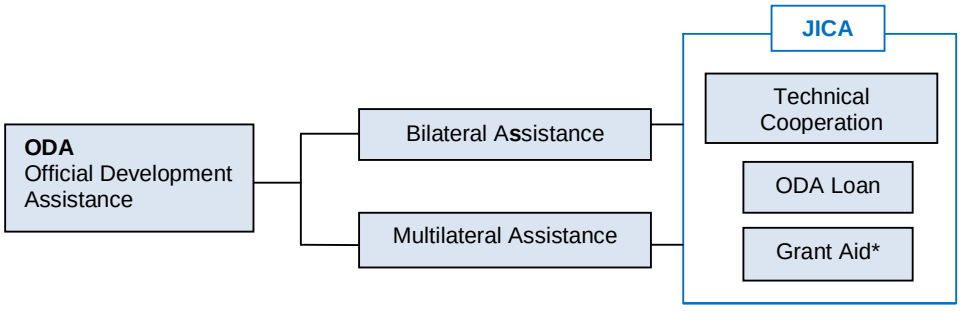
Historically most aid has been given as **bilateral assistance** directly from one country to another. Donors also provide aid indirectly as **multilateral assistance**, which pools resources together from many donors. The major multilateral institutions include the World Bank; the International Monetary Fund; the African, Asian, and Inter-American Development Banks, and various United Nations agencies such as the United Nations Development Program.

Moreover, related to the objectives of foreign aid Radelet stated that most foreign aid is designed to meet one or more of four broad economic and development objectives: (1) to stimulate economic growth through building infrastructure, supporting productive sectors such as agriculture, or bringing new ideas and technologies, (2) to strengthen education, health, environmental, or political systems, (3) to support subsistence consumption of food and other commodities, especially during relief operations or humanitarian crises, or (4) to help stabilize an economy following economic shocks (Radelet, 2006).

In line with the statement, Peter Bauer in Dedu et al. (2011) identified the most common arguments meant to support international financial assistance: (1) it is instrument for economic development; (2) reduces the poverty; (3) it is a powerful tool for international income redistribution; (4)

acknowledging past mistakes and making up for them with compensating measures; (5) serving the interests of developed countries; and (6) helps controlling the unprecedented growth in population.

A variety of organizations and groups, including governments as well as international organizations, non-governmental organizations (NGOs) and private companies, carry out financial assistance to developing countries for socioeconomic development. ODA, as defined by the Development Assistance Committee (DAC) of the Organization for Economic Co-operation and Development (OECD), must meet the following three requirements: (1) It should be undertaken by governments or government agencies; (2) The main objective is the promotion of economic development and welfare in developing countries; and (3) It has concessional terms, having a grant element of at least 25%. The grant element measures the concessionality or "softness" of financial terms of a loan. The lower the interest rate and the longer the maturity period, the higher the grant element, which means it is more beneficial to the borrower. The grant element for a grant is 100%.



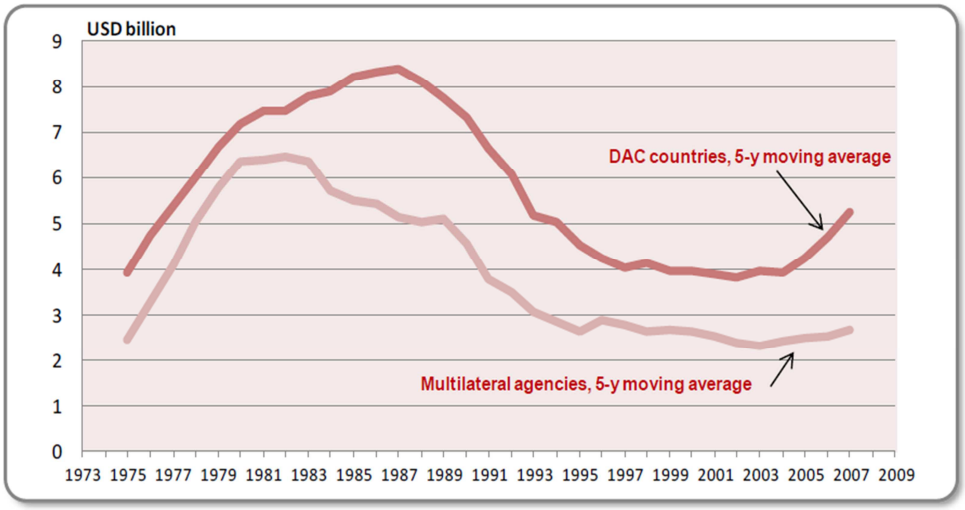
* This excludes Grant Aid which the Ministry of Foreign Affairs will continue to directly implement for the necessity of diplomatic policy.

Source: http://www.jica.go.jp/english/about/oda/index.html

Figure 4. The Japan's ODA Flow Chart

Japan's ODA is broadly divided into bilateral aid, in which assistance is given directly to developing countries, and multilateral aid, which is provided through international organizations. JICA[3] provides bilateral aid in the form of Technical Cooperation, Japanese ODA Loans and Grant Aid. The Japan's Official Development Assistance categories are illustrated in figure 4 above.

Japan and many other donor countries put Agriculture and rural development as a strategic issue in diplomatic relations. It is characterized by trends in agriculture aid increased since 2001 until 2009, despite there was a decline in the era of the 80-90s. The trends in aid to agriculture and development can be depicted as figure 5 below:



Source: www.eocd.org/dac/stats/agriculture (2011)

Figure 5. Trends in Aid to Agriculture and Rural Development (ARD)

[3] Japan International Cooperation Agency (JICA) is an independent governmental agency that coordinates official development assistance (ODA) for the government of Japan. Established as an Incorporated Administrative Agency under the Act of the Incorporated Administrative Agency - Japan International Cooperation Agency (Act No. 136, 2002), JICA aims to contribute to the promotion of international cooperation as well as the sound development of Japanese and global economy by supporting the socioeconomic development, recovery or economic stability of developing regions.

Based on data from the OECD[4], the United States and the EU institutions are a major contributor to Agriculture and Rural Development (ARD) sector while Japan on third position. The United States concentrates the aid for Afghanistan, Morocco and Colombia, while Japan emphasized his foreign aid to Asian countries such as Indonesia, India and the Philippines. Full details can be read in the following table 3:

Table 3. Main Aid Providers and Recipients in the ARD Sector (Million USD)

US million average 2008-09	United States	EU Institutions	Japan	IDA	France	Other Donors	All Donors	% of ARD to all recipients
Afghanistan	281.8	55.9	12.6	12.0	9.2	192.7	534.2	6
Morocco	299.1	-	1.4	-	30.3	21.3	352.2	4
Ethiopia	15.4	18.1	4.5	149.3	0.3	80.7	268.2	3
Indonesia	3.2	-	147.9	18.5	2.5	107.5	279.7	3
India	1.6	-	101.2	67.3	0.3	129.3	299.6	3
Pakistan	59.8	17.4	61.3	12.2	-	12.0	162.6	2
Colombia	117.7	-	1.3	-	0.8	17.0	136.7	1
Iraq	59.6	-	51.5	-	0.0	87.3	198.2	2
Philippines	3.9	2.9	89.5	-	0.3	41.6	138.3	2
Ghana	57.0	-	4.3	21.4	0.6	157.8	241.0	3
Mali	38.3	20.9	3.0	2.5	11.6	127.8	204.0	2
Bangladesh	1.8	7.0	3.2	61.4	0.0	158.0	231.3	3
Vietnam	0.6	-	21.8	34.7	13.4	93.7	164.1	2
Uganda	10.5	31.6	10.2	12.7	0.3	108.3	173.5	2
Mozambique	19.9	-	5.6	10.6	1.1	98.3	135.5	1
Other recipients	585.0	1262.3	446.3	310.9	465.1	2564.2	5633.7	62
Total amount	1555.2	1416.1	965.2	713.4	535.7	3967.5	9153.1	100
% of ARD from all donors	17	15	11	8	6	43	100	

Source: www.eocd.org/dac/stats/agriculture (2011)

[4] The Organization for Economic Co-operation and Development (OECD) is an international economic organization of 34 countries founded in 1961 to stimulate economic progress and world trade.

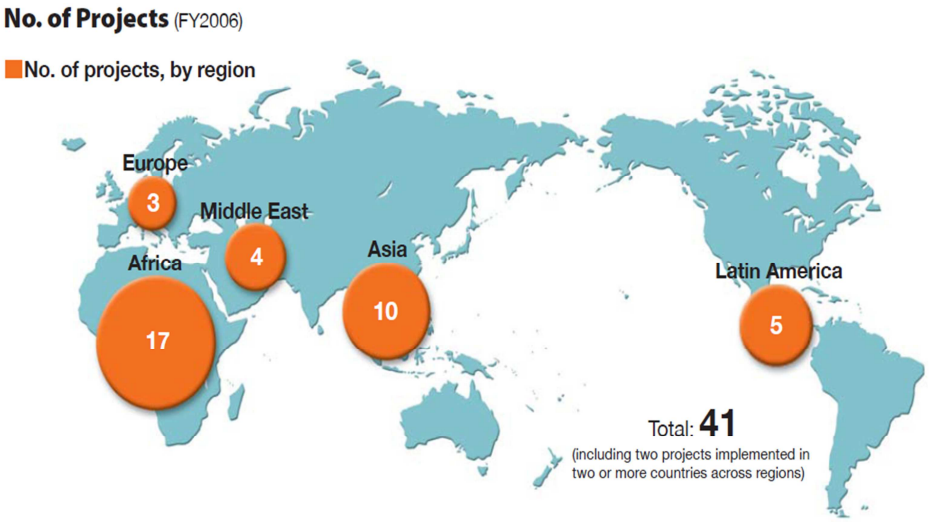
2.5. The Second Kennedy Round (SKR) Program

The Kennedy round was the sixth session of General Agreement on Tariffs and Trade (GATT) trade negotiations held in 1964-1967 in Geneva, Switzerland. Congressional passage of the US Trade Expansion Act in 1962 authorized the White House to conduct mutual tariff negotiations ultimately leading to the Kennedy Round. The round was named after American President John F. Kennedy, who died six months before the opening negotiations. The main objectives of the Kennedy Round were: (1) to slash tariffs by half with a minimum of exceptions; (2) to break down farm trade restrictions; (3) to strip away nontariff regulations; and (4) to aid developing nations[5].

As a continuation of the Kennedy Round, Japan took the initiative to provide assistance to developing countries. The realization of Japanese aid to Indonesia, especially for the agricultural sector, implemented through the Second Kennedy Round (SKR) program. SKR is a bilateral grant aid the Government of Japan (Japan's Grant Aid) to developing countries in order to increase food production.

This grant aid was started in 1977 as grant aid for increase of food production. In 2005, the grant name was changed to Grant Assistance for Underprivileged Farmers, to support the self-help efforts and independence of underprivileged farmers in developing countries. Grant Assistance for Underprivileged Farmers (SKR) is implemented yearly in Asia, Africa, Latin America, Eastern Europe, the CIS states, and others.

[5] Full explanation can be read at http://en.wikipedia.org/wiki/Kennedy_Round



Source: http://www.jics.or.jp/jics (2008)

Figure 6. The Number of 2KR Projects

The aid was distributed directly to farmers in food production centers. Since 1998, the pattern has been changed to indirect use pattern where agricultural inputs were sold to the farmers through a third party called the end-user to get Counterpart Fund (CF). This fund collected and deposited to a special account of the Government of Indonesia on behalf of the Ministry of Finance at Bank Indonesia. CF is then used again to finance agricultural development activities in Indonesia.

Sectors and types of activities funded by the CF-SKR such us: economic development (social agriculture, forestry, and fisheries); increased food production, improved living standards and welfare of small farmers; poverty alleviation; the fulfillment of basic human needs; and facilitate the implementation and follow-up of projects of technical cooperation between Indonesia and Japan.

Projects activities funded by this CF-SKR include:

1. Pilot project, model project and its replication for agricultural development in rural areas;
2. Training project for capacity building for farmers/farmer's group/association of farmer groups/cooperatives;
3. Basic study on formulation of technical guidance of further agriculture development based on local resources and communities;
4. Procurement for equipment and facilities to increase and/or to maintain productivity;
5. Support for Indonesia – Japan technical cooperation in agriculture sector such as preparatory implementation, evaluation of Japanese economic and technical cooperation, and improvement Indonesia – Japan cooperation; and
6. Emergency aid in agricultural sector[6].

2.6. Evaluation of Aid Effectiveness

Evaluation of foreign aid is a tool for better implementation or supervision of the project, presenting participants with information regarding the needs of the recipient society, smooth implementation of the project, impacts made on the recipient society, and factors affecting implementation of the project, etc., through the entire process of implementation or supervision of the project.

In the past decade, the international development community has been accelerating its efforts to enhance aid effectiveness of Official

[6] Guideline on Utilization of Counterpart Fund on Second Kennedy Round Program (CF-SKR), issued by SKR National Team 2006.

Development Assistance (ODA) projects through reducing procedural costs that are charged to developing countries due to different assistance procedures among donors. Key milestone include Paris Declaration on Aid Effectiveness in 2005. Paris Declaration is focused on five mutually reinforcing principles7:

1. **Ownership** means that developing countries set their own strategies for poverty reduction, improve their institutions and tackle corruption.
2. **Alignment** means that donor countries align behind these objectives and use local systems.
3. **Harmonization** means that donor countries coordinate, simplify procedures and share information to avoid duplication.
4. **Results** means that developing countries and donors shift focus to development results and results get measured.
5. **Mutual accountability** means that donors and partners are accountable for development results.

Using the implementation of Japan's aid in Indonesia as the example, the Japan International Cooperation Agency (JICA) took over overseas economic cooperation since 2008, which had been in charge of Japan Bank for International Cooperation (JBIC) and Ministry of Foreign Affairs. The launch of New JICA has consolidated the Japanese ODA implementation system, which had been separated by the aid modalities, and enabled unified implementations of three aid modalities, i.e. technical cooperation, ODA loans, and grants aid[8].

[7] http://www.oecd.org/document/18/0,3343,en_2649_3236398_35401554_1_1_1_1,00.html
[8] http://www.jica.go.jp/english/operations/evaluation/tech_and_grant/guides/pdf/guideline_2010.pdf

Project evaluations are explained as being categorized in terms of what to evaluate (the evaluation focus), when to evaluate (the evaluation implementation stage), and who will evaluate (the evaluator). From the perspective of what to evaluate, ODA evaluations can be classified into project-level, program-level, and policy-level evaluations. Furthermore to assess the value of the project, JICA has adopted the five evaluation criteria (relevance, effectiveness, efficiency, impact, and sustainability) proposed in 1991 by the Development Assistance Committee (DAC) of the OECD[9]:

1. **Relevance:** the extent to which the objectives of a development intervention are consistent with beneficiaries' requirements, country needs, global priorities and partners' and donors 'policies.
2. **Effectiveness:** the extent to which the development intervention's objectives are achieved, or are expected to be achieved.
3. **Efficiency:** a measure of how economically resources/inputs (funds, expertise, time etc.) are converted to results.
4. **Impacts:** positive and negative, primary and secondary long-term effects produced by a development intervention, directly or indirectly, intended or unintended.
5. **Sustainability:** the continuation of the main benefits from a development intervention after major development assistance has been completed. The probability of continued long-term benefits. The resilience to risk of the net benefit flows over time.

[9] http://www.jica.go.jp/english/operations/evaluation/reports/2006/pdf/2006_01_01.pdf

In line with criteria above, Indonesia's policy on Procurement Procedures for Foreign Loans and Acceptance of Grant subject to Indonesian Government Regulation number 10 of 2011 has the similar criteria about aid effectiveness implementation. This regulation mentions that aid, especially grant, essentially should meet following principles: transparent; accountable; efficiently and effectively; prudence; not accompanied by political ties, and not have a charge that could interfere State security and stability.

According to ODA Evaluation Guidelines[10] the general objectives of evaluation are considered to have two aspects: (1) a management aspect, whereby what is learned as a result of the evaluation leads to future improvements; and (2) an accountability aspect. In addition, this guideline listed the main purposes of evaluation were defined as follows:

1. To improve future aid policy, programs and projects through feedback of lessons learned.
2. To provide a basis for accountability, including the provision of information to the public.

Furthermore, ODA Evaluation Guidelines also listed types of evaluation which is very useful in this research. There are a number of categories, mainly relating to timing, the evaluator, the subject of the evaluation, and its funct*i*on.

1. **Evaluation by Timing:**

a. **Ex-ante evaluation**: evaluation before implementation of development intervention.

[10] http://www.mofa.go.jp/policy/oda/evaluation/guideline.pdf. The guidelines is formulated by ODA Evaluation Division, International Cooperation Bureau, Ministry of Foreign Affairs of Japan

b. **Mid-term evaluation**: evaluation performed towards the middle of the period of implementation of the intervention.
c. **Ex-post evaluation**: evaluation of a development intervention after its completion.

2. **Evaluation by Evaluator**:

a. **Internal evaluation**: evaluation conducted by a unit and/or individuals reporting to the management of the donor, partner, or implementing organization.
b. **External evaluation**: evaluation conducted by entities and/or individuals outside the donor and implementing organizations.
c. **Independent evaluation**: evaluation conducted by entities and persons free of the control of those responsible for the design and implementation of the development intervention.
d. **Self-evaluation**: evaluation by those who are responsible for the design and delivery of a development intervention.
e. **Joint evaluation**: evaluation in which more than one donor agency and/or partners participate.
f. **Participatory evaluation**: evaluation method in which representatives of agencies and stakeholders (including beneficiaries) work together in designing, carrying out and interpreting an evaluation.

3. **Evaluation by Subject**:

a. **Thematic evaluation**: evaluation of a selection of development interventions, all of which address a specific development priority that cuts across countries, regions, and sectors.

b. **Country program evaluation/country assistance evaluation**: evaluation of one or more donor's or agency's portfolio of development interventions, and the assistance strategy behind them in a partner country.
c. **Sector program evaluation**: evaluation of a cluster of development interventions in a sector within one country or across countries, all of which contribute to the achievement of a specific development goal.
d. **Cluster evaluation**: evaluation of a set of related activities, projects and/or programs.
e. **Program evaluation**: evaluation of a set of interventions, marshaled to attain specific global, regional, country, or sector development objectives.
f. **Project evaluation**: evaluation of an individual development intervention designed to achieve specific objectives within specified resources and implementation schedules, often within the framework of a broader program.

4. **Evaluation by Function**:

a. **Formative evaluation**: evaluation intended to improve performance, most often conducted during the implementation phase of projects or program.
b. **Process evaluation**: evaluation of the internal dynamics of implementing organizations, their policy instruments, their service delivery mechanisms, their management practices, and the linkages among these.
c. **Summative evaluation**: study conducted at the end of an intervention (or a phase of that intervention) to determine the extent to which anticipated outcomes were produced. Summative evaluation is intended to provide information about the worth of the program.

d. **Meta evaluation**: evaluation designed to aggregate findings from a series of evaluations. It can also be used to denote the evaluation of an evaluation to judge its quality and/or assess the performance of the evaluators.

2.7. Previous Studies

There are many studies that try to review the influence of Japan's grant aid to Indonesia such as:

1. Bahri (2004)

Japanese pragmatism is the operating principle, both at the diplomatic and strategic levels, rather than humanitarian considerations as the main motivational force in aid disbursement. Government to government negotiations and recipient priorities often dictate the type of project and hence the technology that will be transferred. The choice of aid recipients, projects, and technology will be determined by economic and political interests within Japan. In short, the Japanese grant aid programs are too rigid and very are closely linked to the procurement of goods and services from Japan, i.e. buildings, equipment, supplies, Japanese experts, survey teams and so forth, to maintain its future political and economic interests.

2. Abuzeid (2009)

Sound policy and good economic management matter more than foreign aid for developing countries. As the record shows, without good institutions, aid is likely to have a detrimental impact on the quality of governance in a recipient developing country. In the absence of these strong

institutions, assistance efforts should be dedicated to improving the quality of governance before they can be effectively devoted to any economic development effort.

3. Sugema and Chowhury (2007)

There are four main findings about the effects of aid on fiscal behavior in Indonesia:

a. The inflow of aid is driven primarily by the need to fill the fiscal gap; that is, aid is demand driven.
b. Although project aid is by definition intended for development expenditures, it results in an increase in routine expenditure as well.
c. Program aid tends to increase routine expenditure but not development expenditure; thus, it mainly serves as budgetary support.
d. Aid flows make the Government of Indonesia fiscally “lazy”. The availability of aid is a disincentive to mobilize domestic revenue through a more efficient and effective taxation system.

4. Ariadi (2001)

Poor management of grant funds may lead to grants received no benefits for the country. Grants received and the results are not comparable with the cost and other resources spent to obtain the grant. Therefore we need an increase in the capacity of management (planning, administration and monitoring) foreign grants so as to avoid overlap, both among institutions and among donors. Similarly, foreign grants can be directed to

activities in which the Government of Indonesia has received a benefit or a big plus.

5. Burnside and Dollar (2000)

In their study they concluded that Growth of developing economies depends to a large extent on their own economic policies. Foreign aid has positive effects and it applies only to economies in which it is combined with good fiscal, monetary, and trade policies. Making aid more systematically conditional on the quality of policies would likely increase its impact on developing country growth.

6. Edi and Setianingtias (2007)

They argued that good governance is vital to the effective function of all aspects of the economy and society such as infrastructure, education or agriculture. Governance reform is also essential for the effective delivery of aid to all other sectors, because without good governance, the aid system is inefficient and cannot deliver effective services to the people. Governance reform includes programs and projects aimed at institution building, securing human rights, reducing corruption, judicial reforms, and other measures of improving law and order. We will need to limit ourselves to particular domains of governance reform, ideally those in which the coordination of multiple donor agencies can be observed and the effects on state capacity can be traced.

Much can be learned from the previous studies. They have demonstrated several factors that influence the effectiveness of ODA,

especially in Indonesia. However, the study that directly evaluate at the program level, such as the Japan's grant aid on agriculture through the Second Kennedy Program (SKR) as this research proposal is still very limited.

CHAPTER III

RESEARCH METHOD

3.1. Type of Research

According Sugiyono (2009), The types of research can be classified according to: (1) The objective (pure or applied research), (2) The methods (survey, ex post facto, experimental, naturalistic / qualitative, policy research, action research, evaluation, and historical research), (3) The explanatory level (descriptive, comparative, and associative), and (4) The type of data and analysis (quantitative, qualitative, and combined).

The study was conducted to determine the value of an independent variable namely the effectiveness of Japan's grant assistance through the Second Kennedy Program in Indonesia, according to Sugiyono, the most appropriate type of research to be used is descriptive research.

3.2. Focus of the Research

This research is focused on the evaluation of Japan’s aid on agriculture through Second Kennedy Round (SKR) in Indonesia both which in program and project level. The focus of the research includes the influence and the impact of SKR program to the agriculture development in Indonesia.

This research mainly discuss in depth about:

1. The SKR program implemented with indirect-use distribution scheme namely: SKR 2000, SKR 2001, SKR 2003, SKR 2005, SKR 2006, SKR

2007, and SKR 2009. The evaluation at the program level follows the rules of the Paris Declaration on Aid Effectiveness namely: Ownership, Alignment, Harmonization, Managing Results, and Mutual Accountability.

2. The projects/activities funded by CF-SKR from 2004 to 2012. The evaluation of effectiveness at project level is analyzed by adopting the five evaluation criteria proposed in 1991 by the Development Assistance Committee (DAC) of the Organization for Economic Co-operation and Development (OECD) namely: Relevance, Effectiveness, Efficiency, Impact, and Sustainability.

3.3. Collecting Data Processes

1. **Primary Data**

   Primary data is obtained and collected through in-depth interviews. In-depth interviews are optimal for collecting data on individuals' personal histories, perspectives, and experiences, particularly when sensitive topics are being explored. The interview conducted to several persons/institutions as follows:

   a. Coordinator of SKR secretariat
   b. Head of Bilateral Division
   c. Head of Asia and Pacific Sub Division
   d. PT Pertani as the end user
   e. Farmer groups project financed by CF-SKR
   f. JICA Representative in Jakarta

2. **Secondary Data**

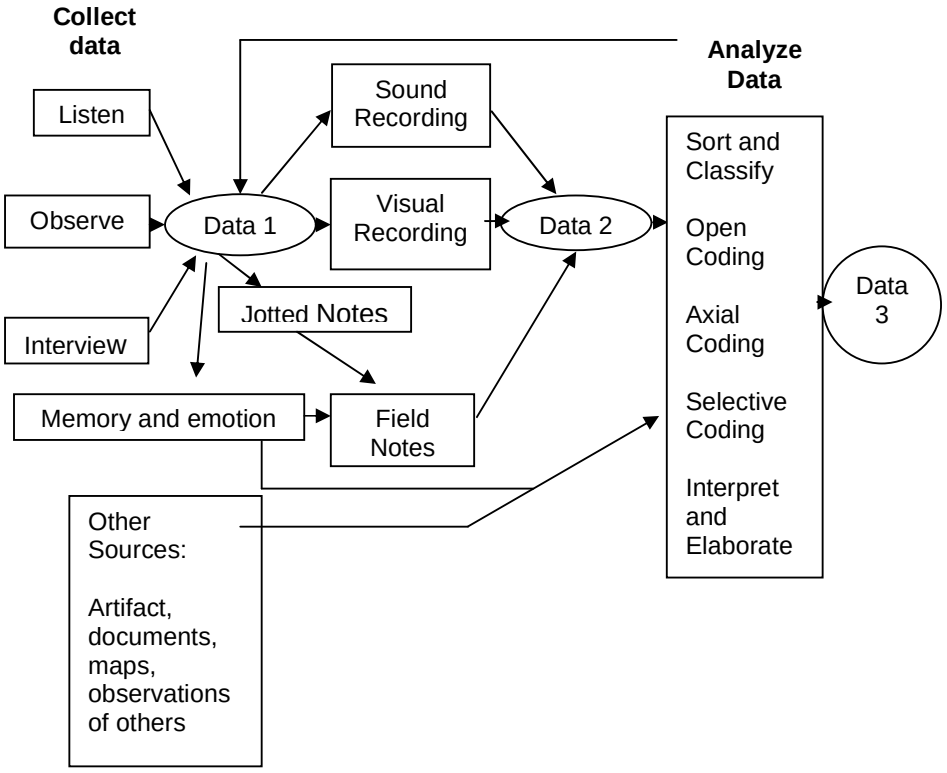
   Secondary data is obtained from official documents, notes, reports and records related to this research.

3.4. Location

a. This research primarily takes place in SKR secretariat in Jakarta. SKR program in Indonesia conducted by the SKR National Team, facilitate with secretariat room located at the Center for International Cooperation, Secretariat General Ministry of Agriculture Jl Harsono RM 3, A building 6th floor, Ragunan - South Jakarta
b. End user office: PT Pertani Head Office, Jl. Pertani 1-7 Duren Tiga Pancoran, South Jakarta
c. Farmer groups project located in Tosari Sub district, Pasuruan East Java
d. JICA Representative Office at Sentral Senayan II, 14th Floor Jl. Asia Afrika No.8, Jakarta

3.5. Data Analysis

According to Neuman (2000) data analysis means a search for patterns in data-recurrent behaviors, objects, or a body of knowledge. The qualitative researcher moves from the description of a historical event or social setting to a more general interpretation of its meaning. He argued that data analysis involves examining, sorting, categorizing, evaluating, comparing, synthesizing, and contemplating the coded data as well as reviewing the raw and recorded data. The construction of the flow of data analysis can be described on following figure 7:



Data 1 = raw sense data, experiences of researcher
Data 2 = recorded data, physical record of experiences
Data 3 = selected, processed data in a final report

Source: Neuman (2000)

Figure 7. Data Analysis in Field Research

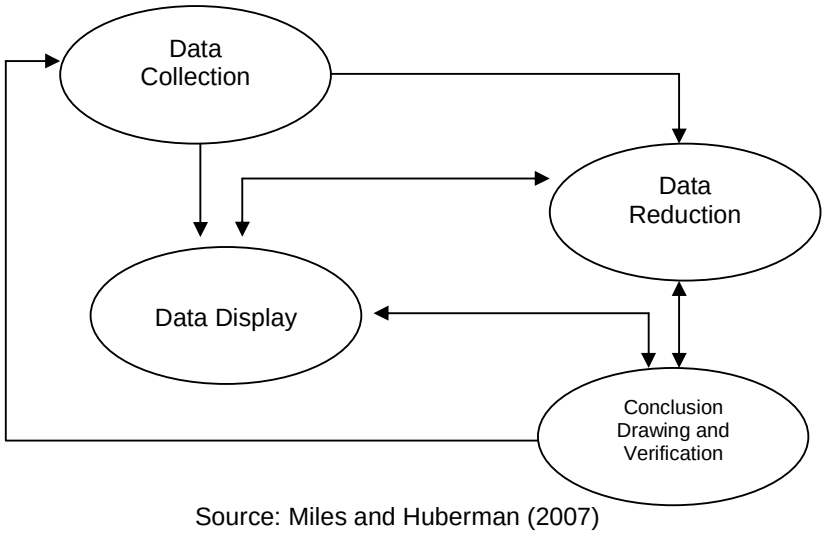
In Addition, this study uses the steps of data analysis by Miles and Huberman (2007), which consists of three sections:

1. **Data reduction** refers to the process of selecting, focusing, simplifying, abstracting, and transforming the data that appear in written up field notes or transcriptions. Not only do the data need to be condensed for the sake of manageability, they also have to be transformed so they can be made intelligible in terms of the issues being addressed.

2. **Data display** goes a step beyond data reduction to provide an organized, compressed assembly of information that permits conclusion drawing. A display can be an extended piece of text or a diagram, chart, or matrix that provides a new way of arranging and thinking about the more textually embedded data. At the display stage, additional, higher order categories or themes may emerge from the data that go beyond those first discovered during the initial process of data reduction.

3. **Conclusion Drawing and Verification**. Conclusion drawing involves stepping back to consider what the analyzed data mean and to assess their implications for the questions at hand. Verification, integrally linked to conclusion drawing, entails revisiting the data as many times as necessary to cross-check or verifies these emergent conclusions. The detailed process of data analysis is described on figure 8 below:

4.



Source: Miles and Huberman (2007)

Figure 8. Data Analysis

CHAPTER IV

RESULT AND ANALYSIS

4.1. SKR Program and Its Policy Changes

The Second Kennedy Round Program (SKR) is aid program in the Japan's Official Development Assistance Official (ODA) in the category of Grant Aid that started 1977. In that early year, agricultural equipment and materials had been distributed to farmers/farmer's group as grant aid (known as "Direct-Use" distribution scheme) from the government of Japan. The name of this program was originally a "Grant Aid for Increase of Food Production".

Since SKR 2000 in 1998, the scheme of distribution was changed (known as "Indirect-Use" distribution scheme). With this scheme, the Government of Japan donated the grant in the form of imported KCL fertilizer. KCL fertilizer is sold to the farmers/farmer groups with an affordable price an partnership system through a third party (state-owned enterprises/BUMN) that have experiences in charge of agricultural production inputs distribution. This third party then called as the end users. End users have the obligation to deposit the sales revenue of KCL fertilizer directly into a special account in Bank Indonesia. The funds are hereinafter referred to as SKR Counterpart Fund (CF-SKR).

The KCL fertilizer as the agricultural inputs procured by SKR program should not be produced in the recipient countries (Indonesia). They imported and procured through an international tender which was conducted in Japan

by JICS (Japan International Cooperation System). JICS is an organization which was officially commissioned the Japanese Government to carry out the procurement and distribution to the Indonesia. The agricultural input procured is KCL fertilizer (MOP). It is based on the consideration that KCL is the farmers need in particular to increase the production of crops (rice) through the application of balanced fertilizer.

Indonesia received minimum 50% of the Free on Board (FOB) price from the tender in Japan as the CF. It is considering the required costs start from the process of loading until the distribution to farmers to avoid the cost that burden the recipient country. Through this CF-SKR, the activities/projects for agricultural development in Indonesia are financed. The Mechanism of KCL fertilizer distribution is depicted in figure 9 below.

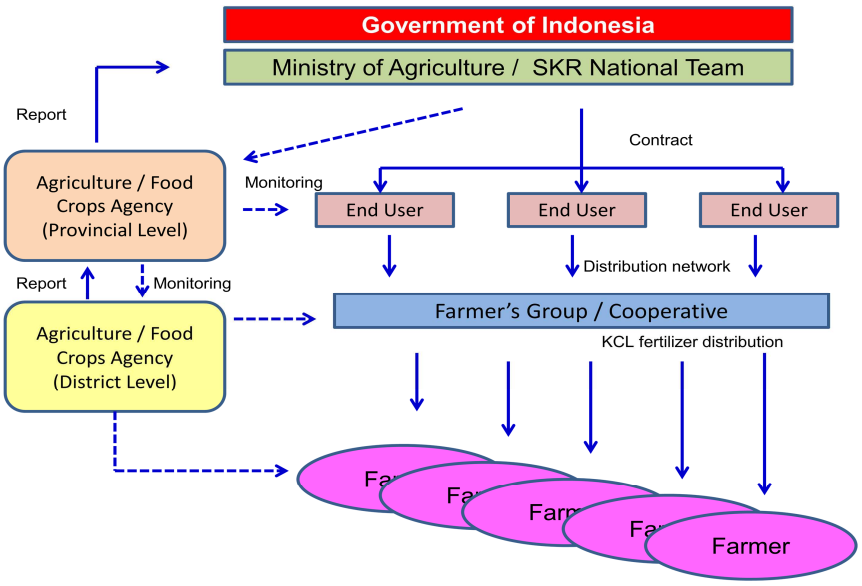


Figure 9. The Mechanism of KCL Fertilizer Distribution.

The utilization of CF-SKR governed by "Guidelines on Utilization of Counterpart Fund of Second Kennedy Round" which was agreed by the Government of Indonesia and Japan. The Guidelines explain in detail about the utilization of CF-SKR includes: criteria for activities funded, scheme activities (revolving/not revolving), the nomination process, the disbursement process, in charge of activities, and the proposal forms and reports. The Guidelines also stated that the activities funded by the CF are entirely implementing agencies responsibility and the implementation follows the rules of Indonesia budgeting system. Evaluation of the activities performed by internal auditors (Inspector General) and the Independent auditors (public accountants and NGOs / universities). The Mechanism of CF-SKR utilization can be observed in figure 10 below.

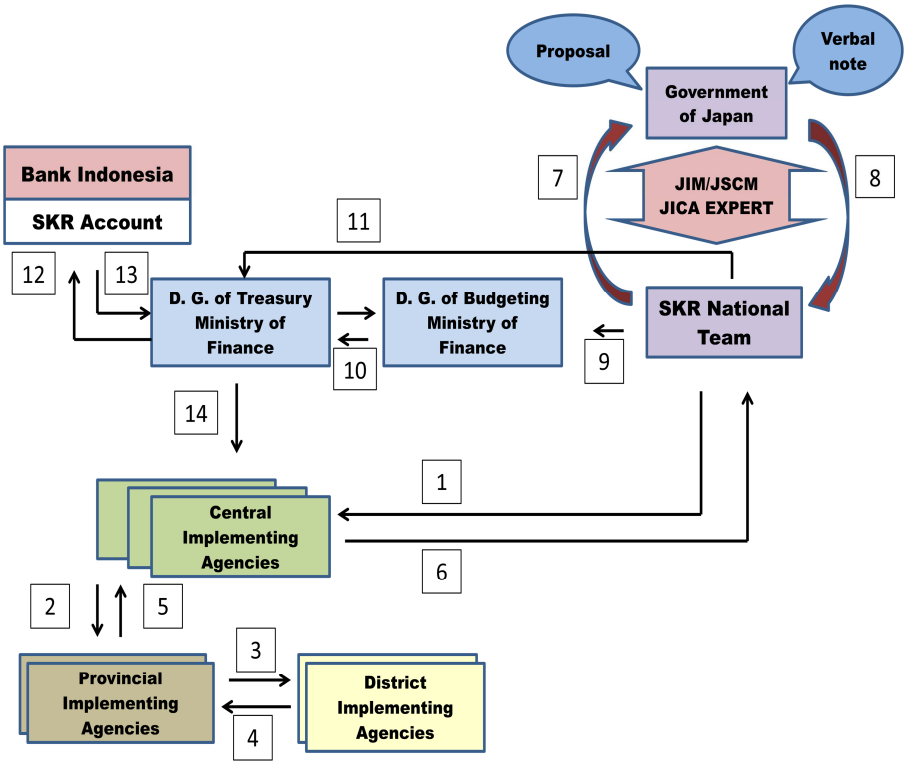


Figure flow chart:
1. The socialization of CF-SKR utilization.
2. Coordination with the Province Implementing Agency.
3. Coordination with the District Implementing Agency.
4. Proposing activities to the Province Executing Agency.
5. Proposing activities to the Central Executing Agency Centre (selection and reformulation of the proposed activities.
6. Proposing activities to SKR National Team.
7. Selection / proposal improvements and approval of activities (SKR National Team, JICA Expert, and Japan - Indonesia Meeting / Joint Steering Committee Meeting).
8. Bilateral agreements / verbal notes (Ministry of Agriculture, National Development Planning Agency, Ministry of Foreign Affairs, Embassy of Japan and JICA).
9. Proposing the budget allocation to Directorate General of Budgeting, Ministry of Finance.
10. Submitting the budget documents to Directorate General of Treasury, Ministry of Finance.
11. Transferring CF-SKR to the Directorate General of Treasury, Ministry of Finance.
12. Transferring CF-SKR from the account of Bank Indonesia.
13. Transferring CF-SKR from Bank Indonesia to the State General Treasurer / Office of the State Treasury, Ministry of Finance.
14. CF-SKR disbursement to the implementing agency.

Picture 10. The Mechanism of CF-SKR Utilization

Since 2005, the Government of Japan has emphasized that the target of the SKR program should be the poor and small scale farmers. For that reason, the name of the program was changed to “The Grant Assistance for Underprivileged Farmers”. The CF-SKR supports national programs to increasing the human welfare particularly for small scale farmers.

The ongoing SKR programs in Indonesia are: SKR 2000, SKR 2001, SKR 2003, SKR 2005, SKR 2006, 2007 SKR and SKR 2009. There are 57 projects/activities funded by CF-SKR until 2012. The complete project titles funded by CF-SKR can be depicted at Annex 3.

Through indirect-use scheme the government of Indonesia has gained as much as seven times with a total grant of USD 4,720,000,000 in the form of KCL fertilizer and FMP (SKR program only in 2000). The detailed data can be observed in following table 4.

Table 4. The Realization of Grant

No.	Year	Grant Nominal (JPY)	Realization	End User	Location of Distribution
1.	2000	1,400,000,000	50.000 tons KCL 5.000 tons FMP	- PT. SHS - PT. Pertani - PUSKUD Jateng	Banten, West Java, Lampung, East Java, and Central Java
2.	2001	1,200,000,000	59.000 tons KCL	- PT. SHS - PT. Pertani - PUSKUD Jatim - PT. Mega Eltra - PT. PPI	Banten, West Java, NAD, Bengkulu, Lampung, South Sulawesi, East Java, Central Java, and Bali
3.	2003	600,000,000	21.000 tons KCL	- PT. SHS - PT. Pertani - PUSKUD Jatim - PT. Mega Eltra - PT. PPI	North Sumatera, South Sulawesi, and East Java
4.	2005	380,000,000	11.633 tons KLC	- PT. SHS - PT. Pertani - PUSKUD Jatim - PT. Mega Eltra - PT. PPI	South Sulawesi, West Sulawesi, Central Java, South East Sulawesi, Central Java, D. I. Yogyakarta, and East Java
5.	2006	200,000,000	5.123 tons KCL	- PT. SHS - PT. Pertani - PT. PPI	NAD
6.	2007	420,000,000	4.509 tons KCL	- PT. SHS - PT. Pertani - PT. PPI	West Sumatera, Jambi, Bengkulu
7.	2009	520,000,000	13.864 tons KCL	- PT. SHS - PT. Pertani - PT. PPI	South Sulawesi and Central Sulawesi
Total		4,720,000,000			

Note: SHS = Syang Hyang Seri; PUSKUD = Pusat Koperasi Unit Desa; PPI = Pusat Perdagangan Indonesia; NAD = Nanggroe Aceh Darussalam

Source: SKR National Team Report (2010).

The CF-SKR project can be utilized by four ministries concerned: Ministry of Agriculture, State Ministry of Cooperative and Small Medium Enterprise, Ministry of Manpower and Transmigration, and Ministry of Public Work. These four Ministries are called: “Line Ministries”, which have close cooperation

The CF-SKR will be utilized in line with the policy directions for food and agricultural development plan established after introduction of

decentralization and regional autonomy. Therefore, the involvement of province or district government (local government) is considered as the advantage on sustainability of program.

Table 5. CF-SKR Accumulation and Utilization

SKR Program (Year)	CF-SKR Accumulation	CF-SKR Utilization		Balance (Rp)
		Fiscal Year	Amount (Rp)	
2000	42,324,759,496	2004	4,786,317,275	
		2005	4,675,600,000	
		2006	6,676,304,000	
		2007	651,281,000	
		2008	29,964,187,000	
2001	40,259,226,548			
2003	30,435,272,766	2009	32,356,067,991	
2005	14,612,817,748	2010	28,397,107,000	
2006	7,002, 267,542	2011	25,000,000,000	
2007	14,339,700,000	2012	9,661,943,000	
2009	23,512,215,022			
Total	165,432,594,613		131,506,864,266	33,925,730,347

Source: SKR National Team Report (2012)

The grant with direct-use distribution schemes implemented in 1977-1998 was running less effective in Indonesia. Based on the results of interviews with the (DG, male) said:

> *"Bantuan hibah dalam bentuk alsintan (alat mesin pertanian) seperti hand tractor, pompa air, alat penanam benih, serta pupuk dan pestisida membutuhkan prosedur yang rumit. Mulai dari bongkar muat di pelabuhan hingga wilayah tujuan membutuhkan biaya angkut yang membebani APBN. Bahkan setelah barang tersebut sampai di ppopinsi yang dituju, pemerintah propinsi juga harus menyediakan anggaran untuk mendistribusikan mesin dimaksud ke kabupaten yang dituju. Selain itu kendala teknis seperti ketersediaan suku cadang dan perbedaan voltase listrik Jepang membutuhkan penanganan khusus. Sistem ini juga tidak memiliki keuntungan ganda karena tidak ada pengumpulan dana CF-SKR untuk membiayai proyek pembangunan pertanian."*

("Assistance in the form of agricultural machinery (hand tractor, water pump, and transplanter), fertilizer, and pesticide required a complicated procedure. Start from the loading in the port to the destination area, it requires no small amount of freight cost and burden the state budget. Even after the grant arrived at the target province, the provincial government also needs to prepare the budget to distribute the machine to the district target area. In addition, some technical constraints such as spare *part availability and the difference of the Japan's electric voltage required special handling to customize it. This system also does not have multi-benefits to be gained because there was no collection of CF-SKR to fund project for agricultural development.")*

Furthermore, another informant (AM, male) added:

"Bantuan dalam bentuk alsintan tidak banyak berguna karena kalau sudah ditaruh di kelompok tani bantuan tersebut tidak akan terawat. Saya yakin tidak akan terawat karena petani malas untuk membayar iuran perawatan. Bantuan dalam bentuk KCl atau pupuk lain manfaatnya akan lebih banyak. Uang hasil penjualan pupuk dapat digunakan untuk hal *lain yang lebih bermanfaat"*

("Assistance in the form of agricultural machinery will not bring many advantages, because if it is given to the farmer groups, the machine will not be well maintained. I am sure it will not be well maintained because farmers reluctant *to pay the maintenance fees. Assistance in the form of KCl or other fertilizers will bring more benefit. The money from the sale of fertilizer can be used for other more useful things.")*

There is an impression that the Japanese grant assistance in the form of agricultural inputs (machinery, fertilizers and pesticides), just a promotional event for the products manufactured in the country of Japan. The changing of distribution system to Indirect-use distribution, which began in 1998, directly changed the impression, because the fertilizer was procured from Canada and Belarus.

4.2. SKR Program Has Been Effectively Implemented.

To answer the question: "Has the Japan's grant aid to Indonesia through SKR program been effectively implemented?" is not easy. Based on

the results of interviews with the representative of Japan side (MM, female) said:

> *"This is a big question. According to my analysis, SKR program is very* unique*, and it is not like the other Japan's assistances which are implemented in project base. SKR is a program not a project. We have the target but we cannot decide whether this program has been effectively implemented or not because we do not involve exactly in the monitoring activities."*

However it can be explained and investigated by the evaluation at program level and evaluation at project level as described below:

4.2.1. Effectiveness Evaluation at Program Level

Evaluation at the program level follows the rules of the Paris Declaration on Aid Effectiveness namely: **Ownership, Alignment, Harmonization, Managing Results, and Mutual Accountability.** The Paris Declaration was endorsed at the Second High Level Forum on Aid Effectiveness held in Paris in March 2005 involved 111 countries and 26 multilateral organizations. Partner countries and donors agree to implement the following five principles in order to enhance aid effectiveness to achieve the Millennium Development Goals (MDGs).

4.2.1.1. Ownership

Ownership means that Indonesia as the recipient country sets its own strategies. In this regard Indonesia is free to determine the KCL fertilizer distribution and the types of projects / activities as well, and Japan as the aid providing country supports said leadership.

KCL fertilizer distribution area is the authority of the Directorate General of Food Crops, Ministry of Agriculture and there is no interference from the Japanese side. The Japanese side fully respects

the ownership of this grant, especially in the distribution of fertilizer in food crops production centers. Since the program SKR 2000 to 2009, the distribution has been changing according to the strategy of the Ministry of Agriculture to increase of food production (as presented in table 4). Distribution of the region's mainly in Java island because as the greatest rice production centers. About this matter, the resource person in charge of fertilizer distribution (AM, male) said:

> *"Kesadaran petani untuk menggunakan pupuk KCL di pulau jawa lebih tinggi, sehingga penyerapan pupuk KCL di lapang sangat cepat. Penyerapan pupuk KCL di luar jawa masih lambat, kecuali di Sumatera Barat dan Sumatera Utara khususnya untuk petani hortikultura. Secara umum pengetahuan* petani *akan pemupukan berimbang bervariasi. Secara umum pengetahuan petani tentang pemupukan berimbang bervariasi di tiap daerah. Petani hortikultura sudah menyadari akan pentingnya pemupukan berimbang, namun petani tanaman padi khususnya di luar pulau Jawa masih rendah. Rendahnya permintaan akan pupuk KCL di luar jawa sering menyebabkan lambatnya pengumpulan CF-SKR"*
>
> *("The awareness of farmers to use KCL fertilizer on the Java island higher than other region, so the absorption of KCL fertilizer in Java is very fast. In contrary, the absorption of KCL fertilizer outside Java is still slow, except in West Sumatra and North Sumatra in* particular *for horticultural farmers. In general, the knowledge of farmers on balanced fertilization varies in each region. Horticultural farmers are aware of the importance of balanced fertilization, but rice farmers, especially outside Java is still low. The lack of farmers' demand for KCL fertilizer outside Java often leads to the delay in the collection of CF-SKR.")*

For SKR 2009, the distribution area centered in Central Sulawesi and South Sulawesi. This is in accordance with the consideration of the Directorate General of Food Crops that farmers outside Java should be introduced to the benefits of balanced fertilization for increase the rice production. The Japanese did not interfere in the determination of this KCL fertilizer distribution area.

4.2.1.2. Alignment

Through SKR program, Japan as the donor country has been providing its overall support for the development strategies of Indonesia, and utilize the prevailing systems and procedures in Indonesia, such as financial management and procurement to the highest degree possible.

SKR program implementation is in line with the National Policy of Foreign Loans and Grants (Medium Term Development Plan 2010-2014), namely: (1) Prioritize the sovereignty and national interests; (2) Improve the effectiveness of the utilization based on the national development priorities; (3) Based on the principle of prudence (Prudent borrowing policy) and the principle of borrower driver; (4) The complementary sources of domestic financing; and (5) The means of exchanging information and learning.

The implementation of the program SKR also does not overlap with strategic plan of the Ministry of Agriculture 2010-2014 to revitalize agriculture in Indonesia, namely: (1) Land revitalization, (2) Revitalization of seed production, (3) Revitalization of infrastructure and facilities, (4) Revitalization of human resources, (5) Revitalization of farmers' financing, (6) Revitalization farmers institution, and (7) Revitalization of technology and downstream industries.

The projects funded by CF-SKR support on the achievement of four main targets of national agricultural development 2010-2014:

1. **Achieve the self-sufficiency and sustainable self-sufficiency.**

Self-sufficiency

a. Soybeans: production of 2.7 million tons in 2014 (an average increase of 20.05% per year)
b. Sugar: production of 5.7 million tons in 2014 (an average increase of 17.63% per year)
c. Beef: the production of 0.55 million tons in 2014 (an average increase of 7.30% per year)

Sustainable self-sufficiency

a. Rice: production of 75.70 million tons in 2014 (an average increase of 3.22% per year)
b. Corn: production of 29 million tons in 2014 (an average increase of 10.02% per year.

2. **Increase food diversification.**

a. Rice consumption decreased at least 1.5% per year, accompanied by increase tuber crops, meats, fruits, and vegetables consumption.
b. The increase of Pattern Food Score, rise from 86.4 (2010) to 93.3 (2014).
c. Food security improvement.

3. Increase the value added, competitiveness, and exports.

a. Certification of all organic agricultural products, fermented cocoa, rubber and processed materials in 2014.
b. The increase the traded refined products from 20% (2010) to 50% (2014)

c. Development of starch to substitute 20% of wheat / flour imports in 2014.
d. Meet all quality fermented cocoa processing facilities for the chocolate industry in Indonesia (2014).
e. The increase of trade surplus of U.S. $ 24.3 billion (2010) to U.S. $ 54.5 billion (2014).

4. Increase the farmers' welfare.

a. Income per capita of USD 7.93 million farms in 2014.
b. The average rate of increase in income per capita is 11.10% per year.

4.2.1.3. Harmonization

As the effort to harmonize communication and in order to succeed the *implementation* of overall SKR program in Indonesia as well, it has been established the Consultative Forums between the two countries, namely**:**

a. JSCM on SKR

The Joint Steering Committee Meeting on SKR (JSCM-SKR) has been established in order to discuss any matter that may arise from or in connection with the Exchange of Notes. This forum meets at least once a year on date agreed by the two Governments in Indonesia.

The Delegations of JSCM-SKR consists of the Steering Committee of National Team of SKR, related officers of Government of Indonesia, Secretary (Agriculture) of Embassy of Japan in

Indonesia, the representatives of JICA (as Observer) and the officers of JICS[11].

b. JIM on SKR

The Japan – Indonesia Meeting has been established in order to discuss mainly the utilization of CF-SKR. The meeting is held 3 (three) times in a year to discuss any matter related to the implementation of SKR program including CF-SKR utilization projects such as new project proposal and progress implementation of ongoing projects, if and when necessary, additional JIM-SKR can be conducted.

The delegations of JIM-SKR consists of the Organizing Committee of SKR, related officers of Government of Indonesia, Secretary for Agriculture of the Embassy of Japan in Indonesia and the representative of JICA.

c. SKR National Team of SKR

The National Team of SKR has been established by the Minister of Agriculture of the Republic of Indonesia through the Ministerial Decree which stipulates involvement of line ministries including National Planning Board (BAPPENAS), Ministry of Foreign Affairs, and Ministry of Finance.

[11] Japan International Cooperation System. Founded in 1989 to be in charge of the procurement services in Grant Aid and Technical Cooperation, an organization that supports JICA's services over technical cooperation after the rapid increase in services for procuring machinery and equipment.

The National Team of SKR is chaired by the Secretary General of Ministry of Agriculture and is composed of the Steering Committee and the Organizing Committee. Its task is to implement the SKR program transparency and fairly in regard to procurement and distribution of the agriculture inputs as well as the funding and utilization of CF-SKR. The SKR National Team is supported by the Secretariat of SKR National Team and in limited cases, has permanent staffs, a working room and other necessary office equipment.

The National Team of SKR sets up the Task Force which consist of representatives from relating institutions for ensuring the transparency, equity, and accountability of CF-SKR utilization as well as screening and selecting projects proposals, monitoring, and evaluating of projects implementation, and providing the recommendation for CF-SKR utilization. This team reports annually on CF-SKR utilization to all related stakeholders including Embassy of Japan in Indonesia.

4.2.1.4. Managing Results

Indonesia and Japan shift focus to development results and the results should be able to be measured. Projects / activities funded by the CF-SKR have been carried out with an integrated and adapted planning, budgeting, implementation and evaluation to support natural resources, social culture, internal and external changes with regard to

the potential, problems and challenges for agricultural development today and in the future.

Base on the result of interviews above, it is not easy to measure the result of the program compared to the project and this is compounded by the lack of coordination between Indonesia and Japan. There is a finding about this matter based on the result of interview with Japan side (MM, female):

> *"We were invited at initial project proposal selection meeting but after the meeting, we did not get the report on the utilization of CF-SKR. We would like also to know about the procurement process reports, account opening and so on. We would be very pleased to receive the monitoring report even the report is written in bahasa."*

As far as possible the two sides, Indonesia and Japan, try to always coordinate and communicate through the existing forums (Japan-Indonesia Meeting/JIM and Joint Steering Committee Meeting/JSCM). Both SKR program and the project funded by CF-SKRF must be well managed in order to reach the main goal namely agricultural development through the improvement of coordination between the two countries.

4.2.1.5. Mutual Accountability

Japan and Indonesia show their best effort to enhance transparency and take mutual responsibility for aid resources, procedures and development results.

Base on the information from DD (male), there were some findings of financial abuse in project implementation level:

> *"Pelaksanaan proyek selama ini tidak ada kendala berarti. Jikalaupun ada masalah seperti yang baru saja terjadi di NTB, hal tersebut bukan merupakan kesalahan dari national team of SKR. Tertuang jelas dalam the guidelines of the utilization of CF-SKR bahwa keuangan dan kegiatan di project level merupakan tanggung jawab instansi pelaksana. National team of SKR tidak bisa setiap saat memonitor semua proyek yang sedang berjalan. Dalam hal ini, implementing agency yang lebih kompeten untuk mengawasi. Secara umum masalah-masalah tersebut bisa diatasi"*
>
> *("So far there are no significant obstacles on implementation of the project. If there is a problem, as has just happened in NTB, it is not the fault of the national team of SKR. Clearly set out in the guidelines of the utilization of CF-SKR that finances and activities are the responsibility of the implementing agency. National team of SKR cannot monitor any time the all of ongoing projects. In this case, the implementing agency is more competent to supervise. In general all of the obstacles can be well resolved.")*

In order to prevent such abuse and to ensure the mutual accountability in the implementation of SKR program and projects in Indonesia, SKR National Team has implemented the following steps:

1. **Reporting System**

a. National Team of SKR receives reports from the end users about the development of fertilizer distribution.

b. National Team of SKR receives the proof of deposit of CF-SKR at Bank Indonesia from each end user in accordance with the number and stages that have been determined and do reconfirmation with the Ministry of Finance.

c. National Team of SKR receives the reports of CF-SKR utilization from each executing agency periodically.

d. National Team of SKR accomplishes the quarter and annual reports.

2. **Field Visits**

a. SKR National Team completes the field visit activities in order to prepare for the arrival of fertilizer, checks the end users warehouse and observes the other supporting facilities.
b. SKR National Team observes the location of distribution to ensure the fertilizer under SKR program has distributed to the farmers / farmer groups targeted.
c. SKR National Team observes the location of the projects that utilize the CF-SKR funds in order to ensure the effectiveness of the projects.

3. **Coordination Meeting**

a. In order to reconfirm and follow-up based on reports and field observations, the SKR National Team conducts coordination meetings periodically and special meetings for the urgent matters related to the SKR program in Indonesia.
b. To maintain the openness and mutual understanding between the Governments of Indonesia and Japan in the implementation of the SKR program, both sides conduct the bilateral meetings in the Japan - Indonesia Meeting (JIM) forum.
c. Independent audit by third parties is conducted in order to support objectivity of monitoring and evaluation activities funded by CF-SKR. SKR National Team collaborates with a third party who

consists of various elements such as plant protection experts, social experts of agricultural economics, agronomy, animal husbandry, information management system, agricultural extension, etc.

d. The balance sheet of the CF-SKR projects audited by an independent auditor (third party).

4.2.2. Effectiveness Evaluation at Project Level

Furthermore, the evaluation at project level can be analyzed by adopting the five evaluation criteria proposed in 1991 by the Development Assistance Committee (DAC) of the Organization for Economic Co-operation and Development (OECD): **Relevance, Effectiveness, Efficiency, Impact, and Sustainability.** Those two steps evaluation are clarified in the explanation below

4.2.2.1. Relevance

Relevance is a measure of the extent to which development interventions meet population needs and country priorities, and are consistent with donor policies. In other words, relevance is basically a question of usefulness; in turn, the assessment of relevance leads to higher level decisions as to whether the development activities in question ought to be terminated or allowed to continue, what changes ought to be made, and in what direction. Are the agreed objectives still valid, and do they represent sufficient rationale for continuing the activities?

Policy changes that have occurred since the early stage of this program from direct distribution to indirect-use distribution pattern and the change of program target from to increase food production in 1977 to Grant Assistance for Underprivileged Farmers in 2005 are the indications that this program continues to grow following the dynamics of the era in order to meet the aspect of relevance.

Japan through JICA actually still has a role in determining which projects can be conducted or not. We can assume that the Japan's intervention is a shortcoming of the SKR program, but if we look on the bright side it is not a form of authoritarianism, but rather the aspects of feasibility, urgency and an effort to ensure that the aid meets its main target, the underprivileged farmers.

Furthermore, in order to maintain the aspect of relevance in 2007 and 2013, both sides agreed not to conduct activities and projects funded CF-SKR. One-year grace period was used to reformulate the relevant types of activities for agricultural development in Indonesia.

4.2.2.2. Effectiveness

Explicitly, effectiveness is the relationship between the intervention's outputs, its immediate results, and its outcomes, meaning usually the intended benefits for a particular target group of beneficiaries.

About this matter we cannot value the projects funded by CF-SKR from their minor outputs, results or outcomes because it is not

the criteria to measure whether the project is effective or not. MM (female), as the representative of JICA, shared her opinion about this matter:

> *"The projects on SKR are very small scale and the comment from Bappenas (National Planning Board Agency) that I heard that the projects just make a minor impact. However, SKR is up to the purpose, not always to be a big one. Sometimes it is small but directly deliver to the farmers. So it depends on the way of thinking of your ministry (Ministry of Agriculture) and Bappenas side about effectiveness."*

The general impression shows that the projects are only in small scale but we should be more scrutiny the target. Underprivileged farmers as the main target really feel the benefits of these projects. If the target already reached the benefits, it may declare that the project has been effectively implemented and the objectives of the SKR program have been achieved. Added by DG (male) who said:

> *"Dibandingkan dengan proyek hibah lain, bantuan melalui SKR ini lebih efektif dan efisien. Hal ini karena direktorat teknis (tingkat pusat) mengusulkan kegiatan berdasarkan masukan dari kabupaten, dan propinsi secara berjenjang, sehingga benar-benar merupakan keinginan dari bawah (petani), ya bottom-up lah. Walaupun ada juga kebijakan yang di-drive dari pusat misalkan untuk proyek sosialisasi penggunaan pupuk organik."*
>
> *("Compared with other grant projects, assistance through the SKR is more effective and efficient. This is because the implementing agency (central level) proposes the activities based on input from the districts and provinces level (bottom up), so it is really a wish from the farmers. Although there are also policies driven by Ministry of Agriculture like the campaign of the use of organic fertilizers.")*

4.2.2.3. Efficiency

Efficiency measures of how economically resources/inputs (funds, expertise, time etc.) are converted to results. The quality of the inputs and the outputs is an important consideration in assessing efficiency: the most economical resource is not necessarily the most appropriate and the trade-offs between the quantity of outputs and their quality is a key factor of overall performance.

The project proposals funded by CF-SKR were selected with considerations of efficiency. After going through the selection process, implementing agencies present their project proposals for the discussion with the Task Force. In this discussion, JICA expert concerned may be invited as a resource person. The selection procedure of project proposals shall be finalized on the recommendation from Japan-Indonesia Meeting on SKR (JIM-SKR) or Joint Steering Committee Meeting on SKR (JSCM-SKR). Those project proposals are prepared by using Application Form and outline of Term of Reference (TOR). In the outline of TOR, inputs and outputs are the crucial elements to ensure the project efficiency. An informant from Ministry of Agriculture (DG, male) stated:

> *"Dalam setahun hanya ada 6-10 kegiatan dari sekitar 40 usulan yang ada, ya hanya sekitar 25% saja yang lolos seleksi."*
>
> *("Within a year there were only 6-10 activities from about 40 proposals, it is only about 25% that pass the selection.")*

4.2.2.4. Impacts

The projects funded CF-SKR are recognized by the Japanese and Indonesian parties is not the big monumental assistance that significant impact on agricultural development in Indonesia. From Indonesian side YT (male) gave his comment:

> *"Bantuan yang diberikan dalam bentuk proyek terbagi di banyak spot seperti di bidang peternakan, tanaman pangan, hortikultura dsb. sehingga jika dilihat secara keseluruhan kita tidak akan menemukan benang merahnya. Akan tetapi secara parsial bantuan ini sangat bermanfaat bagi target program yaitu underprivileged farmer. Perlu diisadari bahwa bantuan melalui program SKR sangat kecil bila dibandingkan dengan sektor pertanian di Indonesia yang luas. Bantuan ini tidak berpengaruh signifikan misalnya terhadap peningkatan produksi beras nasional."*

> *("The assistance provided in the form of project is divided in many spots as in the field of livestock, crops, horticulture, etc. so when it is viewed as a whole we are not going to find a common thread. However, in partial way, the assistance is very beneficial for underprivileged farmer as the program targets. It is realized that SKR program is very small when compared to the vast of agricultural sector in Indonesia. If we find an example, this assistance has no significant impact to the increase of national rice production.")*

If we evaluate the whole of the projects, it can be assumed that they are implemented in partial way and their common thread cannot be viewed clearly, though there are some projects that have a same theme as the three projects that are implemented after the Merapi volcano disaster in Yogyakarta in 2012, namely (1) Salak plant, Vegetables and Chrysanthemum recovery after the Eruption of Mount Merapi Disaster; (2) Infrastructure and Irrigation Facilities Rehabilitation for the Victims of Mount Merapi Eruption in Yogyakarta Province; and (3) The Farmers Group Recovery Program and Victim

Empowerment of the Mount Merapi Eruption Victims in Central Java and Yogyakarta. Each project is intended to help disaster victims with different types of assistance but still have a relation to one another.

As discussed in detail above that the projects funded by CF-SKR are delivered to underprivileged farmers as the main target and we may say that those projects are only produce a minor impact. Thus arises a desire of both countries to produce a more significant impact from the projects that will be conducted in the future. Therefore it has been agreed by Indonesia and Japan, there will be no activities funded by the CF-SKR in 2013. It is hoped the project could be implemented in 2014 with a focus on capacity building projects and focus on only two provinces in order to obtain a significant impact as expected.

4.2.2.5. Sustainability

Sustainability is the essential thing to note. This is related to the sustainability of benefits of the project CF-funded SKR. The most optimal and long-term benefits is the projects that use the revolving system. The physical components such as the assistant in the form of agricultural machinery, infrastructure improvements and training can maintain the sustainability of benefit.

The projects funded CF-SKR are generally in small scale. Therefore, the commitment and the support of the local government by providing the local budget are also very important to the sustainability of agricultural development.

An informant from Ministry of Agriculture (DG, male) said:

> *"Hal ini tergantung (pemerintah) daerah juga, jika (pemerintah) daerah peduli, bupatinya concern dengan memberikan dukungan APBD, maka kegiatan ini akan memberikan dampak jangka panjang."*
>
> *("It depends on the local government's attention; the regent show his concern by providing regional budget support, the project will provide a long-term impact.")*

Projects funded by CF-SKR are expected to be a trigger for local governments to pay more attention to agricultural development in their region that starts from activities that empower the underprivileged farmers.

4.3. The Factors that Influence the SKR Program Effectiveness

The factors that influence the program SKR effectiveness mainly in terms of their appropriateness to give benefits for agricultural development in Indonesia. This program is unique and different with other types of assistance. SKR program provides multiple benefits both in program and project level such us:

4.3.1. Technical Benefits

4.3.1.1. In Terms of Program

The agricultural input procured is KCL fertilizer (MOP). It is based on the consideration that KCL is the farmers need in particular to increase the production of crops (rice) through the application of balanced fertilizer. However farmers' attention to the nutrient potassium (K) in Indonesia is still low. Ministry of Agriculture data in Alimoeso (2010) explained that the use of K fertilizer only reached -

11.1 % for the year 2010-2014 projection, although the fulfillment of K element needed can be obtained with the use of NPK compound fertilizer. During this period, NPK fertilizer use increased by 24.8 % per year.

Table 6. Fertilizer Needs Projections 2010-2014 (Million Tons)

Kind of Fertilizer	2010	2011	2012	2013	2014	Growth (%/year)	Total
Urea	7.3	7.2	7.1	7	7	-4.2	35.6
SP-36	4.5	4.5	4.4	4.4	4.3	-4.5	22.1
ZA	1.2	1,2	1.3	1.3	1.3	8.3	6.3
KCL	2.8	2.7	2.6	2.5	2.5	-11.1	13.1
NPK	8.1	8.8	9.2	9.7	10.3	24.8	45.9
Organic	11.8	12.2	12.4	12.7	13	8.9	62.2
Total	35.8	36.4	37	37.6	38.4	22.3	185.2

Source: Ministry of Agriculture in Alimoeso (2010).

This condition may be due to farmers' the lack of knowledge about the role of K elements in increasing agricultural production and this is compounded by the low of small scale farmers' purchasing power. KCL fertilizer in the form of grant aid ensures the availability of K element needed by plants. A balanced fertilizer containing macro elements: nitrogen (N), phosphate (P) and potassium (K) provides different benefits to plants such as: accelerate the plant growth, increase the content of starch and protein, improve harvest quality improvement, increase the plant resistance to disease, stimulate root growth etc. KCL fertilizer availability, especially in rice production centers on the Java Island, boosts farmers' awareness of the importance of this macro element and balanced fertilization.

4.3.1.2. In Terms of Project

When we examine the type of activities funded CF-SKR, it can be assumed that activities such as: (1) The pilot project for agricultural development in rural areas; (2) Training project for capacity building for farmers/farmer's group; (3) Basic study on formulation of technical guidance of further agriculture development based on local resources and communities; and (4) Procurement for equipment and facilities to increase or to maintain productivity, has provided a very beneficial impact on the technical and agricultural cultivation.

4.3.2. Economic Benefits

4.3.2.1. In Terms of Program

Fertilizer is one of the essential inputs in crop production. Fertilizer demand projections 2011-2014 show that only the type of fertilizer N can be supplied by domestic production. Indonesia had to rely on imports for the type of P and K fertilizer. Dependence on imports, fertilizer price instability on world markets and the burden of foreign exchange needed will be high risk for economic condition. The current fertilizer subsidy is not directly to the farmer as the user, but through fertilizer producers, so this generated a lot of difficulties in implementation. Another alternative is a direct subsidy to farmers through farmers' groups that needs the strengthening of farmer groups' institution.

Table 7. Export - Import of Fertilizer 2001 -2005 (Ton)

Kind of Fertilizer	2001	2002	2003	2004	2005	Total
1. Export						
Urea	0	11	20	0	0	31
SP	16,525	141	442	1.351	2,494	20,953
Double Ammonium Phosphate	42	26,519	15,361	0	0	41,922
Other P	60	38	75	1,300	1,416	2,889
KCL	1,020			0	0	1,020
K2SO4	0	23	0		691	714
Others	335	140	709	351	346	1,881
2. Import						
Urea			1	216	0	217
SP	10,347	80,651	45,446	172,275	161,122	469,841
TSP	48,660	124,368	65,246	34,450	0	272,724
DAP	5,859	499	5,707	3	0	12,068
Other P	133,870	91,901	40,447	34,314	543	301,075
KCL	426,019	428,621	487,261	1,012,295	947,212	3,301,408
K2SO4	10,030	5.690	5,892	11,155	6,113	38,880
Others	24,277	54,297	62,825	38,491	23,116	203,006
3. Trade Balance (Export – Import)						
Urea						(186)
SP						(448,888)
DAP						29,854
Other P						(298,186)
KCL						(3,300,388)
K2SO4						(38,166)
Others						(201,125)

Description: no value (blank) means that the numbers are very small, less than 500 kg (does not include the trade balance)

Source: Statistics in Alimoeso (2010).

Grant assistance provided in the form of KCL fertilizer as much as 165.129 tons since 2000, at the same time it helps Indonesian government to save the foreign currency (foreign exchange). This is stated clearly in the policy program on the CF-SKR Utilization Guideline, the type SKR program assistance is agricultural inputs and it is not produced domestically in Indonesia. Through this scheme, not only Indonesian government, but also the State-owned Enterprise as the KCL distributor gains the economic benefit.

Furthermore, it can be can convinced that the presence of KCL fertilizer aid would not interfere the domestic fertilizer market and the clear target of aid, underprivileged farmers, makes this assistance

more effective in helping small scale farmers who need the affordable price of KCL fertilizer. Through the appropriate monitoring and evaluation system, there are no reports so far about the diversion of aid. In addition, The End User, as the main distributor, will ensure the KCL fertilizer is not sold to traders or large plantation.

4.3.2.2. In terms of Project

Projects/activities funded by the CF-SKR are certainly the assistance that is expected to improve the farmers' welfare. Assistance in the form of training, infrastructure development, cash aid, agricultural inputs, and the strengthening of capital can directly benefit the target farmers. The effectiveness of aid has been approved, from the proposed from the farmers' proposal that directly inventoried by the implementing agency in the district level, proposed in stages to the implementing agencies at the provincial level, continue to central level and ends at the SKR National Team to further processing (bottom up approach).

In addition, some projects are formulated in the form of a revolving system. Capital or agricultural inputs given to farmers as the capital are revolved to the other farmers. Example project used this system are (1) Development of Seed Potato breeder in Central Java (2) Farmers' Revenue Improvement through the Wheat Plant Development in East Nusa Tenggara and East Java, and (3) The Supportive Program for "One Million Beef Cattle Production in NTB fiscal year 20122.

Through this system at the end of the project period, the recipient farmers are able to produce potatoes and wheat seed that can be rolled out to other farmers. Especially for the last project, the profit from cattle fattening and the calves are given to the farmers who have not received assistance before. With this revolving system, the triple economic benefits can be directly felt by farmers.

4.3.3. The Policy Changes

Indonesia with a vast territory which divided into thousands of islands makes the aid in the form of agricultural machinery ineffective. The cost of loading at the port and the freight to the target areas to the responsibilities of Indonesia. It burdened the state budget and local government budgets as a grant recipient. Through indirect-use distribution scheme, all of the costs and distribution process of KCL. Some addition charges were need resulted from the mismatch of electricity power of agricultural machinery made in Japan. The availability of spare parts also became the obstacle for farmers to find.

The policy change by considering the usefulness of the grant makes SKR program in Indonesia run effectively. The change of aid scheme which was originally in the form of agricultural machinery, fertilizers and pesticides (direct-use distribution) to the grant in the form of KCL fertilizer (indirect-use distribution) that provides multiple benefits. An informant from Ministry of Agriculture (YT, male) said:

> *"Program SKR yang sekarang (indirect-use scheme) memberikan multi manfaat. Dengan skema revolving fund malah menjadi tiga keuntungan: pertama, kita dapat pupuk murah; kedua, dana penjualan pupuk dikumpulkan untuk membiayai proyek; dan yang ketiga, dana yang diberikan untuk petani digulirkan untuk petani lainnya."*

("The ongoing SKR Program (indirect-use scheme) provides multiple benefits. With a revolving fund scheme we can get three benefits: first, we get cheap fertilizer, secondly, the fund collected from fertilizer sale can be used to finance the project, and the third, the funds given to farmers rotated to other farmers.")

In contrary, Japan's grant assistance in the form of agriculture machinery can be run well in Moldova. Following the official request from the Government of Moldova, the Japanese Government began grant aid for increase of food production (2KR, currently Grant Assistance for Underprivileged Farmers) in 2000 to help the recovery of Moldova's stagnant agriculture and stabilize productivity. The grants from the Government of Japan were used for procurement of agricultural machinery and equipment that was consequently sold in installments to private farmers from Moldova with no interest, with a repayment period of 4 years.

The 2KR project stipulates the use of counterpart funds (accumulating and using the proceeds from the sale of the procured machinery and equipment) in order to ensure a more effective assistance outcome. This method has worked especially well in the Republic of Moldova. During the period of 10 years of operation, a cumulative total of 586 tractors and combine harvesters procured were sold within the country, and based on the proceeds of those sales, additional tractors were procured and sold. By repeating the process of procurement and sales, 3750 pieces of agricultural machinery, including tractors, combines, agricultural equipment and irrigation equipment, have been procured by 2010[12].

[12] http://www.jica.go.jp/topics/2010/pdf/20101221_01_02.pdf

According to the facts mentioned above, it is essential for both donor and recipient countries examine more deeply about the characteristics of the country, the target, the need, and other matters that influence the effectiveness of aid.

4.3.4. The Secretariat of National Team of SKR

The existence of a secretariat is s essential element that affects the effectiveness of the program SKR. The task of secretariat of National Team of SKR is very important to carry out the daily secretariat activities on the implementation of SKR program in Indonesia.

The scope of activities of secretariat of National Team of SKR related to the CF-SKR utilization are as follows:

a. Organizing the meetings (National Team, JIM, and JSCM);
b. Assisting the implementing agencies to set up the project proposals;
c. Coordinating the implementing agencies on the implementation of CF-SKR projects;
d. Coordinating the monitoring and evaluation of CF-SKR projects conducted by the National Team of SKR;
e. Hiring the third-parties to audits the CF-SKR projects;
f. Conducting the public announcements of CF-SKR program;
g. Preparing report on the implementation of CF-SKR projects in Indonesia; and doing other secretariat activities.

The presence of the secretariat of the National Team of SKR ensures the aid can be managed properly and effectively. This is consistent with Ariadi (2001) which states that the poor management of grant funds may

lead to grants received no benefits for the country. With this secretariat, the coordination among stakeholders can be facilitated and the whole step of, planning, implementation and monitoring of the program and project can be well implemented and not overlap with projects funded by state budget.

4.4. SKR Program as the Ideal Scheme

Japan's assistance through the SKR program really shows the good faith of foreign policy of Japan and eliminates the negative impression of the old Japan's assistant like Chinese is now used to sell its products. Japan is not KCL fertilizer producer. KCL fertilizer for aid procured through an international tender from Canada and Belarus by JICS.

The assistance schemes such as SKR program could serve as an example for Indonesia to distribute the foreign aid. YT (male) shared his opinion about this matter:

> *"Kalau kita melihat dari pengalaman sebelumnya, banuan Indonesia untuk negara lain dilakukan secara sporadic dan tidak terecord dengan baik. Masing-masing Kementerian memiliki program bantuannya sendiri-sendiri dan dikelola secara internal. "IndonesiaAid" harus segera terbentuk sama seperti JICA KOICA[13], AusAID[14], dan USAID[15]. Bappenas dan Kementerian Luar Negeri sebenarnya sudah mulai merintis pembentukan badan ini."*

[13] The Korea International Cooperation Agency (KOICA) was founded as a government agency on April 1, 1991, to maximize the effectiveness of Korea's grant aid programs for developing countries by implementing the government's grant aid and technical cooperation programs.

[14] The Australian Agency for International Development (AusAID) is the Australian Government agency responsible for managing Australia's overseas aid program. AusAID is an Executive Agency within the Foreign Affairs and Trade portfolio and reports to the Minister for Foreign Affairs.

[15] The United States Agency for International Development (USAID) is the United States federal government agency primarily responsible for administering civilian foreign aid. President John F. Kennedy created USAID in 1961 by executive order to implement development assistance programs in the areas authorized by the Congress in the

("From the previous experience, Indonesia's assistance to other countries was distributed in sporadic way and it was not recorded properly. Each ministry has its own assistance program and manages it internally. "IndonesiaAid must be established immediately as the same organization like JICA, KOICA, AusAID and USAID. Bappenas (National Planning Board Agency) and Ministry of Agriculture had already begun to initiate the formation of this body.")

MM (female) as the representative of Japan side added:

"Indonesia can apply this scheme if Indonesian side thinks that this is very useful. But the handling is not so very easy.*Some obstacles may be encountered by Indonesia when using the model of SKR assistance program such as the low and insignificant impact, the complex procurement process, the complicated evaluation procedures. Perhaps the best answer is not necessarily to replicate the whole scheme of this program."*

4.5. The Projects

Since the program SKR 2000 until SKR 2009, there are 57 projects funded by the CF-SKR as shown in table 8 below. The complete data of project list is presented in Annex 3.

Table 8. The Projects Funded by CF-SKR

No.	Year	The Number of Project	Budget Allocation (Rp)
1.	2004	4	4,786,317,275
2.	2005	5	4,639,597,000
3.	2006	6	6,706,304,800
4.	2007	1*	651,281,000
5.	2008	11	29,964,187,000
6.	2009	9	33,053,611,000
7.	2010	6	28.397.107.000
8.	2011	8	25.000.000.000
9.	2012	7	9.955.000.000
Total		57	79,801,298,075

*for SKR secretariat operational budget

Source: SKR Secretariat report (2012)

One project that will be discussed in depth is the project to increase farmers' income through the development of wheat crop development project covering 100 Ha in Tosari, Pasuruan District, East Java in 2011. The background of project is Indonesia's dependence of imported wheat that reaches 5.5 million tons per year. The budget prepared for this project is Rp. 439.908.000 in the form of Agricultural inputs (seed and fertilizer), agricultural machinery (paddy mower and box dryer), and strengthening the capital of farmers' group.

The objectives of the projects are (1) Creation of local food of non-flour-based food industry of rice in rural areas as a supporter and (2) The creation of domestic industries in rural areas with basic ingredients of wheat. The purpose of this project is match with the strategic plan of Ministry of Agriculture to increase farmers' income through improved cropping pattern and to support food diversification program. An informant in Tosari (YS, male) stated:

> *"Secara umum petani di Tosari hanya menanam kentang dan kubis sepanang tahun. Cara ini kurang baik karena pengolahan tanah yang berat untuk tanaman kentang bisa merusak konsistensi tanah dan mengakibatkan longsor. Pola tanam ini juga memutus siklus hama dan penyakit dari tanaman inang sebelumnya. Produktivitas tanaman kentang juga meningkat dari 12 ton per hektar menjadi 15 ton per hektar."*
>
> *("In general the farmers in Tosari only cultivate horticultural crops such as potato and cabbage all year round. This method certainly is not recommended, because the heavy tillage for potato plants cultivation that will ruin the soil consistency and ended in landslides. This cropping pattern also breaks the cycle of pests and diseases from the previous host plants. The potato plant productivity also increased from 12 tons per hectare to 15 per hectare.")*

The project involved 100 farmers belonging to three farmer's groups: Barokah Karya (50 persons), Tani Makmur I (25 persons), and Tani Makmur

II (25 persons). In 2012, as the continuation of previous projects, farmers in Tosari with their self-generated funds cultivate wheat plant with a total area of 66 hectares. About 60% of the harvested wheat in Tosari farmers is used as a source of national wheat seedling stock, while the rest is sold to the home industry and vegetarian restaurants in Bali.

This project ended in November 2011, closed with harvest ceremony by the Head of International Cooperation Ministry of Agriculture. The completion and the continuation of this project can be viewed in the following picture.



Source: www.antarajatim.com (2011)

Figure 11. The harvest ceremony as the completion of the project

As the continuation of this project, there is a new project in 2012 which covers an area of 15 hectares conducted by Agriculture and Food Crops Agency of Pasuruan Regency as seen on the following picture:



Source: private documentation at June 11, 2012

Figure 12.The continuation of SRK project

Many problems are still encountered in wheat crop development in Indonesia, such as: (1) The lack of farmers' knowledge about wheat crop (technology, cultivation, processing, and processed); (2) Market guarantee; (3) The limitation of the good seed quality, post harvest machinery and farmer's capital; and (4) The lack of macroeconomic policy support.

The efforts made by the Ministry of Agriculture such as (1) Dissemination, mentoring and coaching and training culture technology, as well as the promotion and demonstration of how to make cakes, breads etc.; that made from wheat; (2) Encourage local agriculture agency for seed production; (3) Acceleration multi-location trials the seeds produced by the Research and Development Agency and the National Atomic Energy Agency (BATAN), especially for low and medium latitudes; (4) Coordination with the

Directorate General of Agricultural Processing and Marketing Product; (5) Integrated development with livestock and bio-ethanol; and (6) Business partnerships with the food industry.

After the interview and direct observation in the field, it can be said that this project has been well implemented. All the stakeholders involved: Japan as a donor country, the National Team of SKR, Implementing Agencies (central, provincial and district level), and the farmers showed good faith to ensure that the project could be implemented in accordance with the principles of project effectiveness namely: relevance, effectiveness, efficiency, impact, and sustainability. YS (male) revealed his comment about this matter:

> *"Bantuan SKR adalah bantuan murni untuk petani dan sepertinya tidak ada tendensi adanya control dari pihak Jepang. Pihak JICA hanya dua kali meninjau yang terakhir ya saat panen itu saja."*
>
> *("The assistance through SKR program is purely the assistance for farmers and there is no perception about Japan's controls at the project. The representative of JICA just came to Tosari twice, and the last at the harvest ceremony.")*

YS added:

> *"Penyuluh hanya mengabdi, Mereka tidak mengharapkan keuntungan materi dari proyek ini. Semua dana langsung masuk ke rekening petani tanpa ada campur tangan pihak lain, bahkan penyuluh membantu petani dalam pengadministrasian laporan dan keuangan."*
>
> *("The extension workers only serve. They do not expect material benefit from this project. All funds go directly to the farmer's account without the intervention of others, moreover, they helps farmers in the administration of financial and reporting")*
>
> .

4.6. Analysis

4.6.1. Review of the Interview

The interview was started from the three big questions about implementation of SKR program so far, the factors that influence the effectiveness of this program, and the appropriateness of this program as the model/guidance for Indonesian aid distribution. Based on the interviews and direct observation, it can be assumed that both program and projects are already effectively implemented, although the Japan side is not entirely sure of this because they are not directly involved in the monitoring. In order to prevent a miss understanding, communication and coordination between the two sides should continue to be maintained and improved. The program which began in 1977, with 57 projects, has been providing a multiple benefits for agriculture development in Indonesia.

In accordance with the results of the interview from Japan and Indonesia side, finally I understand why a country that still has a lot of lacks willing to provide assistance to other countries. Even Japan which we regard as developed countries, still feel deprived. Foreign aid policy is a reflection of Japan's attention to the interests of humanity which some experts considered covered by political and economic interests. I believe that the Japanese grant assistance through the SKR is not just a merely political support. Farmers are always still in a weak position. SKR programs that have multiple benefits and the obvious target are the core of this aid effectiveness.

However, a big question arises resulted from the minor impact of this program. I agree that the big monumental impact is not a measure to assess the aid is effective or not. Policy changes (from the direct-indirect use-use scheme widened) and the multiple benefits for underprivileged farmers should be considered as the primary key of the success of the implementation of SKR program.

Regarding the appropriateness and the eligibility of the scheme of SKR program, I agree with the opinion both Indonesia and Japan side. I believe that SKR program can be used by Indonesia to distribute international aid; but the modification, improvement and adjustment with Indonesia's objectives and capability are the most important thing to be emphasized. Indonesia certainly should consider the benefits in terms of economics and politics from the aid, but humanity must remain the main reason.

4.6.2. SKR Program and Development Administration

One thing that needs to be explained at the beginning of this discussion is the result of interviews from various resource persons to clarify and refute negative outlook on foreign aid especially Japan's grant aid through the SKR program.

Some statements from previous studies are totally different from the reality, such as Bahri (2004) which stated that Japanese pragmatism is the operating principle, both at the diplomatic and strategic levels, rather than humanitarian considerations as Japan main motivational force in aid disbursement. In contrary, the underprivileged farmer as the main target of

the program indicates that humanitarian considerations are the main point of this Japanese grant. Furthermore, the result of this research shows that the grant in the form of KCL Fertilizer is procured through an international tender and it clarifies what Bahri stated about the closely link between the grant and the origin of the procured goods. Supporting this idea, Tjokroamidjojo (1988) stated that through the development administration approach the foreign aid is more relevant to cope the obstacles on development by using domestic sources.

According to my careful investigation, SKR financing scheme does not require any supporting funds that burdened the state budget. The all operational of secretariat and monitoring costs are funded by CF-SKR as said at the guideline of utilization of CF-SKR. This also argues the statement of Sugema and Chowhury (2007) which stated that foreign aid tends to increase of routine expenditure and not development expenditure. However it should be investigate more about the amount of monitoring budget compare to the amount of the main project budget.

Different from the scheme of SKR program, assistance from other countries tends to be implemented only for one period and do not have multiple benefits. The other donor countries do not reveal their commitment in a longer period and manage their aid with an extra attention both in terms of planning, implementation and evaluation.

In addition there is the impression that non-Japanese foreign aid did not want too much in touch with government agencies, particularly the central government in this case is the Ministry of Agriculture. Since the regional autonomy, donor countries through their institutions/ organizations

of foreign assistance, especially for the assistant that directly delivered to the farmers as the target. The coordination is made straight to the local governments without a clear work plan agreed by Ministry of Agriculture. SKR program is absolutely different, it involved all of regional and central governments gradually without a complicated bureaucratic procedures.

There is nothing wrong with the type of grant without long-term commitment. In accordance with the Government Regulation No. 10 Year 2011 on Procurement of Foreign Loans and Grants Acceptance Procedure, Government of Indonesia seeks the easier and simpler of grant acceptance mechanisms without a complicated bureaucratic process to prevent a disincentive for prospective grant. Therefore, in the process of receiving grants the government opened two types of alternatives, the grant with planning mechanisms and the grant without planning mechanism (direct grants). The direct grant means that the grants that do not have to follow the planning mechanisms but it still must be registered and administered. The table below presents the detail information about the form of assistance and the donor countries.

Table 9. Donor Countries and the Form of Assistance

No.	Country	Assistance
1.	Japan	Japan has approximately 50 years of providing assistance in the fields of industry, agriculture, education, human resource development and the economy are channeled through three ways: **a. Loan (Yen Loan).** JBIC loan projects in the agricultural sector 1995: Agricultural Development Project (¥ 4.894 million) 1996: Integrated Horticultural Development Upland Areas Project (¥ 10.359 million) 2001: Batang Hari Irrigation Project (¥ 8.988 million) **b. Grant (Grant Aid)** Years 2000-2009: ¥ 4,720,000,000 in the form of KCL fertilizer with the accumulation of CF SKR: Rp 165 billion in 2012 **c. Technical Assistance** Nine projects underway in the field of artificial insemination, AI, soy, dairy farms, food security, farm management and dairy technology. d. **Other** 2005: Official Development Assistance (ODA) (loan: ¥ 3.94 trillion, the grant: ¥ 241 billion, technical cooperation: ¥ 266 billion). 2007: Japan's Assistance through FAO (HPAI: U.S. $ 10,794,158, Tsunami: U.S. $: 583,000).
2.	South Korea	Cooperation began in 1990 through KOICA (Korea International Cooperation Agency) in the form of: assistance projects, Development Study, Training, expert and Volunteers. **a. Expert** 1990-1999: 5 experts through the Korea Overseas Volunteers (COV) 2001: Expert for the sectors of food crops, livestock and quarantine. **b. Assistance Project** 1997-1998: Agricultural Mechanization for Swampy Agricultural land (1 unit Tiller power, 3 unit Hyunday truck) 2005: expert and spare parts for a project to increase production of food crops in Tenjo. 2006: Avian influenza response (U.S. $ 500,000)
3.	Taiwan	Assist the development of agriculture since 1976. 2006: 6 expert (Central Java, Yogyakarta, East Java and West Java)
4.	Australia	2008: installing 55 restraining boxes , 59 boer goats, training and capacity building.
5.	Netherlands	Six activities in the framework of WGAFF include training, workshops, and study visit in the field of quarantine and horticulture.
6.	China	2003: Pilot project of research and production of hybrid rice seeds in NTB 2007: Response AI (RMB 20 million) 2009: Assist Indonesia in the form of technical cooperation development of hybrid rice (RMB 14 million).
7.	USA	1998: Section 416 (U.S. $ 8.775 million in the form of milk powder, U.S. $ 75 million in rice and wheat monetization 1998- 2002: PL 480 Title I soft loan USD 93.5 in the form of rice, soybeans and wheat 2008: USAID-AMARTA (33 training activities for farmers in 10 provinces plantation and horticulture)

Source: International Cooperation Center (2009)

Ministry of Foreign Affairs uses the agricultural sector as a means of diplomacy, especially to developing countries in Asia and Africa. Agriculture is a strategic sector that became the initial assessment of the cooperation between the two countries (bilateral). A wide range of agricultural training was held in Indonesia by inviting an apprentice farmer from countries in Asia and Africa. The form of Indonesia's assistance to partner countries is also manifested in the form of dispatching experts and the provision of agricultural machinery.

Unfortunately, the budget constraints are still the problem. Therefore, Ministry of Agriculture tried to find other funding sources. The activities in the form of apprenticeship training for farmers and dispatching experts are funded by Japan as the third country, while for the aid in the form of farm machinery equipment, Ministry of Agriculture cooperates with the private sector (agricultural machinery producers), especially those who wish to expand their product to overseas markets. Indonesia's aid to partner countries so far has been quite effective as a means of diplomacy and the promotion of Indonesian products. Some forms of Indonesian aid to partner countries Indonesia is presented in table 11 below:

Table 10. Indonesian Aid to Partner Countries

No.	Country	Training (Person)		Tool and Machinery (Unit)	Expert and Technician (Person)
		TCDC[16]	Bilateral		
1.	Gambia	17	6 apprentice farmers in 2008	• Establish ARFTC (*Agriculture Rural Farmers Training Centre*) in Jenoi for training the farmers in West Africa • 4 hand tractors, 400 hoes, 400 Sickle (2004) • 12 hand tractors (2007)	1 (agricultural machinery technician 2007).
2.	Madagascar	54	1 apprentice farmer in 2009	The Government of Indonesia planned to provide agricultural machinery assistant in 2009, but due to unstable political conditions such assistance was canceled.	• 6 (agricultural machinery 2003-2006) • 4 (animal husbandry, soil experts, agricultural mechanization, cultivation of rice in 2007) • 4 (experts in 2009)
3.	Tanzania		3 apprentice farmers in 2008	• Establish FARTC (Farmers Agriculture and Rural Training Centre) in Mkodo Monogoro (building & equipment) for the training of farmers in eastern Africa. • 2 hand tractor (1995) • 13 hand tractor, a diesel water pump (2007)	• 3 (expert, extension worker, and farmer in 1995) • 5 (mechanization technician, extension worker, and farmer in 1998) • 2 (expert and agricultural machinery technician in 2007)
4.	Fiji	18	5 apprentice farmers in 2007	10 hand tractors (2004)	• 4 (coconut experts and agricultural extensions 2003-2004) • 3 (paddy researcher, extension worker and farmers' in 2004)
5.	Vanuatu	-	-	5 hand tractors (2006) 2 hand tractors (2012)	2 (experts and technician on agricultural machinery in 2006)
6.	Tonga	8	-	13 hand tractors (2007)	1 (agricultural machinery technician in 2007)
7.	Samoa	19	-	12 hand tractors (2007)	1 (agricultural machinery technician in 2007).
8.	Laos	25	-	12 hand tractors (2008)	1 (agricultural machinery technician in 2008).
9.	Sudan	5	-	13 hand tractor, diesel water pump (2007)	2 (agricultural machinery technician in 2007).
10.	Timor Leste	-	-	13 hand tractors (2008)	1 (agricultural machinery technician in 2008).
11.	PNG	78	-	15 hand tractors and 15 Power Treshers (2009)	2 (rice expert and rice milling machine expert 2003-2007).
12.	Cambodia	27	2 apprentice farmers in 2009	15 hand tractors and 15 Power Treshers (2009)	1 (agricultural machinery technician in 2007).
13.	Myanmar	31	3 apprentice farmers in 2009	10 rice milling (2009)	1 (agricultural machinery technician in 2009).
14.	Senegal	-	6 apprentice farmer in 2009	-	
15.	Ethiopia*	-	10 apprentice farmer in 2006&2007	-	

Source: International Cooperation Center (2012)

[16] Training Program in the framework of TCDC (Technical Cooperation among Developing Countries) in 1980-1999

Indonesia's assistance to Tanzania in the form of Agricultural and Rural Farmers Training Centre (FARTC) in Dar Es Salam Tanzania showed significant results. It was reported that through this assistance, grain productivity increased from the previous 3.8 tons per hectare to 6 tons per hectare. In general, Indonesia's assistance to partner countries is not purely for the sake of humanity. Before deciding on the recipient country, the Ministry of Agriculture to consult with the Ministry of Foreign Affairs. Some assistance was decided to be canceled for political reasons. For example, aid to Vanuatu hand tractor which will all be awarded in 2009 was canceled due to support Vanuatu on independence of Papua. Along with the change in political climate, in 2012 Indonesia finally donated agricultural machinery for Vanuatu as the pledge of the President of Indonesia.

In the perspective of administration development, by its foreign aid policy, Japan has transferred a good managerial knowledge and administration procedures of foreign aid, in accordance with the Government Regulation No.10 Year 2011 on Procurement of Foreign Loans and Grants Acceptance Procedure. The role of International Cooperation Center and secretariat of National Team of SKR as the administrator is very important in ensuring the effectiveness of aid. Good coordination between the implementing agency (central, provincial, and district level) able to support the achievement of the four main targets of national agricultural development 2010-2014, namely: (1) Achieving sustainable self-sufficiency and self-sufficiency, (2) Increased diversification; (3) Increasing the value added, competitiveness and exports, and (4) increase the welfare of farmers.

4.6.3. The Effective Program Versus Its Minor Impact

A big question arises resulted from the minor impact of this program; and about this question, I agree that the big monumental impact is not the appropriate way to measure the effectiveness of SKR program. There are other things that could be taken into consideration.

In contrast to the focus of EU's aid on human rights, the rule of law, national reconciliation, as well as good governance (Irawan et al, 2004) or the focus China's aid on infrastructure development, education and health (Lancaster, 2007), as depicted in figure 2, the Japanese aid is more concern on the energy sector (55.42%) and transportation (19.87%). Agriculture and fisheries sector amounted to only 5.51% or equal to USD 203.22 million in 2003-2005 and amounted to USD 147.9 million in 2008-2009.

Beside the small amount of aid allocation for agriculture, I absolutely agree with Radelet (2006) statement that country size matters as well. Large countries, such as Bangladesh, Indonesia, Nigeria, and Pakistan receive relatively small amounts of aid on a per capita basis, even though Hundreds of millions of people live in poverty in these countries. By contrast, some small countries receive very large amounts.

The step to pause the projects funded by the CF-SKR in 2013 is a right decision in order to reformulate the program. The decision to focus on only in two provinces 2014 with a focus on capacity building projects and focus on only two provinces in order to obtain a significant impact as expected. This decision is a big step compared with the implementation of previous projects that reach 4 to 11 projects per year at many different locations.

Finding a solution by bringing together every element of stakeholders is necessary to receive a positive input for the program improvement. During this program since 1977 SKR involved only two Ministries, namely Ministry of Agriculture and Ministry of Cooperatives and SMEs in the utilization of CF-SKR, integrated coordination between the four Line Ministries, namely Ministry of Agriculture, State Ministry of Cooperative and SMEs, Ministry of Manpower and Transmigration, and Ministry of Public Work needs to be done immediately in order to integrated outcome and significant impact.

4.6.4. SKR Program, Human Security, and Development

According to World Bank database on July 2011, Indonesia is placed on top 20 of the biggest Gross National Income country in 2010. It gives a contrast picture compare with the low level of welfare of Indonesia's population which is seen from the Human Development Index indicator issued by UNDP in 2011. Indonesia's position is on 124 of 187 countries. This position is lower than some African countries like Gabon, Botswana and South Africa. The index is considered more sensitive to catch the welfare condition of the population of a country compared to the GDP. This is because the index is not only present the income level of residents, but also aspects of health and their access to education.

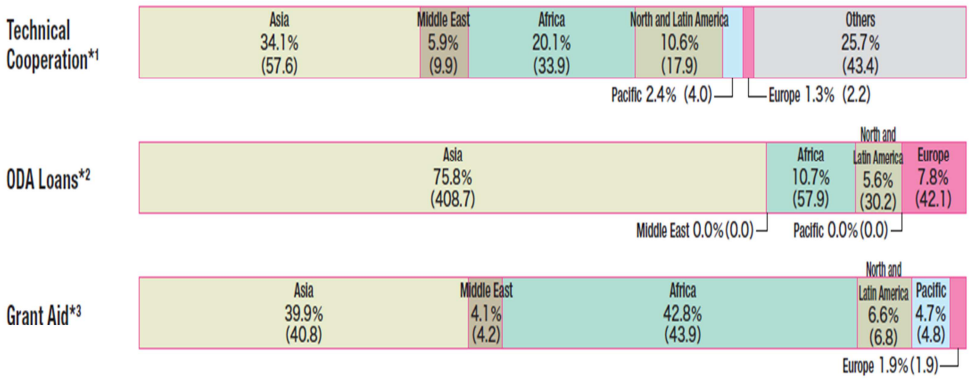
Table 11. The list of G-20 Member Countries

Ranking	Economy	(Millions of US dollars)
1.	United States	14,600,828
2.	China	5,700,018
3.	Japan	5,369,116
4.	Germany	3,537,180
5.	France	2,749,821
6.	United Kingdom	2,399,292
7.	Italy	2,125,845
8.	Brazil	1,830,392
9.	India	1,566,636
10.	Spain	1,462,894
11.	Canada	1,415,436
12.	Russian Federation	1,404,179
13.	Mexico	1,012,316
14.	Australia	956,912
15.	Korea, Rep.	972,299
16.	Netherlands	826,491
17.	Turkey	719,404
18.	Indonesia	599,148
19.	Switzerland	548,012
20.	Belgium	493,526

Source: http://siteresources.worldbank.org (2011)

The fact above proves that even though Indonesia entered into a member of the G-20, the group of countries which have the world's largest GDP, but the level of welfare of its people is still very low. Indonesia's membership in the G20 cannot be directly related to Indonesia's appropriateness to receive the assistance. The progress of Indonesia's economy is different from the condition economy at farm level. The farmers' condition in Indonesia is still in the weak position and need to be supported.

According the figure 13 below, it is clearly seen that Japan's assistance in the form of grants mainly directed to countries in Africa (39.9%), while for countries in Asia, focused on assistance in the form of technical cooperation (34.1%) and loan (75.8%). From Japan side, Indonesia is no longer a major target in comparison with other countries in Asia such as Myanmar and other countries in Africa. Japan's foreign aid policy has undergone many changes over time. Economic indicators into consideration Japan for further implementation of the grant.



Source: http://www.jica.go.jp (2011)

Figure 13. Japan's ODA distribution by region (¥ billion)

If we review the declining trend Japan's aid (as presented at table 5), Indonesia should be ready to escape from the dependence on the grant. Indonesia is no longer the major target compare with other countries in Asia and other countries in Africa region. Japan's foreign aid policy has changed over time linier with the progress of economic condition in recipient countries. Economic indicator is the consideration for further implementation of the grant. Economic indicators are the crucial factor to be considered for further grant implementation. According to the consideration of Japan side, the assistance to Indonesia will no longer in the form of grants, but it will be directed in the form of loans, but the implementation of these changes has not been determined yet.

In response to the downward trend in ODA over the years, the Japanese Foreign Ministry has made renewal of the strategy of the present ODA policy, by placing more priority to the aspects of human security, poverty alleviation, sustainable development and peace building. The limited

amount of aid must be addressed with more focus on the targeted assistance.

In accordance with a plan of assistance for Indonesia, established in November 2004, the Japanese government has established three main pillars:

1. The assistance to achieve "sustainable growth by the private sector". Development of economic infrastructure in order to reform the investment climate, promotion of supporting industries and small and medium enterprises, improvement of economic policies and reforms in the monetary sector.
2. The assistance to "achieve a just and democratic society". Poverty reduction (job creation through rural development and farmers and fishermen, increase income and welfare, improved education, health and public facilities), governance reforms (reform of law enforcement, police, local autonomy, etc.).
3. The assistance of "security and peace". Peace-building, rehabilitation and reconstruction assistance, the security guard[17].

Still by Japan's assistance, Indonesia can use the shift of Japan's foreign aid policy as an initial effort to encourage international agricultural cooperation with other countries. There are 44 documents of cooperation (Memorandum of Understanding, Letters of Intent, Protocol of Intent, Agreement, and Work Plan) recorded since the year 1992-2009, but only 14 documents cooperation are actively implemented and the rest cannot be implemented partly because of funding constraints. This is the challenge

[17] Source: Ministry of Foreign Affairs of Indonesia (www.deplu.go.id)

both for Indonesia and Japan to expand cooperation through international forums such as the UN, WTO. APEC and ASEAN +3. Cooperation will no longer bilateral but became more widely into trilateral cooperation.

SKR program have a clear target of "The Grant Assistance for Underprivileged Farmers". Through the SKR program, Japan believes that underprivileged farmers are the most vulnerable targets and should be protected from various threats. This is consistent with the concept of human security. In this case Japan to ensure that support is not for the country but for the farmer as an individual (human).

To support this idea, according to (Prasetyono, 2003), the United Nations Development Program (UNDP), in 1994, explained the concept of human security which includes: economic security, food security, health security, environmental security, personal security, community security and political security. UNDP defines human security as the fist, safety from such chronic threats such as hunger, disease, and repression; and second protection from sudden and hurtful disruptions in the patterns of daily life whether in homes, in jobs or in communities. In general, human security includes "freedom from fear and freedom from want". Hussein *et al*. (2004) added that the Japanese outlook on human security is very similar to the UNDP. About this matter, I am in the same position to support security should not focus exclusively on states, territory and military. Individuals should be the focus of security concerns.

Human security is closely linked to the development of human capabilities in the face of change and uncertainty. This basic idea of human security in line with what Sen (2000) said about the development as

freedom. He stated that the enhancement of human/individual freedom is both the main object and the primary means of development. Capability improvement is the basic and philosophical idea of development. As Sen said, the farmer as individual must be aware about their right to get their political freedoms in the form of free speech and elections; social opportunities in the form of education and health facilities; and economic facilities in the form of opportunities for participation in trade and production. The lack of awareness of small farmers in Indonesia about this matter resulted in low of their bargaining position.

In line with The sectors and types of activities funded by the CF-SKR such us: economic development for agriculture, forestry, and fisheries sector; increased food production, improved living standards and welfare of small farmers; poverty alleviation; and the fulfillment of basic human needs are placed the human security in top priority. To sum up, through SKR program, it is expected that small scale farmers can improve their knowledge, independence, institution, and their welfare to help themselves effectively, shape their own destiny, and can help each other.

CHAPTER V

CONCLUSIONS AND SUGGESTIONS

4.7. Conclusions

From the results of the discussion and analysis undertaken in this study, it can be concluded:

1. Japan's grant aid through SKR Program started in Indonesia since 1977 generally has been performing well. The provision has been well managed and administered by the National Team of SKR consisting of various stakeholders from the central, provincial and district levels.
2. Technical and economic benefit (both in terms of program and projects), policy changes, and the existence of secretariat of National Team of SKR are considered as the elements that influence the effectiveness of SKR program.
3. Based on the appropriateness and the eligibility of SKR program, Indonesia can use the model of SKR program for Indonesia’s aid disbursement and reduce the weakness of this scheme by modifying, improving, and adjusting the program with Indonesia’s objective and capability.
4. Although the majority of international aid, recognized or not, more to political than humanitarian concern, SKR program is considered as one of many the foreign aids that placed human capability improvement in top priority and it will be the appropriate way to measure the agricultural development.

4.8. Suggestions

There are several suggestions for foreign aid disbursement that could be derived from this research, namely:

1. The change of focus of Japan's assistance policy does not make Indonesia lost its role in building the agricultural sector. Indonesia could be a Japanese partner to provide agricultural assistance for African farmers and other regions. Bilateral cooperation between Indonesia and Japan could be expanded within the framework of South-South Cooperation. Indonesia may propose to the Japanese to be awarded a grant in the form of KCL fertilizer and the collected CF-SKR can be used to finance the training program. The Ministry of Agriculture has many training centers and trainers who are ready to support the implementation of this program.
2. Ministry of Agriculture as the head of the National Team of SKR should expand immediately the socialization of utilization of CF-SKR to the related Ministry, namely State Ministry of Cooperative and Small Medium Enterprise, Ministry of Manpower and Transmigration, Ministry of Public Work in order to obtain a significant impact of the program.
3. The minor impact of SKR program can be solved by the integration of the projects funded by state budget with projects funded by CF-SKR. Each projects can complement each other without a result of project overlapping. This is could be a breakthrough boost a significant impact on agricultural development in Indonesia

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Annex 1. Number and Percentage of Poor in Indonesia by Region (Urban and Rural) 2004-2010

Year	The Number of Poor People (Million)			The Percentage of Poor People		
	Urban	Rural	Urban+Rural	Urban	Rural	Urban+Rural
2004	11,40	24,80	36,10	12,13	20,11	16,66
2005	12,40	22,70	35,10	11,68	19,98	15,97
2006	14,49	24,81	39,30	13,47	21,81	17,75
2007	13,56	23,61	37,17	12,52	20,37	16,58
2008	12,77	22,19	34,96	11,65	18,93	15,42
2009	11,91	20,62	32,53	10,72	17,35	14,15
2010	11,10	19,93	31,02	9,87	16,56	13,33

Source: BPS (2011)

Annex 2. Position of Capital Loan Banks by Economic Sector 2009-2010 (Billion Rupiah)

End of Period	Agriculture	Mining	Industry	Trade	Services	Others	Total
2009	37,639	26,175	188,101	257,505	188,996	2,748	701,164
October	36,326	19,537	182,863	241,163	188,300	2,811	671,000
November	37,520	20,555	185,360	245,586	186,740	2,804	678,565
December	37,639	26,175	188,101	257,505	188,996	2,748	701,164
2010							
January	26,078	24,702	179,627	190,660	175,340	34,072	630,480
February	26,905	23,888	181,842	194,089	173,493	33,550	633,767
March	31,841	26,857	184,674	221,659	180,551	37,598	683,180
April	32,203	27,800	185,344	223,933	185,997	37,248	692,525
May	32,946	30,730	196,322	228,505	195,359	37,309	721,171
June	35,005	32,746	198,494	240,470	207,260	39,592	753,567
July	36,092	31,857	196,471	261,801	199,825	30,277	756,323
August	40,188	34,132	201,715	268,594	216,733	49,846	811,207
September	39,455	34,919	203,466	270,689	221,224	47,254	817,007
October	38,884	33,616	201,160	268,594	225,513	51,876	819,642
November	39,468	38,349	208,343	274,413	234,519	56,999	852,091

Source : Bank Indonesia in BPS (2010)

ANNEX 3

THE LIST OF PROJECT/ACTIVITY FUNDED BY CF-SKR
FY 2004 - 2012

F.Y. 2004	Project Title	Budget Allocation (Rp)	Implementing Agencies	Activities
1.	Avian Influenza (AI) Campaign.	944,867,275	D. G. of Livestock	Procurement of campaign goods (leaflets, banners, radio news, etc.).
2.	The Acceleration of Balanced Fertilization Implementation in order to Increase Rice Productivity and Rice Quality.	1,700,000,000	D. G. of Agricultural Facilities.	The provision of agricultural production means through partnerships pattern (seed, fertilizer, pesticide, and training).
3.	Lebak Land Development (South Kalimantan).	1,469,000,000	D. G. of Food Crops.	The provision of agricultural production means (fertilizer, seed, pesticide, and water pump).
4.	SKR Nasional Team secretariat.	672,450,000	International Cooperation Center.	Operational Activities of the SKR National Team (monitoring, evaluation, coordination meetings, publications, reporting).
TOTAL		**4,786,317,275**		

F.Y. 2005	Project Title	Budget Allocation (Rp)	Implementing Agencies	Activities
1.	Lebak Land Development (South Sumatera).	1,035,500,000	D. G. of Food Crops.	The provision of agricultural production means (fertilizer, seed, pesticide, and water pump).
2.	The strengthening of microfinance institutions.	861,000,000	Canter for Agricultural Financing.	The establishment of Microfinance Institutions model in three provinces (NTB, West Java and East Java).
3.	Paddy System Bank in Rice Processing Unit of Village Unit Cooperatives (KUD).	1,135,000,000	State Minister of Cooperatives and SMEs.	Strengthening the capital of KUD to bail out the purchase of paddy.

4.	Emergency Aid for Tsunami Victims. (NAD)	1,000,000,000	D. G. of Food Crops.	Procurement of 4000 package basic needs (sembako) in five districts to help the affected areas.
5.	SKR Nasional Team secretariat	672,450,000	International Cooperation Center.	Operational Activities of the SKR National Team (monitoring, evaluation, coordination meetings, publications, reporting).
TOTAL		**4,639,597,000**		

F.Y. 2006	**Project Title**	**Budget Allocation (Rp)**	**Implementing Agencies**	**Activities**
1.	Strengthening the Self-supporting Rural Farmer Training Centre (P4S).	1,253,913,000	Agency for Agricultural Human Resources Development.	Procurement of training facilities in eight locations (Banten, Central Java, South Sulawesi, North Sulawesi, and NTT).
2.	Procurement of Rapid Diagnostic Tool for Avian Influenza.	1,600,000,000	D. G. of Livestock.	Procurement of 20,000 pieces rapid diagnostic tool for the avian influenza affected area.
3.	Development of Seed Potato breeder (Central Java).	962,874,800	D. G. of Horticulture.	Provision of seeds, fertilizer, greenhouse, training, and transportation/vehicles.
4.	Management Systems Improvement by "ROFI" Revolving Pattern through the Optimization of Agricultural Machinery Equipment.	978,545,000	Agricultural Financing Center.	Strengthening of capital, hand tractor and Thresher procurement in eight villages. (Southeast Sulawesi)
5.	The Utilization of Organic Matter and Microbes for Soil Improvement.	1,296,832,000	D. G. of Land and Water Management.	Preparation of microbial starter for the acceleration process of organic fertilizer on demonstration plot (West Java and Central Java).
6.	SKR Nasional Team secretariat.	614,140,000	International Cooperation Center.	Operational Activities of the SKR National Team (monitoring, evaluation, coordination meetings, publications, reporting)
TOTAL		**6,706,304,800**		

F.Y. 2007	Project Title	Budget Allocation (Rp)	Implementing Agencies	Activities
1	SKR Nasional Team secretariat .	651,281,000	International Cooperation Center.	Operational Activities of the SKR National Team (monitoring, evaluation, coordination meetings, publications, reporting).
TOTAL		**651,281,000**		

F.Y. 2008	Project Title	Budget Allocation (Rp)	Implementing Agencies	Activities
1.	Farmers Earthquake Disaster Victim Recovery Program (Yogyakarta and Central Java).	4,351,938,000	Agency for Agricultural Human Resource Management.	Capital strengthening of farmer groups for agricultural businesses.
2.	Farmers Income Improvement through integrated approach in the new fields area (Merauke).	2,455,180,000	D. G. of Land and Water Management.	The procurement of Agricultural Inputs (hand tractors, fertilizer, rice seeds, cattle seedlings, and training).
3.	Development of Seed Shallots Local Varieties (Donggala, Central Sulawesi).	1,629,905,000	D. G. of Horticulture.	The provision of seeds, equipment, warehouses, training, transport vehicles / pick-up.
4.	The Improvement of Small Scale Farmers' Revenue Through Horticulture, Food Crops, and Livestock Integrated Development (North Sumatra, West Java and Central Java in six locations).	3,382,648,000	D. G. of Horticulture.	Provision agricultural inputs (seeds, fertilizers, pesticides, warehouse, training, transport vehicles).
5.	Development of Food Crop Production Through Integrated Resource Management Application.	3,751,772,000	D. G. of Food Crops.	Increased production of food crops "of corn, soybean and rice" (NAD, West Kalimantan and West Java).
6.	The Improvement of Dry Land Soybean Production.	3,206,462,000	D. G. of Food Crops.	Provision of seeds, fertilizers, pesticides, agricultural lime, training (West Sumatra, Jambi, Banten, West Nusa Tenggara and South Sulawesi).

7.	Preliminary Study of Rice Processing Efficiency Improvement and Farmer's Income through the Rice Processing Complex.	379,775,000	D. G. Processing and Marketing of Agricultural Products.	Feasibility study for the construction of Rice Processing Complex, (Maluku and Papua).
8.	Revenue Improvement of Sweet Potato and Mango Farmers through Processing and Marketing.	1,033,636,000	D. G. Processing and Marketing of Agricultural Products.	The provision of processing machine, training and capital (West Java and East Java location).
9.	Small Scale Dairy Industry Development (Bengkulu).	2,940,600,000	D. G. of Livestock.	Cow seedling, cowshed, training and other facilities procurement.
10.	Farmers Income Improvement through Cattle Fattening Development (NTB)	2,960,438,000	D. G. of Livestock.	Cow seedling, cowshed, training and other facilities procurement
11.	SKR National Team Secretariat.	414,727,000	International Cooperation Center.	Operational Activities of the SKR National Team (monitoring, evaluation, coordination meetings, publications, reporting).
TOTAL		**29,964,187,000**		

T.A 2009	**Kegiatan/Judul Proyek**	**Alokasi Anggaran (Rp)**	**Instansi Pelaksana**	**Kegiatan**
1.	Development of Dry Terrain Shallot Seed Cultivator (Central Sulawesi Tengah, NTB and East Java).	5,501,334,000	D. G. of Horticulture.	Provision of seeds, fertilizers, pesticides, equipment, screen house, training transport vehicle / pick-up.
2.	Farmers Income Improvement through Temulawak (*Curcuma xanthorrhiza*) Seed Breeding (Central Java, East Java, Bengkulu, South Kalimantan, Sulawesi Tenggara, NTT).	2,766,733,000	D. G. of Horticulture	Provision of seeds, fertilizers, pesticides, equipment, vehicles, and training.

3.	Improvement of Irrigation Facilities on Farm Level / (Tertiary Level) (Jambi, West Sumatra and NTT)	4,484,240,000	D. G. of Land and Water Management	Tertiary irrigation infrastructure improvement, agricultural machinery, and strengthening group management through training.
4.	Improvement of Farmer's Income through Establishment of Integrated Upland Rice Livestock Production System (Buru Island, Maluku).	2,783,925,000	D. G. of Land and Water Management.	The provision of rice seed, agricultural machinery, cattle, and training.
5.	The Strengthening of Self-support Agricultural Rural Training Centre (P4S) (West Kalimantan, South Kalimantan, Central Sulawesi, West Sulawesi, Gorontalo, Papua, West Papua, Maluku and East Nusa Tenggara).	5,201,037,000	Agency for Agricultural Human Resource Management	Strengthening of training facilities, strengthening the group's capital, P4S management training, and training of trainers. .
6.	Recovery and Empowerment Program for Earthquake Victim Farmer Groups (West Sumatra, Jambi and Bengkulu).	5,526,026,000	Agency for Agricultural Human Resource Development	Provision of seeds, fertilizer, equipment, training through the strengthening of the farmers' group capital.
7.	Improvement of Groundnut Production in Dry Terrain Area (West Java, North Sumatra, South Sulawesi, North Sulawesi and NTT).	5,189,699,000	D. G. of Food Crops	Provision of seeds, fertilizers, agricultural lime, equipment and training
8.	Research and Development on Vegetables Organic Farming System and Enhancing Horticulture Farmer's Self-Reliance (South Sulawesi).	587,437,000	Agency for Research and Development.	Provision of seeds, organic fertilizer, green house, training, and guidance of the farmer groups.
9.	SKR National Team Secretariat.	1,013,140,000	International Cooperation Center.	Operational Activities of the SKR National Team (monitoring, evaluation, coordination meetings, publications, reporting)
TOTAL		**33,053,611,000**		

F.Y. 2010	Project Title	Budget Allocation (Rp)	Implementing Agencies	Activities
1.	Increased Production of Quality Seeds and Fruits Vegetables Through the growth / strengthening of Seed Breeders Group (North Sulawesi province, NTB, Central Java, East Nusa Tenggara, West Kalimantan, Mamuju and West Java)	16,957,293,000	D. G. of Horticulture	Training, equipment, motor tricycle, hand tractor, a basket of seeds, agricultural inputs (seed sources, pesticides, fertilizers), denfarm and warehouses
2.	Improving the Quality of Agricultural Land Through SRI Method of Organic Fertilizer Development (West Kalimantan, Jambi, Central Java and NTB)	2,693,544,000	D. G. of Agricultural Infrastructures and Facilities	Building compost, cow seeds, rice seeds, compost processing tool, R-3 Conveyances and training
3.	The Agricultural Irrigation Infrastructure Rehabilitation of for Earthquake Victims in Jambi and West Sumatra Province.	5.864.210.000	D. G. of Agricultural Infrastructures and Facilities	Rehabilitation of agricultural irrigation, construction of farm road, agricultural machinery (Rice Milling Unit) and training.
4.	Evaluation of Proposed Development Seed Processing Unit (UPB) in the District. Jaya Piddie NAD).	94.299.000	D. G. of Food Crops	Construction and installation of machinery, building construction, and capital assistance to farmers
5.	Coffee Farmers' Welfare Improvement through Packaging Development in Tana Toraja District, South Sulawesi Province)	1.738.359.000	State Ministry of Cooperative and SMEs	Training, market access, agricultural machinery (coffee production machinery, packaging) and Strengthening of capital.
6.	SKR National Team Secretariat	1.049.402.000	International Cooperation Center	Operational Activities of the SKR National Team (monitoring, evaluation, coordination meetings, publications, reporting)
TOTAL		**28.397.107.000**		

F.Y. 2011	Project Title	Budget Allocation (Rp)	Implementing Agencies	Activities
1.	Farmers Income Improvement Through the Horticulture Sustainable Development (NTT Province, Southeast Sulawesi, Central Kalimantan and South Kalimantan).	3.000.000.000	D. G. of Horticulture.	Location Identification, Guidance and Development, Operational Guidelines, Technical Coordination, Dissemination of human resources improvement, social assistance (production facilities, equipment), Monitoring and Evaluation and Final Report Preparation and Copying. .
2.	Farmers Income Improvement through Mixed Plant Pattern and Livestock Integration in Rubber Plantation in Musi Rawas, South Sumatera Province.	2.648.000.000	D. G. Food Crops.	The development of hybrid maize intercropping in unproductive young rubber plantations of 500 ha (effective: 300 ha), with the provision of: seeds, fertilizers, herbicides, pesticides, hands prayer, seven cattle/group, cowshed, and forage.
3.	The Empowerment of Self-Supporting for Agricultural and Rural Training Center (P4S).	3.015.680.000	Agency for Agricultural Human Resource Development	Strengthening of training facilities, strengthening the group's capital, P4S management training, and training of trainers.
4.	Farmers' Revenue Improvement through the Wheat Plant Development in East Nusa Tenggara and East Java.	1.999.457.495	D. G. of Food Crops	Socialization and Coordination, Social assistance (agricultural inputs, strengthening the group's capital, equipment), Development and Evaluation
5.	The Imporvement of Cassava and Sweet Potato Tuber Production through Integrated Crop Management Field School (SL-PTT) in NTB and Papua Province.	3.600.000.000	D. G. of Food Crops	Socialization and Coordination, Social assistance (agricultural inputs, strengthening the group's capital, equipment), Development and Evaluation.
6.	Dairy Farm Business Development Utilizing Local Resources and Integrated Waste Management in Sinjai District. South Sulawesi Province.	3.843.240.000	D. G. of Livestock	Socialization, coordination, preparation of technical guidelines, Workshop, social assistance (cattle procurement, organic fertilizer processing equipment), and Development and evaluation.
7.	The Supportive Program for "One Million Beef Cattle Production in NTB.	5.570.000.000	D. G. of Livestock	Formulation of operational guidelines and activities coordination, assistance of agro input package for beef

				cattle farming, equipment UPTD Facilitation, Procurement of Cow seedlings in UPTD Banyumulek, Facilitation and UPTD building improvement and evaluation.
8.	SKR National Team Secretariat.	1,323.622.505	International Cooperation Center	Operational Activities of the SKR National Team (monitoring, evaluation, coordination meetings, publications, reporting).
TOTAL		**25.000.000.000**		

F.Y. 2012	**Project Title**	**Budget Allocation (Rp)**	**Implementing Agencies**	**Activities**
1.	Living standard improvement through Farming Conservation Systems Implementation, Mixed Plantation and Livestock Integration system in the Community's Coffee Plantation.	1.199.000.000	D. G. of Livestock.	-
2.	Rice Seed-Growers Empowerment through Institutions Strengthening in Pidie Jaya District, NAD.	3.388.300.000	D. G. of Food Crops.	-
3.	Goat Agribusiness Development through Etawa Goat Breeding as Milk Producer in Lumajang District East Java Province.	1.109.943.000	D. G. of Livestock.	-
4.	Salak plant, Vegetables and Chrysanthemum recovery after the Eruption of Mount Merapi Disaster.	1.215.000.000	D. G. of Livestock.	-
5.	Infrastructure and Irrigation Facilities Rehabilitation for the Victims of Mount Merapi Eruption in Yogyakarta Province	1.305.000.000	D. G. of Agricultural Infrastructures and Facilitations.	-

6.	The Farmers Group Recovery Program and Victim Empowerment of the Mount Merapi Eruption Victims in Central Java and Yogyakarta.	605.000.000	D. G. of Agricultural Human Resource Development.	-
7.	SKR National Team Secretariat	1,132.757.000	International Cooperation Center.	Operational Activities of the SKR National Team (monitoring, evaluation, coordination meetings, publications, reporting).
TOTAL		**9.955.000.000**		