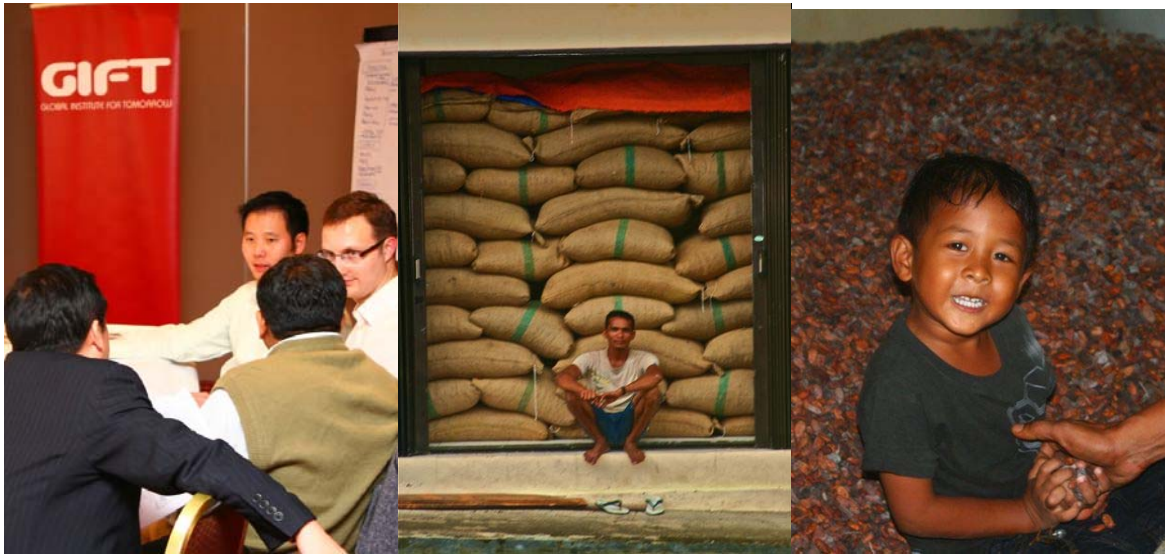




Global Young Leaders Programme
Aceh, Indonesia
30 Nov – 12 Dec, 2009

UNDP Indonesia facilitates the creation of a new business model for the Aceh cocoa sector on the 13th Global Young Leaders Programme (YLP)



The Indonesian province of Aceh celebrated an infamous five-year anniversary last month following the destructive tsunami of December 2004. With the significant amount of international donor money injected into Aceh over this period, many are asking, what has changed? Has the province and its people recovered? In many ways they have.

The **United Nations Development Programme (UNDP)** in Indonesia recently supported a groundbreaking and ambitious approach to economic development for the people of Aceh, working in collaboration with the **Global Institute for Tomorrow (GIFT)**, a social venture think tank based in Hong Kong and the local government initiative **Aceh Partnerships for Economic Development (APED)**. For eight days in early December, 18 talented young managers from a variety of different cultures and backgrounds came together to create new business models to develop the cocoa sector with a view to raising livelihoods for local producers.

As the group of young executives on the **13th Global Young Leaders Programme (YLP)** found out, there is still a long ways to go in creating a self-sustaining economy that will ensure ongoing peace and prosperity for the region. The business model proposed by the group not only challenges convention, it requires both the development agencies and the private sector to come together as partners thereby helping redefine the role of business in developing societies and what can be achieved through new models of social enterprise.

The YLP leverages an intensive immersion learning experience onsite through which high potential participants create an output in the form of a business model or strategic plan that can be taken forward and implemented by the partner – in this case UNDP and APED. In Aceh, the skill sets and

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experiences of participants provided a dynamic tool kit which was applied to the challenge of crafting an innovative and robust plan that was still accessible for local partners in Aceh.

Three participants from Bank Simpanan Nasional, Malaysia's largest savings bank – Norshahzan Bin Halin, Noor Azmi bin Ibrahim and Emilia Rahman – used their knowledge of Bahasa Malay to communicate with local farmers, processors and government officials as well as to translate and present the final plan. A participant from the United States, Anna Young, who has been working for an NGO, Salud del Sol, developing and distributing solar dryers in Nicaragua, brought her experience in appropriate technology to bear on the production and operations section of the plan. Similarly, Marcella Cheung, with a background in Management Consulting, raised the group's presentation to a level which can be taken to potential investors and partners around the world.



Hady Syarief of APED and Noor Azmi bin Ibrahim, Bank Simpanan Nasional, one of the YLP participants at a meeting with representatives from the Aceh Department of Agriculture and Department of Trade and Investment. *Photo: GIFT*

After nearly thirty years of separatist conflict a peaceful Aceh is now open for business. Bolstered by the robust production from Sulawesi, Indonesia is the world's third largest cocoa producing country. Yet by all accounts the province of Aceh is falling far short of its potential in contributing to the country's output and has developed a reputation among buyers as having low and inconsistent quality and an uncoordinated and inefficient supply chain.

In the global cocoa market the last two years of 2008-2009 demand has far outstripped supply. As the middle class swells in China and elsewhere, the consumption of chocolate is increasing, even while key supply regions such as Ghana and Ivory Coast remain volatile. All of these factors create a significant opportunity for the underperforming cocoa sector in Aceh, which participants on the YLP carefully considered in drawing up the business plan.

A key part of the process for the young leaders on the programme was evaluating the current roles of various players in the cocoa value chain and then proposing a new business model for them to come

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together as partners. Small-holder cocoa farmers, local cooperatives, international exporters and traders from the private sector, provincial and district level government officials and NGO's providing technical assistance were just a few of the local stakeholders with whom they met.



(Right) Hady Syarief of APED explains the cocoa drying process to YLP participants
Photo: GIFT

Two executives from Olam, a regional commodities trading firm, joined the group for a day and shared ideas on how their company makes purchasing decisions on both coffee and cocoa and gave participants valuable commercial insight for their plan. Participants

learned about specific constraints facing the farmers and what could be done to make their product more attractive to buyers. One of their key takeaways was that traders who supply large multinational chocolate manufacturers like Cadburys require not only good quality but consistency in supply to meet customer requirements over time.

Therefore, the group determined that in the plan it was necessary to centralize basic processing operations such as fermenting, drying and sorting, removing such activities from the unmonitored and highly variable methods used by individual farmers. With additional technical assistance, farmers could then focus on tending their trees, growing higher quality cocoa pods which would yield more beans and collecting them efficiently throughout the year.

(Left) Chandran Nair, Eric Stryson and Waty Lilaonitkul of GIFT, discuss cocoa collection in Pidie with local trader Hamzah Abdullah *Photo: GIFT*



After a week onsite, participants finalized their proposal which included creating a unique company

governance structure with a focus on added benefits to local producers. The plan includes the establishment of a series of collection and processing plants in key areas in Aceh of dense cocoa production as well as a warehouse strategically positioned near the recently opened port for international export. A much appreciated brand and logo was also developed in this creative process.



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In the short term the plan does not address 'Fair Trade' or Organic certifications, but rather uses market mechanisms and price signals to incentivize farmers to produce more and better cocoa.



(Above) Alami Kado, company logo created by YLP participants, among them Becky Yang, Wang Xiaojuan, Emilia Rahman and Cindy Rafanelli (Photo right, L-R) based on field work with the people of Aceh including local cocoa trader, Hamzah Abdullah and Pidie cocoa farmers featured.
Photo: GIFT

At conclusion of the programme GIFT & APED hosted a Cocoa Conference in Medan, the commodities hub of north Sumatra, to begin discussion and take forward implementation of the plan. Companies that attended the event included Cadburys, Olam, Armajaro, Delfi Cocoa, and others. There was also strong participation from local government as well as development agencies such as GTZ, UNDP, IFC, and many others. During the event it became clear that having all of the players in the same room with relevant issues and ideas on the screen was a potent way to align interests and move towards a winning solution for everyone involved.

During the discussion GIFT CEO Chandran Nair said, "Although it is quite fashionable to talk about organic and fair trade in commodities such as cocoa, the reality in many parts of the world, similar to what we have seen in Aceh, is that farmers first and foremost need to be encouraged to improve their product. They need simple tools and price incentives to improve productivity and quality and thereby raise their income levels and the livelihoods of their communities. Other benefits will follow from this."

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GIFT and APED jointly host a conference on the Aceh cocoa sector in Medan to present the business model proposed by YLP participants. *Photo: GIFT*

For the future of Aceh, this approach holds real promise for leveraging the province's rich natural resources and returning tangible benefits to its people. In other developing regions the model which was created on the Aceh YLP can be a starting point for re-thinking the relationship among key stakeholders and how commercial interests can be aligned to drive socio-economic improvement.

About the Global Institute for Tomorrow

GIFT is a social venture think tank that prepares future leaders of corporations, government and civil society to think differently about the role of business in society and in so doing creates new investment opportunities for dynamic social enterprises in the region.

The YLP has been designed to initiate a fundamental shift in the understanding of business, its influence and impacts by engaging participants in a life-changing field project. Previous YLP projects have been based in other parts of China, India, Laos and Cambodia dealing with issues such as setting up rural supply chains, marketing sustainable produced forest products and scaling up of renewable energy distribution.

About UNDP Indonesia: <http://www.undp.or.id/>

The United Nations Development Programme (UNDP) is the UN's global development network, an organization advocating for change and connecting countries to knowledge, experience and resources to help people build a better life. Its mission is to be an agent for change to promote human development and to achieve the Millennium Development Goals (MDG). UNDP Indonesia is working in four priority areas: Democratic Governance, MDG Monitoring and Advocacy, Crisis Prevention and Recovery, and Environmental Sustainability

About APED: www.aped-project.org

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APED promotes economic development in Aceh by empowering the public-private partnerships associated with export clusters that enable government, the private sector, and other stakeholder to collaborate, source out opportunities and tackle limitations. The partnership's role is to generate ideas for increasing production, trade and marketing; to mobilize necessary material, financial and institutional resources; and to collaborate with other organizations to implement the plans and initiatives.

Note: If you are interested in the business plan and the opportunity to invest in this unique project, please contact GIFT on enquiry@global-inst.com. For further information, please visit our website at: www.globalinstitutefortomorrow.com

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