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## Moment of the Month



Discussion with the new Head of Diskoperindag in Samosir District

## SPECIAL TOPIC ~ Training of Policy and Support Programs for Local Industry in Japan

JICA Project Team arranged the training opportunity for our counterparts to learn about the policy and support programs for local industry in Japan for 2 weeks in January 2014 (even in the coldest month in Japan...). This training (comparative study) mission, led by Mr. Busharmadi, Secretariat for the Directorate General for Small & Medium Industries (DG-SMIs), comprised of 14 counterparts from the Project Implementation Unit (PIU) of DG-SMIs and Local Working Groups (LWGs) of our target local governments. The participants visited Ehime Province to learn about the typical case of support policy and programs for local industries facilitated by a local government, and the SME Support, JAPAN at the central level in Tokyo to study its programs and roles for local industry development. Ehime has been famous for its ship-building related industry and textile industry, and those utilizing a variety of agricultural/ fishery/ forestry resources.

Study itinerary (the place visited)

Day	Activity	Location
Day 1	JICA Head Office (courtesy visit)	Tokyo
Day 2	Provincial Government of Ehime, Dept. of Economy & Labor, the sections related to local industry development	Ehime
Day 3	Foundation of Ehime Local Industry Development, Ehime Industry R&D Center, Ehime University	
Day 4	Imabari Local Industry Development Center, Imabari Towel Industry Association, Shipbuilding related Industries Association	
Day 5	Agro Product Trade Center (Fresh Park KaRaRi), Textile Craft Museum (Iyo Kasuri Museum)	
Day 6	Day-off	Tokyo
Day 7	Organization for SME and Regional Innovation (SME Support) Japan (SMRJ)	
Day 8	Lecture of product/ regional branding	
Day 9	Antenna-shop Ehime, Shop for local specialty products	
Day 10	JICA Head Office (reporting), Indonesian Embassy (Industry Attaché) in Tokyo	

Among the support programs available in Japanese SME sector, the comparative study focused on the supports of subsidy scheme (for new business creation, product development, market/ sales channel development), incubation, R&D, consultation/ advisory service, and product branding. Among the things learned from this study, the participants observed the following major points:

**Third party implementing body:** Local governments in Japan concentrate on planning, designing, monitoring/ evaluation of the support policy/ programs for local industry, and assign the third-party (usually government-financed institution) to operate such support programs/ schemes, ensuring its mobility of staffs, flexibility of budget usage, networking with expertise.

**Fund (subsidy) scheme:** This is very familiar in Japan, and deemed as a flexible tool to better answer the specific/ variety of needs from local industries even in Indonesia. Fund (subsidy) is always provided based on the proposal (on business plan of product/ market development) from local industries, covering around 50% of total estimate of proposal and various expenses such as travel cost for exhibition, raw material for prototype and so on.

**Incubation:** Entrepreneurship support facility is also common in Japan, and facilitated by the experienced "business navigator (coordinator)". Tenant (pre-business) can obtain a wide range of advice from the experts/ financial/ technical institutions through the navigation by the coordinator stationed in the incubator facility.

**Branding:** This is not easy to be attained. The key is to identify the uniqueness/ specialty, share the same awareness and strict product standards among industries, and use a good external brand director. The role of government is rather limited, but can lead the local industries at the early stage, introduce the good practice/ external supporters, and finance PR activities/ media.

Thus, the training participants have successfully acquired the ideas/ hints which can be reflected/ introduced for their new or improved support program/ scheme in their organization. This is also evident from the presentation of the findings to JICA Head Office, in which the participants proposed the three major actions to be further examined after they returned to Indonesia, namely, fund (subsidy) scheme, incubation program, and branding initiative for their local products. JICA Expert Team is ready to support them to examine and institutionalize those proposed actions during the course of the Project.

Finally, the Expert Team would like to thank all the participants for their endurance against the coldness and rather tight schedule, and thank all the friends visited for their welcoming the study mission, the provincial government of Ehime in particular.



Lecture at Provincial Government of Ehime



Tour of Ship Component Plant



Participants together with Indonesian students in Ehime

## PROJECT NEWS ~ Profiling Survey for Service Providers



One of the Project activities is to identify the locally available service providers for SMI development. The survey was sub-contracted to a local consultant, and completed in December 2013. The survey covered two groups of service providers, namely, i) those who provides 'policy-oriented' support/ service, which always requires prior preparation of budget and identification of support target, and ii) those providing 'demand-oriented' support/ service, which requires their users to pay for. The policy-oriented service provider includes government institutions (such as the ministries, Dinas Industry & Trade, Cooperative, Labour) and other public-based support institutions. The demand-oriented one includes a part of public-based support institutions and private BDS providers, then grouped into the four categories of i) business management/ access to finance, ii) production (laboratory test, standard/ certification, intellectual property right, design/ packaging, research, incubation), iii) marketing/ promotion, and iv) human resources development.

The survey compiled their profile covering brief introduction, available services, target users, procedure/ access to the services, and charge/ fee for the services. The profiling data of the survey was then compiled into the draft service provider directory book for each target province of the Project, and will be further data-based in cooperation with the Service Directory Team in the PIU.

## Region I: Ulos Fashion Industry in Samosir

Since the end of the last year, *Ulos* producers in Samosir have been discussing to assume specific target of sales destinations and channels of their handicraft products processed using *Ulos* fabrics. The weavers first performed an exercise of imaging buyers/ users, and estimating their expectations for handicrafts or fashion products both for local communities and tourist to the Toba Lake. Following this, *Ulos* producers are being facilitated to considering where such imagined buyers/ users gather. However, they have rarely experienced such an effort of marketing, and would need continued facilitation support. Later, through guiding the producers to visit and interview to the potential buyers/ users of *Ulos* products, *Ulos* producers could comprehend the gaps compared with their assumptions, and thus acceptable *Ulos* products.



The weavers, in the middle of discussion, with local consultant as facilitator.

## Region II: Ship Components Industry in Tegal

The seminar was held in October 2013 by Kospin Jasa (one of the largest local non-banks) together with Disperindag Tegal, in which Kospin Jasa explained its financial products/ services and prepared the consultation desk to the participants of the metalwork SMIs. According to the survey, almost all SMIs are relying only on accounts payable of raw material scraps for their working capital finance. Only a few of surveyed SMIs currently borrow the loan from the commercial banks. Majority mentioned "terms of repayment does not match their cash-flow and has no flexibility", if asked for the reason of hesitance to borrowing from the commercial banks. Kospin Jasa is famous for its long-time support for batik and small/ micro industries, and is willing to flexibly respond to the issues arisen from SMI's cash-flow. The seminar received the individual consultation of 15 SMIs out of 30 invited ones and 3 applications to the membership on that day (2 was added later).



Financial products/services socialization by KospinJasa.

## Region III: Rattan Furniture Industry in Central Sulawesi

In response to the challenge action set for the rattan industry, exploration of the modern segments in Palu's market, the Local Industry Action Plan proposed to conduct the survey of potential buyers in the modern segment in Palu City. Modern segment in this case covers the hotels, restaurants, offices (government in particular), public facilities and retailers of furniture. A group of the survey team, including a representative of producers' group, was formed to engage in the survey work during January 2014. Potential buyers visited during the survey amounted to around 35. The survey revealed that there exist a certain volume of the buyers who provide idea of product development and prioritize the locally-made products. However, several buyers indicated inferior points of Palu's products, which concentrate on the quality of finishing caused by poorly treated raw materials. The result is processed for the presentation at the seminar scheduled in the mid of March 2014.



Market survey for rattan products at Palu City.

## VOICE ~ DISPERINDAG Kabupaten Tegal



Abdul Honi, SH, MM.  
Head of Disperindag, Tegal District

The Project SMIDeP aims to develop a stakeholders' platform, through which the better supports would be prepared and provided to our local industry. As the head of Dinas Industry & Trade of Tegal District, I can share that the establishment and active utilization of the Local Working Group is quite important in order to achieve our challenge action, "our ship-components would be certified by Biro Klasifikasi Indonesia (BKI)", and further to strengthen the competitiveness of our ship-component SMIs.

In this regard, the Local Working Group for ship-component industry needs to be very proactive as mediator or facilitator between SMIs and various support institutions. Any issues faced by SMIs shall be accommodated with the realistic solutions for them. Metalwork industry, government as well as financial/ technical support institutions should be together in order to generate the synergy of their each actions and supports. Success will be always brought about by the synergic cooperation, according to my brief. We should always have the hope, without the hope, nothing can be achieved.

I see that our SMIs are longing for this kind of project. In order to exercise this Project effectively, a change of mindset of our SMIs is still needed. Then I expect that a new mindset could lead to the better management and production practices. I observe that on-going 5S introduction is now bringing about the change of SMIs' mindset.

Nevertheless, I'm aware that obstacles can always exist ahead of our goal. Such obstacles should not be regarded as barriers, the Local Working Group also exists to discuss how to remove and minimize such obstacles.

In relation, I really expect that Ministry of Industry, Provincial Dinas and other stakeholders, always share the one direction of development of our ship-component industry.

Finally I would like to devote my self to the Project with the hope that the presence of JICA could ignite mindset change among SMIs and accelerate the modernization of their management practice and their efforts for certification by BKI.