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Moment of the Month



Courtesy call to Vice-governor of West Kalimantan Province

SPECIAL TOPIC ~ Focus Group Discussions for New Industries

Happy New Year to all counterparts of the SMIDeP and other readers of the Project newsletter!! As informed before, we have successfully commenced the facilitation activities for the newly selected industries in two regions, namely, i) the aloe vera processing industry in Pontianak City in West Kalimantan and ii) the footwear industry in Mojokerto City in East Java, for the establishment of the local industry development platforms. Following facilitation training to the key members/ facilitator of Local Working Group (LWG) and initial LWG meeting, both LWGs (although still under formulation, waiting for the decision letter from the heads of local governments) have organized Focus Group Discussions (FGDs) with their target industries in order to compile issues/ constraints faced by the target industries and propose the challenge action to be achieved and necessary support activities.

Aloe vera Processing Industry

LWG for the aloe vera processing industry has identified such issues/constraints faced by the industry as untapped potential markets outside Pontianak City/ West Kalimantan Province, poorly designed/functioned packaging, poorly controlled production process/sanitation and little coordinated joint action for marketing among producers. Although, target producers on average see business chances in the regional market (not only the local market in Pontianak) and necessity of packaging improvement, they are not really sure of what to be improved for better meeting the needs/conditions of such regional markets. On the other hand, support activities budgeted and proposed for FY2015 and subsequent years are compiled in the form of an activity matrix but need to be further scrutinized as the challenge action is clearly defined through platform operation. So far, a potential market study mission has been under discussion as initially driving activities. It is also noted that some 16 producers have decided to form an association to start joint action among producers in view of activating the regional branding effort.

Footwear Industry

LWG for the footwear industry has identified such issues/constraints faced by the industry as shortage of craftspeople, unsettled modern practice of business management and standard production practices due to frequent 'in-and-out' of craftspeople. Local producers have proposed the stronger initiative of the government side in promoting the shoes of Mojokerto through a means of a common outlet facility, advertisement and other specially designed promotion. Although small and medium industries (SMIs) have been enjoying a good size of local/domestic markets, they will have to face anticipated competition with foreign producers after the ASEAN Economic Community (AEC). Accordingly Mojokerto is said to stand at a crossroads to be a center for specially featured shoes or still for competitively priced shoes. As the shoe industry in Mojokerto as a whole, it does not seem easy to compile one direction for development. In a two-year term, however, LWG is now discussing the creation of model SMIs which follow good manufacturing practice (including the Indonesian National Standard) as tentative challenge action, while discussing possible measures for enhancing the name of Mojokerto shoes.



FGD for aloe vera processing industry



An active producer of Mojokerto shoes



Mayor of Pontianak with Team

Aside from FGDs explained above, the Directorate General of SMI, Ministry of Industry together with the JICA Expert Team has also supported each local government for establishing the Local Industry Platform (formulation of LWG in particular) which has sufficient rationale for the counterparts to be engaged. In order to ensure higher attention from each local government, the Team has visited the heads of the concerned governments, asking their issuance of decision letters on LWG formation and budgetary commitment onto the proposed support activities. Both Mayors of Pontianak and Mojokerto have replied their willingness to commit with expectation of tangible outcomes, noting "products and industries in focus shall be our regional icons and more familiar throughout Indonesia."

For the target industries since Phase II, the JICA Expert Team will activate both technical and financial support from now on but stressed technical guidance more on the planning of the Local Industry Action Plan (LIAP) so that the LIAP clearly sets a good challenge action which can be shared by many stakeholders and proposes a package of support activities which contribute to achievement of the challenge action. The Expert Team believes that a good planning process through continued dialogues with target industries is the most influential to the outcomes of local industry development.



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PROJECT NEWS ~ Mid-term Review of the Project



As the project period was half gone, a mid-term review mission from the JICA Headquarters visited the project from 15 to 23 January 2015 in order to 1) monitor and review progress in project activities, 2) discuss issues on the Indonesian policy environment for the development of small and medium industries (SMIs) and the implementation of the project, and 3) make recommendations for successful project implementation. During their visit, the mission had a series of discussions with the Ministry of Industry (MoI) and other relevant organizations. They also visited a few of the target industries, the ship component industry in Tegal and the cacao processing and rattan furniture industries in Palu, to have discussions with their Local Working Groups and conduct interviews with their target SMIs. Some positive effects were observed, such as good practices concerning effective platform operation, product quality improvement, and sales increases. For more effective platform operation and introduction of practical guidelines on the SMIDeP approach, the following recommendations were made: 1) Sharing the objective and concept of the project within the Directorate General of SMI (DG-SMI), MoI, in particular, 2) involving MoI officers and other stakeholders in the preparation process of the guidelines, and 3) involving other institutions for making the best use of the SMIDeP approach. Implementing these recommendations for the remaining one year, the project will make further efforts for DG-SMI to succeed the SMIDeP approach.

Region I: Ulos Fashion Industry in Samosir

The Local Working Group (LWG) for the *Ulos* fashion industry in Samosir held a meeting in December 2014 where progress in the implementation of the Local Industry Action Plan (LIAP) and the current issues and needs of the target producers were reviewed. Representatives of the “KUB Harungguan,” a newly established joint business group of *Ulos*-applied handicrafts, also took part in the meeting and presented their current issues and needs. In response, each LWG member suggested support activities to deal with these issues and needs, including those for the enhancement of their financial management skills, improvement in their financial access for working capital, augmentation of weavers who can produce their product materials (*Ulos* fabrics), and the development of promotion tools such as a POP advertisements and a product catalog. Finally, LWG revised the LIAP by incorporating these activities into it, thereby making it better suit the current situation of the *Ulos* fashion industry in Samosir.



LWG meeting with KUB Harungguan

Region II: Ship Components Industry in Tegal

Upon the tangible results of 3S recognized by some of the preceding small and medium industries (SMIs) since the pilot phase, the Local Working Group (LWG) decided to expand technical guidance on 3S introduction to additional SMIs (six in total) of ship components in preparation for component certification by the Indonesian Bureau of Classification (BKI) in late November 2014. Most of new target SMIs have so far completed one of the 3S elements of seiso (shining/cleaning), and a few have started the following element of seiri (sifting). The owners and managers of these newly added SMIs are relatively young and have the strong intention to obtain BKI certificates of their producing components but need to understand that the starting point is to improving their workshops and production management through 3S introduction.



A new target SMI ready for 3S/ BKI certification

Region III: Cacao Processing Industry in Central Sulawesi

The Local Working Group (LWG), the Project Implementation Unit (PIU), and target chocolate producers together held a meeting to review support facilitated by stakeholders, actions taken by the producers, and the outcomes in 2014 and to discuss an action plan for 2015. While improving and diversifying their products through technical assistance, the chocolate producers have paid marketing visits to 26 potential buyers in the local modern segment. Seventeen transactions with buyers have been already reported. The sales of nine target producers have been gradually but steadily increasing over the year of 2014, with average monthly sales of Rp. 30 million and annual sales of Rp. 300 million. The LWG agreed to continue supporting the target producers with the vision of promoting “Central Sulawesi Chocolate” as a local specialty and revised the action plan, focusing on support for bigger and more stable sales channels through promotion activities/support such as the installation of special shelves and attractive displays (POP advertisements) in each consignee outlet.



Chocolate products on display at a local outlet

VOICE ~ Mr Ardi, the Owner of Logam Jaya



Mr. Ardi Fardian (second from the left), owner of Logam Jaya in Tegal Regency

Getting involved in SMIDeP Project activities as well as being guided by the local government and the Ministry of Industry has been my first experience in any kind of support activities. At first, I thought that each support activity was standalone, not related to one another, with inadequate mentoring. However, the SMIDeP Project has changed the procedure of assistance procurement. The government and related institutions have been synergized to achieve the challenge action for small and medium industries (SMIs) to get certificates from the Indonesian Bureau of Classification (BKI).

Regarding this matter, there are two support activities from the SMIDeP Project that I find very beneficial. One is the implementation of 3S. Nowadays, the workshop that I built in 2012 is more comfortable to work at, so the productivity is rising. This is attributed to the guidance of field officers of Dinas with experts from Japan.

The other is BKI certification. The support activities have been giving us knowledge of standardization and new technology. Books on standardization and chances to have discussions with BKI give me beneficial knowledge on standardization. Furthermore, the support activities have connected me to the staff of the Technical Service Unit (UPTD) for Laboratory which has guided us on technical drawing.

I truly hope that further support activities will give us guidance on marketing and promotion to our potential consumers. Our efforts to introduce our products are usually through exhibitions, but we do not find them adequate. There is a need to connect the SMIs directly with potential customers, like the ship building industry, Pertamina, and others. Joint marketing through the cooperative has potential. However, improvement in the cooperative is still needed to achieve a promising future among members. Therefore, we would like to ask for assistance from the government.