

Table of Content

1. Special Topic
2. Project News
3. News from Regions
4. Voice

Moment of the Month



Cacao Plant will soon operate in Palu

Special Topic ~ A Brief Introduction to SMIDeP

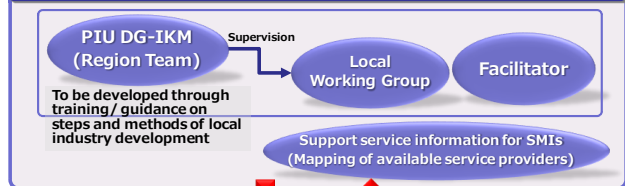
We, JICA Expert Team, are very glad to have an opportunity to work with Indonesian counterparts for the Project on Small and Medium Industry Development based on Improved Service Delivery, called as SMIDeP. In this Project, we are expected to show the work model (good practice) of local industry development in Indonesia, learning from the lessons learnt from the experiences of local industry development in the following pilot regions and industries.

For these target regions and industries, we have already made the Local Working Group (Pokja) comprising of the interested stakeholders such as Dinas Industry & Trade, Cooperatives & SMEs, Bappeda, technical support, financial institutions, association or cooperative of the concerned industry, etc., and appointed one facilitator for analysis, planning (design, budgeting, supporter matching), implementation and monitoring and evaluation of local industry development action plan. Project Implementation Unit (PIU) formed in the Ministry of Industry (Mol), Directorate General for Small and Medium Industries (DG-SMIs) and JICA Expert Team play a role of technical/ financial supporter as well as supervisor for the local industry action plan of the target industries.

In order to strengthen such stakeholders' communication and collaboration for "one action plan for local industry development, we formulate "Stakeholders' Platform for Local Industry Development (originally called as Service Delivery Platform) for each target region and industry, where the activities of local industry development are proceeded with the standard steps (shown in right). At the issuance of this newsletter, we have reached the process of local industry action planning, i.e., identification of challenge action and preparation of support plan. In parallel to this, the budgeting and detailed design of each support activities suggested in the action plan is being proceeded by Pokja and the responsible stakeholders (service providers). PIU and JICA Expert Team is positioned to ensure that the action plan is based on the discussion with target industries, real condition of industries, and commitment of the responsible stakeholders with budget availability. Off-course, Mol and JICA Expert Team can also contribute to the budgeting of the suggested support activities.

Before closing this prefatory note, we would like to share the key points for success in local industry development in Indonesian context as stated below, learned from the past experience of JICA Experts and many friends in Mol and the local government;

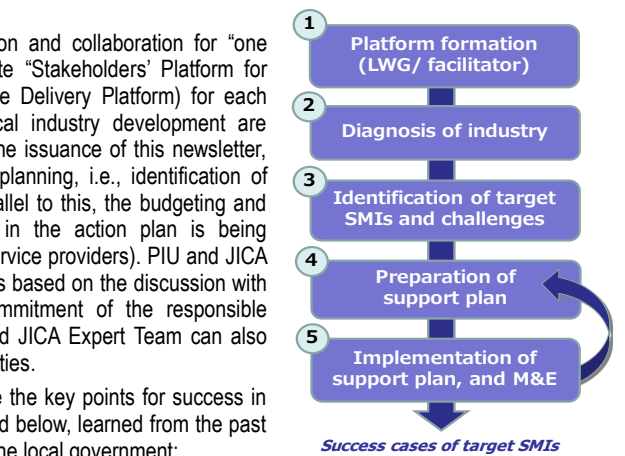
Formation of Platform for Local Industry Development



Planning / implementation of support



Region/ Province	Industry, Kabupaten/ Kota
Region I: North Sumatra	Ulos fashion, Samosir
Region II: Central Java	Metal component, Tegal
Region III: Central Sulawesi	Cacao processing/ rattan furniture, Palu



Key Points (lessons learnt) for success of local industry development in Indonesian context;

- Planning of action plan should start with setting the main goal (challenge action) which clearly states what products shall be developed or improved to which market. Think what industry wants to achieve first, rather than what government can do first.
- Action planning should be associated with the identification of target SMIs, which shall lead the product and market development activities in the local industry action plan, and potentially become the success case (champion SMI in the local industry).
- Support activities to be suggested need to be beneficial for the realization of the challenge action and to cover a range of supply-chain aspect.
- If the local industry are not able to suggest the action worth challenging, the comparative study to advanced local industry, visit to the potential market/ buyers can be proposed to open their eyes and knowledge.
- Facilitator should play an important role in facilitating the discussion with local industries, preparing the action plan and facilitating implementation of suggested support activities through communication/ coordination among the stakeholders.

Finally, we strongly expect that the concept of Stakeholders' Platform and standard steps for local industry development be better understood by the friends of Project and the Project create the success cases (champion SMIs) in realizing the challenge action.

Regards, JICA Project Team for SMIDeP

Project News ~ Facilitation training for local industry development



Facilitation training was held on 3-5 July 2013 supported by the Industrial Training Center (PUSDIKLAT), a training institute for officials in the Ministry of Industry (Mol). Around 30 members from each Local Working Groups (LWG) and Project Implementation Unit (PIU) at the Directorate General for Small and Medium Industry (DG-SMI) of Mol, participated in this training for three days to learn practical facilitation skills for local industrial development.

After receiving a series of lectures by the Expert Team and local consultants, the participants divided into three groups by target region practiced industry diagnosis (value chain analysis), setting the action to be challenged and planning the support activity plan, taking the target industries as the subject for case-work.

Besides drafting the local industry action plans through case-work by each regional group, both DG-SMI and local government officers recognized an importance of harmonization and coordination between the central and regional governments in conducting the support activities for the local industry development. The draft action plans simulated in this training will be further

elaborated to more specific and realistic ones through discussion with the target industries/ SMIs in the field.

Region I: Ulos Fashion Industry in Samosir

Ulos is traditional woven fabric with unique motives. It is used mainly in traditional ceremonies, such as weddings and religious rituals. Samosir (famous for Lake Toba) is one of ulos production centers. The Project, together with weaver groups in Samosir, aims to expand high-end and local/ tourist markets through diversification of fashion products utilizing ulos motif fabric in collaboration with other related parties such as designers. In order to facilitate this industry to such a direction, a Local Working Group (LWG) for ulos fashion industry was formed in Samosir District. Representatives from District & Provincial Dinas Industry, Trade, Cooperatives & SMEs, District Dinas Tourism, weaving artisans, financial/ academic institutions are main members of this Pokja, which are officially appointed by the Regent Decree of District Samosir. The LWG has been working for preparation of the Action Plan for development of this industry, through discussion with the stakeholders concerned.



Region II: Ship Components Industry in Tegal

Tegal is well known for its metal casting and moulding production with more than 2,500 SMIs manufacturing metal components of farm equipment, ship, heavy machinery, automobile, and so on. At an early stage, the Project focuses on ship components and assists those SMIs in improving their skills and knowledge in order to obtain certificate from BKI (Indonesian Classification Bureau) and eventually supply metal components to large ship-builders. In order to facilitate such a direction of development, a LWG was established, involving District and Provincial Dinas Industry & Trade, cooperative for ship parts SMIs, and other related institutions. The Regent of District Tegal has officially appointed their members. The LWG together with an appointed facilitator has been discussing the Action Plan for this industry with the stakeholders concerned including the members of the industry cooperative.



Region III: Cacao Processing Industry in Central Sulawesi

The Provincial government is scheduled to build a cacao processing factory as a supply center of semi-processed products of cacao to local SMIs of chocolate/ confectionary. The Project supports the local government in starting-up the operation of the new factory as well as encourages local SMIs to develop various chocolate products processed from locally available beans and materials, while developing local market channels. To facilitate such a direction of development, LWG for cacao processing industry was established, involving the representatives from Provincial Dinas Industry, Trade, Cooperatives & SMEs, Provincial Dinas Estate Crops, Provincial Bappeda, local university, related institution, and appointed facilitator.



Region III: Rattan Furniture Industry in Central Sulawesi

Rattan is also one of the dominant commodities in this region. The majority of rattan has been traded out to the production center of rattan furniture in other regions such as Cirebon in the form of raw or semi-processed materials. There are around 20 SMIs of rattan furniture in Palu City, but does not well respond to the potential demand of furniture from the growing regional economy. They also face a limited number of craftsmen and poorly performed cooperation among SMIs. The Project supports such SMIs to exploring the potentially growing local modern markets such as hotel, restaurant, housing complex, public facility by prototyping and suggesting the model furniture/ products matching the needs of such modern markets. LWG is formed to facilitate such an effort, involving Provincial and City Dinas Industry, Trade, Cooperatives & SMEs, local university, related institution and appointed facilitator.



Voice ~ Ms. Euis Saedah, Director General for SMIs, Ministry of Industry



Courtesy: Ministry of Industry

SMIDeP Project Should be a Unifying Model for SMI Development.

SMIDeP Team had an opportunity to interview with Ms. Euis Saedah, Director General of SMIs, Ministry of Industry, asking expectations for SMIDeP Project. Interview result is shown as below;

As a Director General for SMIs, how do you find the current condition of SMI sector? Would you share the challenge, constraint and expected direction of SMI sector in Indonesia?

The SMI sector in terms of quality and quantity is continuously growing. Now, the challenge is how to unify and strengthen SMIs against imported products. The main constraint we face is that we still see rather limited number of champion SMIs which could act as locomotive to drive other SMIs. I hope that SMI and local industry development could increase SMI champions as well as new entrepreneurs. In this regard, it is important for us to focus on human resource development, technology enhancement, adherence to standard as well as utilization of our local resources and culture.

The Ministry of Industry is now challenging to establish "work model" through the platform for local industry development in cooperation with JICA SMIDeP Project in three pilot regions. What is your particular expectation for this Project?

- To develop "work model" that could strengthen coordination among the stakeholders in order to properly share and facilitate the Action Plan for local industry;
- To show good practices for improvement or reinforcement of coordination in supply-chain linkage as well as success cases of SMIs from our target industries;
- To unify the stakeholders' platform for target SMIs, for example, ulos fashion industry in North Sumatra, all actors should gather together to be solid, so that we find it easier to improve competence of human resources, their technology in use, and other aspects mentioned above;
- To create a good culture of industry through learning from 5S (5K in Bahasa Indonesia) concept which runs well in Japan.

Platform for local industry development would be operated by each LWG in cooperation with PIU (DG-SMIs) and JICA Experts for planning and facilitation of the Action Plan based on needs/ voices of local industries. Would you share your notes on this?

Yes, actually I want to share my views on what PIU and LWGs keep in mind,

- To have the same perception on the Action Plan for their target industries;
- To have strong commitment to implement support activities proposed in the Action Plan;
- To keep up with the progress and dynamics in the field, and promptly response to them, if necessary;
- To ensure intense communication among the stakeholders, particularly between central and local governments;
- To promptly report to the head of LWG and corresponding team of PIU on any matters for decision-making.