

**National Agency for Export Development  
Ministry of Trade, Republic of Indonesia**

**THE STUDY FOR STRENGTHENING OF  
EXPORT PROMOTION ORGANIZATION  
IN  
THE REPUBLIC OF INDONESIA**

**FINAL REPORT**

**February 2009**

**JAPAN INTERNATIONAL COOPERATION AGENCY**

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**KRI International Corp.  
UNICO International Corporation**

## **PREFACE**

In response to a request from the Government of the Republic of Indonesia, the Government of Japan decided to conduct the Study on Strengthening of Export Promotion Organization in the Republic of Indonesia and entrusted the Study to the Japan International Cooperation Agency (JICA).

JICA selected and dispatched a study team, headed by Mr. Kazuo MISHIMA of KRI International Corp. and consisting of KRI International Corp. and UNICO International Corporation to Indonesia several times between February 2007 and December 2008.

The team held a series of discussions with the officials concerned of the Government of the Republic of Indonesia and conducted the field surveys at the study area. Upon returning to Japan, the team conducted further studies and prepared this final report.

I hope that this report will contribute to the strengthening of export promotion organization in Indonesia and also to the enhancement of friendly relationship between our two countries.

Finally, I wish to express my sincere appreciation to the officials concerned of the Government of the Republic of Indonesia for their close cooperation extended to the study.

February 2009

Seiichi NAGATSUKA  
Vice President,  
Japan International Cooperation Agency

March 2009

Mr. Seiichi NAGATSUKA  
Vice President,  
Japan International Cooperation Agency  
Tokyo, JAPAN

**Letter of Transmittal**

Dear Sir,

We are pleased to submit to you the final report of the Study on Strengthening of Export Promotion Organization in the Republic of Indonesia, the National Agency for Export Development (NAFED).

Export promotion by strengthening competitiveness of Indonesian industries is one of the major issues for the sustainable development of Indonesian economy. NAFED, an affiliate agency of the Ministry of Trade of Indonesia, functions as a service agency specialized in export promotion. However, it was admitted that its services and functions together with the capacity of the staffs and organizational set-up needed to be improved in order to better meet the needs of private sector of Indonesia.

Responding to this condition, the Study has been conducted to formulate the recommendations and proposed actions for the strengthening of its services and functions, and organizational set-up and management systems, that is to say, the reform of NAFED. It should be stressed that some of such recommendations and proposed actions have been already set about before the completion of the Study by truly own initiative of NAFED. Most significantly, this includes the organizational reform of NAFED, change of organizational structure.

We hope that NAFED further adopt and embark on the recommendations and proposed actions in order to successfully achieve the reform of NAFED and realize the better delivery of export promotion services.

Finally, we wish to express our deep appreciation and sincere gratitude to the officials concerned of your Agency, the Ministry of Economy and Industry of the Government of Japan for the courtesies and cooperation kindly extended to us. We should also like to express our hearty gratitude to the officials concerned from the Indonesia Office of JICA, the Embassy of Japan in Indonesia, NAFED, the Ministry of Trade of Indonesia, and other stakeholders for the close cooperation and various forms of assistance extended to us during the field studies in Indonesia.

Very truly yours,

Kazuo MISHIMA  
Team Leader of the Study Team for  
Strengthening of Export Promotion Organization  
in Indonesia

## Executive Summary

### 1. Background of the Study

- 1.1 Background                      Export promotion by strengthening competitiveness of Indonesian industries is one of the major issues for the sustainable development of Indonesia's economy as well as foreign investment promotion through investment environment improvement.
- In Indonesia, the National Agency for Export Development (NAFED), affiliate agency of the Ministry of Trade (MOT), functions as a government agency specialized in export promotion.
- The Government of the Republic of Indonesia (GOI) regards that the strengthening of NAFED's capabilities is an urgent issue to reinforce Indonesia's export. GOI requested the Government of Japan (GOJ) to carry out a development study with the purpose of formulating a master plan to strengthen the organization and function of NAFED.
- 1.2 Objective of the Study              The objectives of the Study are:
- To formulate the Master Plan for the strengthening of NAFED organization to improve its capacity and function;
  - To compile the countermeasures in the Master Plan by identifying the problems relating to NAFED's corporate management and export promotion services, by carrying out pilot projects, and proposing countermeasures to these problems;
  - To publicize recommendations in the Master Plan widely to NAFED, MOT, and other organizations related to export promotion; and
  - To carry out technology transfer on problem solving capability to a counterpart agency, NAFED, in the process of the Master Plan formulation and pilot projects.
- 1.3 NAFED's Function to be Strengthened              NAFED's functions to be strengthened in the Study are i) market information collection, analysis and provision service, ii) product development (brand / design promotion) service, and iii) export promotion service.
- Export promotion service includes trade consultation, inquiry service and trade matching support, as well as domestic and overseas trade fairs, and trade missions.
- Product development service rendered by NAFED does not mean technical advice but promotion for brand / design development.

### 2. Outline of NAFED

The profile of NAFED is as follows:

- 2.1 History                              NAFED was established in 1971 under the name and status of the National Institute of Export Development (LPEN). In 1975, in line with the reorganization of all ministries, the LPEN was changed to the National Agency for Export Development (NAFED) and fully integrated to the MOT.

- 2.2 Vision                                   The vision of NAFED is *“to improve global competitiveness of Indonesia's non-oil and gas products and to heighten the role of non-oil and gas exports in accelerating national economic growth”*.
- 2.3 Missions
- To enhance export competitiveness of products and services.
  - To enhance competence of exporters for penetration into global markets.
  - To expand and deliver quality service to the business players.
  - To strengthen institutional capacity as export development organization.
  - To enhance professionalism of staff, and transparency and accountability.
- 2.4 Current Strategy
- To penetrate non-traditional markets while maintaining the existing markets.
  - To improve the quality of export products and the image of Indonesian products in the overseas market.
- 2.5 Services / Functions
- 2.5.1 Market information
- Publications
  - Market intelligence (collection, processing and analysis)
  - Export forum
  - Workshops and seminars
  - Business consultation (trade advice) for SMEs
- 2.5.2 Product development
- Brand / design development
  - Cluster development
- 2.5.3 Buyer service
- Buyers reception desk (BRD)
  - Mini display
  - Inquiry service (matching service)
- 2.5.4 Export promotion
- Overseas trade fairs
  - Domestic trade fairs (inc. Trade Expo.)
  - Trade missions
  - Virtual Exhibition (website)
  - Marketing point
  - Excellent exporter (Primaniyarta) award
- 2.5.5 Export training
- Training for exporters and potential exporters
- 2.6 Budget
- The budget of NAFED is Rp. 225.9 billion for 2007.
- 2.7 Organization
- There are six second echelons under the supervision of the chairman of NAFED. They are a secretariat, Center for Export Information Service, three Centers for Market Development by region, and Indonesian Export Training Center (IETC). In addition, there are 9 Indonesian Trade Promotion Centers (ITPCs) are located overseas.
- There are four Regional Export Training and Promotion Centers (RETPCs) under the provincial governments. NAFED cooperates with RETPCs in the fields of export training and promotion.

### 3. Results of Diagnostic Survey of NAFED

The JICA Study Team conducted a diagnostic survey on the organization and services of NAFED with the purpose of analyzing the current situation of NAFED and identifying problems which NAFED currently faces.

#### 3.1 Major Issues Concerning Organizational Set-up and Management Systems

- 3.1.1 Policy and strategy
- Vision and Missions are not clearly translated into objectives and targets.
  - Functions of NAFED are defined too broadly.
  - The status of NAFED is an agency of MOT.
  - The long-term plan of NAFED is not formulated.
  - Program / activity portfolio is biased to trade fairs and missions.
  - Strategic approach to provide comprehensive support to SME exporters is lacking.
- 3.1.2 Organization
- Current market-based organization hinders information sharing among units.
  - The Secretariat also conducts some trade fairs.
  - NAFED has almost no independent revenue sources.
  - The number of ITPCs is rapidly increasing.
  - A large number of retirements are scheduled in the coming years.
  - The structure of NAFED's demography is a senior-heavy.
- 3.1.3 Management system
- Internal coordination and communication are insufficient.
  - Task description for each unit and staff are not prepared.
  - Programs and activities are not sufficiently evaluated.
- 3.1.4 HRM & HRD
- Human resources management (HRM) is practiced within the framework of MOT.
  - ITPC posts for NAFED staff are limited.
  - Salary level of public officials is low.
  - Staffs are not sufficiently allocated.
  - Task description is not prepared for individual staff.
  - Personnel evaluation is unsystematically done.
  - Staff education and training are ineffective.

#### 3.2 Major Issues Concerning Services / Functions

- 3.2.1 Market information service
- Expansion of information / data to be collected and disseminated
- Information / data collection by ITPCs should be enhanced.
  - Data collection / dissemination should be done systematically and timely.
  - Interactivity of information / data should be taken into account.
  - Strategic investment for ICT development is needed.
  - Website should be well maintained and periodically updated.
  - Publications and PR activities should be enhanced.
- Value-addition of market information service
- Market information service should be reviewed from users' viewpoint.
  - Quality of market reports from ITPCs and commercial attachés should be standardized and improved.
  - Training of ICT use should be provided to NAFED staff.
- Expansion of exporters list
- NAFED should focus on collection of practical information / data.
  - Efficient way of collecting exporters' data should be prepared.

- More recognition among users on market information service
- Website should be well maintained and periodically updated.
  - Publication and PR activity should be enhanced.
- 3.2.2 Product development (brand / design promotion) service
- NAFED lacks awareness and knowledge of brand / design development.
  - Collaboration with related organizations is deemed as weak.
  - Demand for brand / design development is not enough explored.
- 3.2.3 Export promotion service
- NAFED lacks capability to develop brand / design support program.
  - More customer-orientation and business-mind are needed for export promotion activities.
  - Strategic approach to provide SME exporters with integrated export promotion services is lacking.
  - More focus on how to provide regular consultation service is needed.
  - PR activities to invite buyers' inquiry / visit should be enhanced
  - Mini-display and virtual exhibition have to be organized more attractively.
  - Participants for trade fairs and missions should be selected in more strategic manner with clear criteria.
  - Trade mission should be more business-oriented and product-specific.
  - Workload for organizing domestic trade fairs should be lessened.
  - Utilization of ITPC resources and functions should be enhanced to improve export promotion services.
- 3.2.4 Export training service
- IETC should collaborate more with other centers of NAFED for export promotion is desirable, and be utilized to realize more comprehensive export promotion programs.
  - More collaboration with RETPCs and Dinas should be encouraged to realize the further regional outreach.
  - Training programs should be prepared in order to cater for each specific need of exporters according to their stages of development.
- 3.2.5 Network & alliance
- Communication with the private sector should be strengthened to sufficiently involve the private's voices into planning of NAFED programs.
  - NAFED should bring-up the product specialist staff to realize mutual communication with each major industrial association.
  - Export promotion strategy for each major commodity should be prepared to meet the specific needs of each industrial sub-sector.
  - Coordination and streamlining of export promotion programs among other ministries should be addressed.
  - NAFED should lead the role of coordinating the export promotion programs among other ministries.
  - Outreach of export promotion service into regions should be enhanced through more active socialization and direct support to RETPCs.
  - An involvement of NAFED in regional industry promotion programs should be enhanced.
  - Alliance with other service providers should be established and enhanced.

#### 4. Analysis of Organizational Culture of NAFED

With the purpose of understanding an organizational culture of NAFED and identifying major issues concerning organizational culture, the organizational culture survey was conducted.

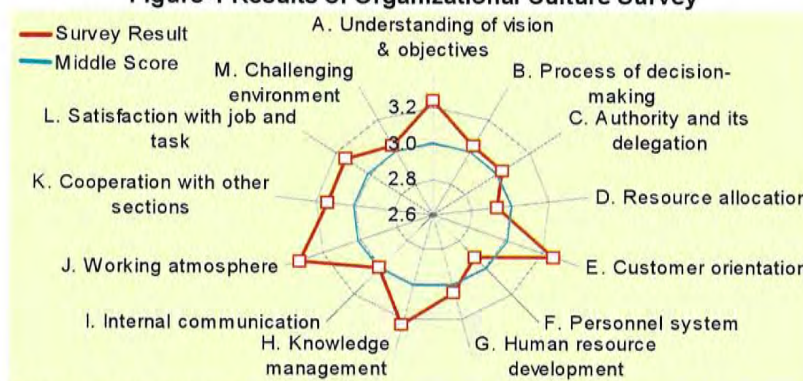
##### 4.1 Outline of Organizational Culture Survey

Questionnaire sheets were randomly distributed to 250 staffs of NAFED in July 2007. The number of effective respondents was 113. The questionnaire sheet consists of 39 questions which can be classified into 13 categories. A respondent was asked to answer each question by giving a point from “1 (low)” to “5 (high)”. Therefore, a score of “3” is the median of evaluation.

##### 4.2 Scores of Responded Questionnaires

The categories which are given higher scores are “working atmosphere”, “customer orientation”, “understanding of vision and objectives”, “knowledge management” and “cooperation with other sections”. On the contrary, the categories of lower scores are “personnel system” and “resource allocation”.

Figure-1 Results of Organizational Culture Survey

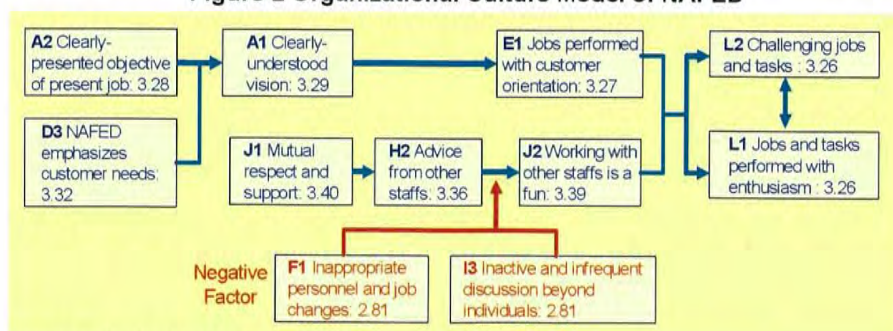


Source: JICA Study Team

##### 4.3 NAFED's Organizational Culture Model

There exists clear correlation among answers to certain questions. For example, there is a strong correlation among “understanding of vision and objectives”, “process of decision-making”, and “authority and its delegation”. There is also a correlation among “working atmosphere” and “satisfaction with job and task”. Based on a multiple regression analysis of the correlation among answers, the organizational culture of NAFED can be modeled as shown as below.

Figure-2 Organizational Culture Model of NAFED



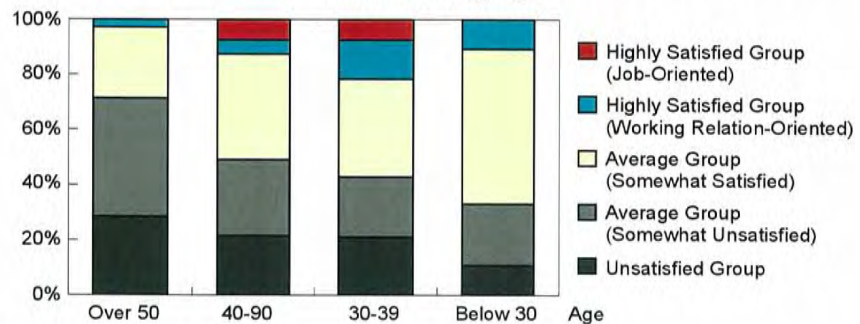
Source: JICA Study Team



4.4 Major Characteristic of NAFED's Organizational Culture

- Based upon the results of organizational culture survey, the followings can be pointed out as the characteristic of NAFED's organizational culture.
- NAFED is considered as a group of good friends, but there is an unlively atmosphere.
  - Contrary to the results of customer satisfaction survey, orientation to customer satisfaction is considered as rather high by staffs of NAFED. This may be due to facts that NAFED staffs' recognition of customer needs is insufficient and that the current management practices hinder staffs' customer orientation from being utilized.
  - Discontent with human resource management is high. Major problems are the allocation of appropriate number of staffs, job rotation, and delegation of authority. The modification of personnel system is a big issue of NAFED.
  - The younger generation tends to have the higher motivation. However, due to the results of survey, it is pointed out that the younger staffs are not be given a challenging task. It is considered necessary to consider how to make good use of the younger staffs.
  - Evaluation results widely vary according to the centers. They are considered to be influenced by center managers. It is considered necessary to carefully evaluate a leadership and management capability in appointing center managers.

Figure-3 Groups of Respondents Based on Cluster Analysis and its Distribution by Age



Source: JICA Study Team

## 5. Evaluation of NAFED by Indonesian Exporters

The JICA Study Team has conducted a questionnaire survey to exporters (customer satisfaction survey for the services of NAFED) with a purpose of identifying the use and satisfaction level of NAFED's services. The survey also made a direct interview to such organizations as the Chamber of Commerce and Industry (KADIN), industrial associations and individual exporters in order to reveal their observed issues and demands over NAFED in more depth.

### 5.1 Results of Questionnaire Survey

#### 5.1.1 Responded companies

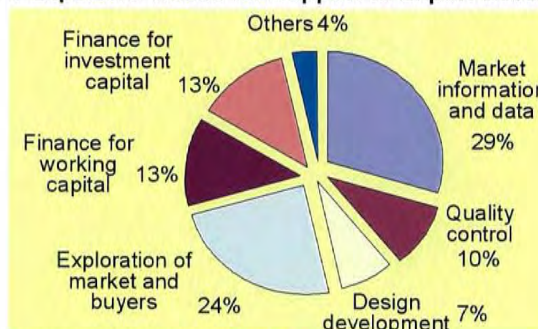
Total: 146 companies, of which;

Small scale (95), Medium scale (33), Large scale (18)

#### 5.1.2 Exporter's needs for support to export development

Major exporters' needs for support to export development are the provision of market information and data (overseas buyers / importers, product standards, regulations) and market development (marketing supports such as buyers' reference and trade fair participation).

Figure-4 Exporters' Needs for Support to Export Development

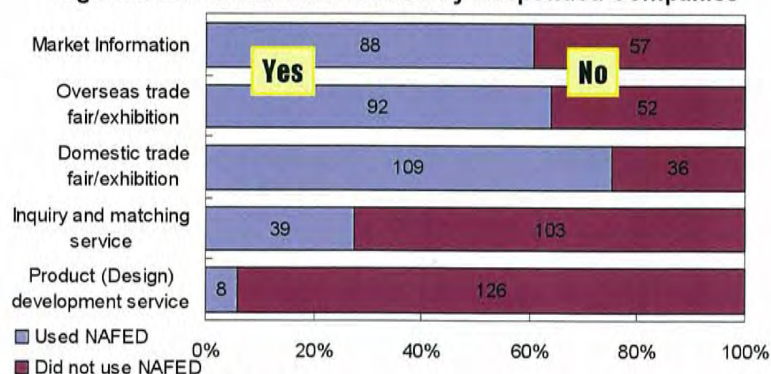


Source: JICA Study Team

#### 5.1.3 Use of NAFED's services

- More than 60% of respondents have used NAFED's services for "market information", "overseas and domestic trade fair / exhibition".
- On the contrary, the ratios of respondent who has used "inquiry and matching service" and "product (design) development service" are low.

Figure-5 Use of NAFED's Service by Responded Companies



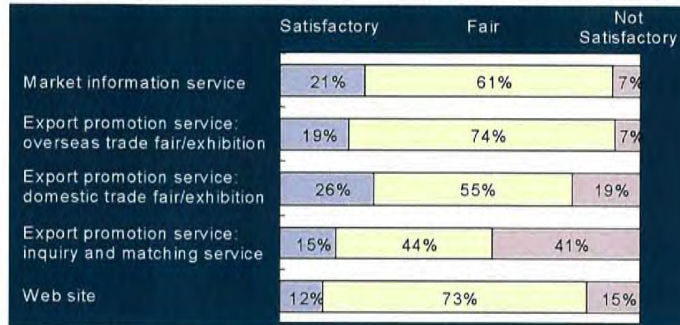
Source: JICA Study Team



5.1.4 Satisfaction for NAFED's services

- A share of "satisfactory" is generally low, although an answer of "fair" occupies the largest share for every service.
- A share of "unsatisfactory" is also generally low. However, the share of "unsatisfactory" reaches to 41% for inquiry and matching services.

Figure-6 Evaluation on NAFED's Service by Responded Companies

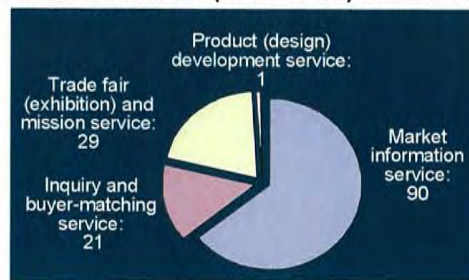


Source: JICA Study Team

5.1.5 Exporters' needs for enhancement of NAFED's services

- Strengthening of market information service is mostly needed, by respondents, followed by trade fair (exhibition), & mission, and inquiry & and matching services.

Figure-7 Service which NAFED (or RETPCs) Should Strengthen Most



Source: JICA Study Team

5.1.6 Necessary measures suggested by survey

For the market information service, which is mostly demanded by exporters, the following measures by NAFED are suggested by the results of questionnaire survey:

- To utilize a trade fair as an opportunity of providing information and data;
- To upgrade the information on website and actively utilize website as tool of information provision; and
- To publicize NAFED's information service to the public to increase access of exporters to NAFED.

Figure-8 How to Receive Information from NAFED

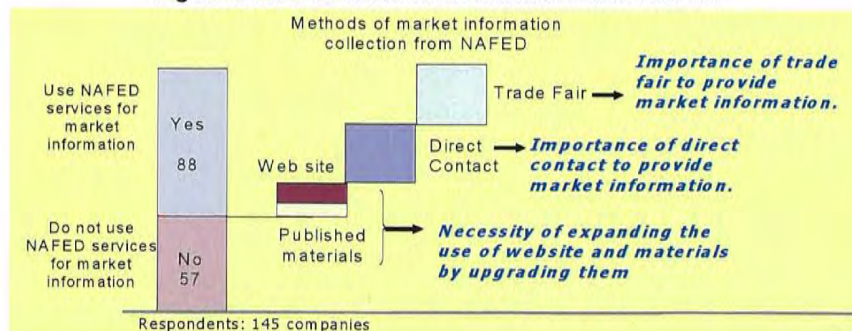
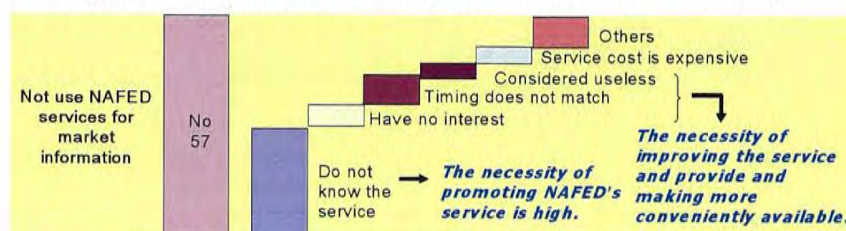


Figure-9 Reasons not to Use the Information Service of NAFED

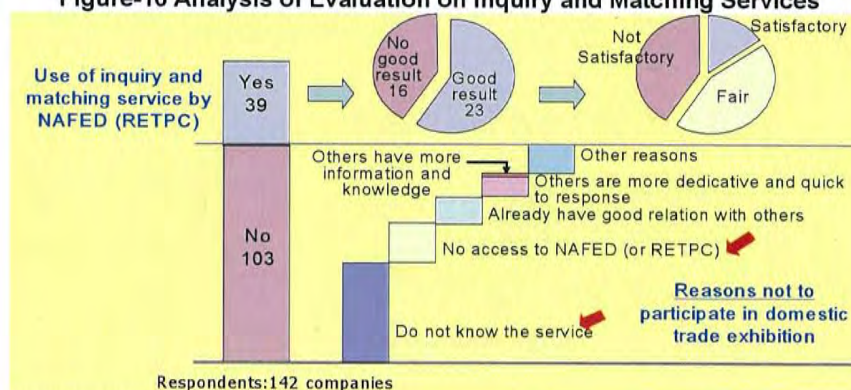


Source: JICA Study Team

For inquiry and matching services, with which over 40% of respondents are unsatisfied, the following measures by NAFED are suggested:

- To utilize a trade fair as an opportunity of provision of such services.
- To prepare accurate and updated buyers' data, give more attention to buyers' needs, and deliver quick and friendly response and follow-up.
- To make such services widely known to exporters through PR activities.

Figure-10 Analysis of Evaluation on Inquiry and Matching Services



Source: JICA Study Team

## 5.2 Results of Interview Survey

### 5.2.1 Problems of NAFED

- Weak communication with the private sector and industries, preventing NAFED from planning more effective export promotion measures based on exporter's actual needs.
- Weak facilitation of export promotion programs to SME exporters, preventing SMEs from recognizing and accessing to its promotion programs.
- NAFED staffs do not understand exporters' problems and solutions well.
- Some NAFED staffs take self-advantage.

### 5.2.2 Necessary improvements of NAFED

- NAFED should play more active role in developing potential exporters and products.
- NAFED should improve the facility for overseas trade exhibitions.
- NAFED should provide more opportunities of overseas trade exhibitions.
- NAFED should improve information service to provide more complete, accurate and updated information.



## 6. Result of Benchmarking with other Asian TPOs

The JICA Study Team has conducted the benchmark survey with two objectives: i) to obtain comparative information and data of Trade Promotion Organizations (TPOs) in other Asian countries on organizational and functional aspects; and ii) to draw upon good practices and programs which render the reference to consideration of NAFED's functions.

- |  |  |
|--|--|
| 6.1 Subject TPOs                             | <ul style="list-style-type: none"> <li>- Dept. of Export Promotion (DEP), Ministry of Commerce, Thailand</li> <li>- Malaysian External Trade Development Corporation (MATRADE)</li> <li>- Korea Trade-Investment Promotion Agency (KOTRA)</li> <li>- Taiwan External Trade Development Council (TAITRA)</li> <li>- Australian Trade Commission (AUSTRADE)</li> <li>- International Enterprise Singapore (IE Singapore)</li> <li>- Japan External Trade Organization (JETRO)</li> </ul>   |
| 6.2 Major Findings                           |  |
| 6.2.1 Organizational set-up                  | <ul style="list-style-type: none"> <li>- Most TPOs are given a statutory status as a service implementation agency independent from the supervising ministries.</li> <li>- Most TPOs have the function-based structure.</li> <li>- TPOs allocate larger resources to overseas promotion offices and some give decentralized the autonomy to overseas operation.</li> </ul>   |
| 6.2.2 Management system                      | <ul style="list-style-type: none"> <li>- Key performance indicators (KPIs) and customer satisfaction survey are currently quite common tools for TPO management.</li> </ul>  |
| 6.2.3 HRM & HRD                              | <ul style="list-style-type: none"> <li>- TPOs with statutory body status emphasize the mid-career recruitment from the private sector.</li> <li>- Personnel evaluation based on performance becomes a standard practice for TPOs.</li> </ul>   |
| 6.2.4 Export Promotion services and programs | <ul style="list-style-type: none"> <li>- As a general trend, TPOs allocate lesser extent of resource to event-based services such as trade fairs. They put more onto client-based services and extend a variety of promotion menu.</li> <li>- TPOs emphasize not only offshore operation but onshore operation.</li> <li>- TPOs have to provide a series of support programs in sequenced manner in order to succeed in new (potential) exporter development.</li> <li>- Overseas promotion offices are given minimum duties.</li> <li>- Some TPOs have prepared "Client's Charter" to assure a certain level of services and programs.</li> <li>- Some TPOs have a registration system or membership system and they charge fees for some kinds of services.</li> </ul> |
| 6.2.5 Budget and revenue source              | <ul style="list-style-type: none"> <li>- Statutory TPOs have own revenue sources although the size of own revenue is still limited in most cases.</li> </ul>   |
| 6.2.6 Coordination and networking            | <ul style="list-style-type: none"> <li>- In general, TPOs have regular and close communication channels with major industrial associations through the units for products and services.</li> <li>- Most of the benchmarked TPOs have not observed any duplication of promotion services among ministries, but some observe uncoordinated programs at the regional level.</li> <li>- Some TPOs show a good model of cooperation with regional governments and private sector in the regions.</li> <li>- TPOs can proactively address an issue of finance through building alliance with financial institutions.</li> </ul>  |

- 6.2.7 Restructuring and reform experience
- Integration of additional functions such as investment promotion function has been experienced by some TPOs such as KOTRA and IE Singapore.
  - Decentralization of overseas office operation and subsequent transfer of staff to overseas office have carried out at some TPOs such as KOTRA and AUSTRADE.
  - Strengthening and enhancement of customer-based operation have implemented through the establishment of export(er) development function, customer service center, call center, financial support scheme, etc. at some TPOs such as MATRADE, AUSTRADE and IE Singapore.
  - Introduction of result-based management (KPIs and customer feedback system) and personnel evaluation system has been done at some TPOs.

Table-1 Major Indicators of Other Asian TPOs (Summary)

Sub-item	DEP Thai	MAT RADE	KOTRA	TAITRA	AUS TRADE	IE Singapore	JETRO	NAFED
No. of staff in total	957	479	Over 1,000	731	1,072	450	1,680	375
No. of overseas office (country)	56 (41)	32 (28)	app. 100 (73)	44 (n.a.)	142 (64)	35 (21)	73 (54)	6 (6)
No. of exporters in directory	10,000	13,764	5,346	76,150	over 10,000	app. 12,000	n.a.	1,181
No. of website visitor / year	1.1 mil	0.74 mill	over 2 mil	10.4 mil	n.a.	5 mil	103.3 mil	n.a.
No. of inquiry / year	n.a.	13,784 (overseas) 7,551 (HQ)	n.a.	410,000/ n.a.	n.a.	app. 50,000	33,013	4,050
No. of matching made / year	n.a.	7,135	n.a.	5,089	5,098	n.a.	6,733	n.a.
No. of overseas trade fair / year	90	50	n.a.	50	n.a.	100	n.a.	26

Source: JICA Study Team



## 7. Direction of NAFED Reform

### 7.1 Necessity of NAFED Reform

Compared with other TPOs, NAFED has critical weaknesses in their activities and capabilities. As these weaknesses of NAFED, the followings can be pointed out:

- Less customer-oriented export promotion service;
- Weak onshore service (export development);
- Weak communication with the private sector;
- Weak network in regions within Indonesia;
- Lack of professionalism among the staffs;
- Bureaucratic organizational culture; and
- Inverted-pyramid-shaped age composition.

Major reasons for these weaknesses are such interrelating issues as:

- Insufficient customer orientation and business mind of the staff;
- Weak competence to offer good service;
- One-way communication with the private sector; and
- Inadequate institutional arrangement and organizational set-up.

As for business environment of NAFED, there are following several threats:

- Lower competitiveness of Indonesian exporters in the overseas markets;
- Poor image of Indonesian products in the overseas markets;
- Lower level of satisfaction with NAFED service by the private sector; and
- Overlapping of export promotion activities with other ministries.

Several ministries of the central government also have the budget for export promotion and carry out similar activities to NAFED. This situation makes Indonesia's export promotion activities less effective and less focused, and therefore should be immediately addressed.

In addition, it is an important issue of Indonesian economy to develop Indonesian exporters' capability to cope with the tighter competition in the global market. The support to Indonesian exporters, especially SME exporters, should be enhanced to a level of major competing countries.

Current conditions require a major decision, because a cosmetic improvement is not deemed as enough to change NAFED. NAFED faces with the necessity of dealing with the changes happening in the harsh global competition and the necessity of drastic reform for strengthening of its services and functions, and institutional set-up.

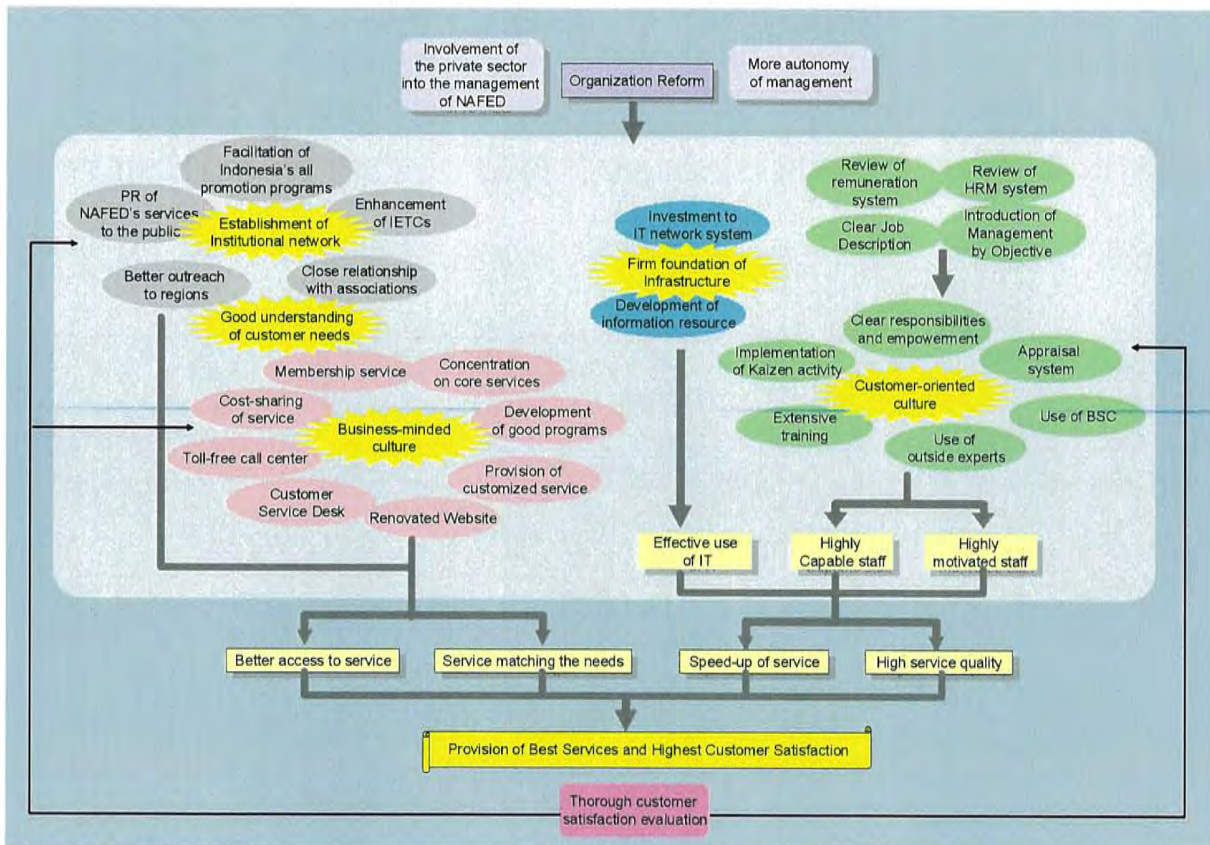
NAFED has advantages such as a worldwide network of ITPCs, reputable export training service by IETC, and past experience in export promotion activities, against other ministries in Indonesia.

NAFED should aim to establish the role of acting as the focal point of export promotion activities in Indonesia. In order to achieve this objective, it is inevitable to introduce drastic measures into NAFED.

7.2 Framework of NAFED reform

The JICA Study Team considers that the provision of the best services and the highest customer satisfaction with export promotion activities should be pursued through the reform of NAFED. To achieve this, four points should be addressed including i) high quality of service, ii) speed of service, iii) provision of services which meet customer's needs, and iv) improvement of access to services. These are considered as main objectives of NAFED reform. The JICA Study Team has examined the necessary strategy and actions to achieve these objectives and thus constructed a basic framework for NAFED reform, as shown in the following figure.

Figure-11 Basic Framework of NAFED Reform



Source: JICA Study Team