

MINUTES OF MEETING
BETWEEN
2nd JAPANESE DETAILED PLANNING SURVEY TEAM
AND
AUTHORITIES CONCERNED OF THE GOVERNMENT OF THE REPUBLIC
OF INDONESIA
ON
JAPANESE TECHNICAL COOPERATION
FOR
THE PROJECT ON CLUSTER SUPPORT HUMAN RESOURCE DEVELOPMENT
IN INDONESIA

In response to the request from the Government of the Republic of Indonesia (hereinafter referred to as “Indonesia”), the 1st Japanese Detailed Planning Survey Team, organized by Japan International Cooperation Agency (hereinafter referred to as “JICA”) headed by Mr. Toru HOMMA, Senior Advisor on Private Sector Development, JICA, was dispatched in February and March 2012 to collect information on the Project design. The 2nd Japanese Detailed Planning Survey Team (hereinafter referred to as “the Team”), organized by JICA headed by Mr. Toru HOMMA visited Indonesia from 27th May to 15th June 2012, for the purpose of working out the details of the Technical Cooperation Project on Cluster Support Human Resource Development in Indonesia (hereinafter referred to as “the Project”).

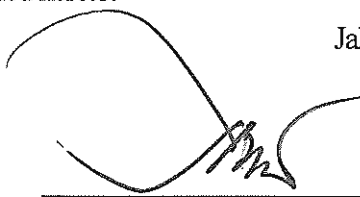
During its stay in Indonesia, the Team exchanged views and had a series of discussions with the Ministry of Industry (hereinafter referred to as “MOI”) and the Indonesian authorities concerned with respect to necessary measures to be taken by JICA and the Government of Indonesia represented by MOI for the successful implementation of the Project.

As a result of the discussions, both sides reached a common understanding concerning the matters referred to in the document attached hereto.

Jakarta, 15th June, 2012



Mr. Toru HOMMA
Mission Leader
2nd Detailed Planning Survey Team
Japan International Cooperation Agency
Japan



Ms. Euis Saedah
Director General
Directorate General of Small and Medium Industry
Ministry of Industry
Republic of Indonesia

ATTACHED DOCUMENT

1 Technical Cooperation Project

The Team explained the basic concept of JICA's Technical Cooperation Project to Indonesian side for better understanding the scheme of the Project. The Team also showed the following key factors of the cooperation such as; 1) collaboration of both sides, 2) appropriate knowledge and skills transfer, 3) ownership of Indonesian side, and 4) capacity development.

As the Project is requested based on the Development Study Project "Strengthening Clusters (SENTRA) of Small and Medium Industries" undertaken from 2009 to 2010, major differences between development study and technical cooperation project were explained with a special attention on the necessity of strong ownership of Indonesian side on implementation of the Project.

2 Project name

Both sides agreed to change the Project name from "the Project on Cluster Support Human Resource Development in Indonesia" to "the Project on Small and Medium Industry (SMI) Development based on Improved Service Delivery¹ in Indonesia".

3 Agencies of the Project

The Directorate General of Small and Medium Industry (hereinafter referred to as "DG of SMI"), MOI will be the responsible agency for implementing the activities of the Project. (MOI Organization Chart is shown in ANNEX 7)

4 Administration of the Project

The Indonesia side will conduct internal discussions on assignment of administration of the Project.

(1) Project Director

Director General of Small and Medium Industry, MOI will be the Project Director to conduct the Project.

(2) Deputy Project Director

Secretary of Directorate General of Small and Medium Industry, MOI

(3) Project Managers

Project Managers will bear the responsibility for implementation and technical matters of the Project.

- Director of Small and Medium Industry Region I, DG of SMI, MOI
- Director of Small and Medium Industry Region II, DG of SMI, MOI
- Director of Small and Medium Industry Region III, DG of SMI, MOI

(4) Local Project Administration

Local Working Group, chaired by Head of Regional Industry and Trade Office (hereinafter referred to as "DINAS Industry and Trade") or Director of Regional Development Planning Board (hereinafter referred to as "BAPPEDA") depending on the consensus, will be established at Provincial level and/or District/City level.

¹ "Service delivery" means functions to deliver the existing services which are provided by both private and public organizations and individuals to support SMIs.

5 Tentative Framework of the Project

Indonesia has been strongly promoting industrial development with special attention to SMI development, which has been further encouraged by “Regulation of the President No. 28, 2008 on the National Industrial Policy”. Under such situation, JICA has supported SMI development in Indonesia with several assistances.

In the 1st and 2nd Detailed Planning Survey, JICA found out that there were a number of existing useful services for SMI development (a part of them has been contributed by JICA in the past) but they were not exposed to SMIs enough and not well delivered to SMIs based on their needs due to limited official services compared to the large number of SMIs. The service should be presented in such a way to attract SMIs for the utilization by organizing and streamlining them in order to ensure the accessibility. The delivery mechanism shall be structured at National level, Provincial level and District/City level. In order to address these issues, the following framework of the Project was discussed.

The Tentative Project Design Matrix (PDM) and Tentative Plan of Operations (PO) are proposed as shown in ANNEX 2 and ANNEX 3.

(1) Duration of the Project

36 months from 2013

* Duration and commencement date of the Project are subject to budget allocation.

(2) Master Plan of the Project

1) Overall Goal

SMIs in the target regions will increase the production and competitiveness and the established model will be practiced in other regions.

2) Project Purpose

Preparation for expansion of the model for SMI development based on the efficient service delivery platform is arranged in MOI.

3) Outputs

- i) Platform for efficient service delivery is prepared as a base of SMI development in each target region.
- ii) Target SMIs in each target region are strengthened by utilization of efficient service delivery.
- iii) The model is established based upon experience and lessons obtained through activities performed under Outputs 1 and 2 to be applicable to other regions.

4) Activities

- i-1) Set up the project implementation unit organized by DG of SMI in MOI for overall management of the Project.
- i-2) In each target region, formulate Local Working Group to coordinate the activities for SMI development for overall management of the Project.
- i-3) Review and map the currently available institutions and services for SMIs development by various entities and service providers in each target region.
- i-4) Establish the system to ensure efficient service delivery for SMIs.
- i-5) Assign and train staff in charge at the local government who facilitate services by local and central governmental institutions and private service providers for SMIs. (Special attention shall be paid for the SHINDAN-SHIs and their utilization for this function.)
- i-6) Develop a directory (paper based and web based) to introduce SMI support services by

- government and private institutions.
- i-7) Facilitate and support activities of Local Working Group in each target region.
 - i-8) Monitor situation of service delivery in each target region.
-
- ii-1) Conduct regular meetings of Local Working Group in each target region.
 - ii-2) Analyze issue and needs of value chain and industrial linkage in target SMIs in each region (considering the target SMI's type such as local resource-based industry and supporting industry).
 - ii-3) Identify the goals, tasks, and activities for the development of the target SMIs based on the result of the analysis done above.
 - ii-4) Implement the identified activities by using improved service delivery mechanism.
 - ii-5) Analyze and evaluate the result of activities for development of target SMIs by Local Working Groups in each region.
-
- iii-1) Analyze and evaluate the experience which is acquired through Activities under Output 1 and 2 in each region.
 - iii-2) Identify contents and factors to constitute the model, which is adaptable to other regions.
 - iii-3) Develop the guideline as reference materials for other regions to replicate and implement the model.
 - iii-4) Organize workshop to socialize the model for other stakeholders.
 - iii-5) Facilitate the necessary budgetary arrangement as well as formulate program to respond to the possible requests from other provincial governments.

6 Selection of the Project site

Both sides agreed to select one project site from each three Region.

DG of SMI will issue official letters to the concerned organization(s) in the target provinces/districts/cities in order to inform them of the Project implementation, request their participation in the Project and ask them to nominate some personnel in charge of the Project.

(1) Region I (Sumatra and Kalimantan)

Ulos (traditional weaving) cluster/sentra in North Sumatra was strongly proposed from Indonesian side. It is, however, impossible to make a decision at this moment to identify the cluster/sentra as the target because strong commitment and prioritization at the Provincial level have not been confirmed so far. Both sides try to make sure the commitment and prioritization before the signing of the Record of Discussions (R/D). In case the strong commitment of Provincial/District/City Government to Ulos cluster/sentra development is not confirmed, Government of Indonesia will propose the alternative cluster/sentra.

(2) Region II (Java and Bali)

Both sides agreed to select Central Java which is identified as cluster/sentra of component industry and the most appropriate target area for supporting industry type SMI development. Central Java has established cluster/sentra development system at Provincial level and is considered to have sufficient ground to attempt the Project approach based on establishing efficient service delivery platform.

(3) Region III (East Indonesia)

Both sides agreed to select Central Sulawesi where JICA's short-term cooperation by an expert team for local industry development is going on. The Province's commitment is highly demonstrated by the Governor's decree issued on 29 May 2012 on local industry development for 4 years, which indicates JICA as a team member and covers the entire project period. The current JICA's cooperation in Central Sulawesi is based on the knowledge and experience of the JICA Project for Facilitation of Local Industry Development in South Sulawesi Province, which was completed in March 2012.

7 Measures to be taken by the JICA

The Project will be carried out under the framework of the technical cooperation project which is the combination of three following components,

(1) Dispatch of Japanese experts

The Japanese experts will be dispatched in compliance with the fields of knowledge and skills transfer.

(2) Training of the Indonesian counterpart personnel in Japan

Certain numbers of counterpart personnel will be accepted for training in Japan during the cooperation period for the purpose of complementing the knowledge and skills transfer by the Japanese experts.

(3) Provision of equipment

The necessary equipment to accomplish the knowledge and skills transfer will be provided by the JICA within its budget constraints.

8 Measures to be taken by the Government of Indonesia

The Government of Indonesia will consider internally the following measures in prior to signing the R/D.

(1) Offices and facilities for the Project

Office space at the DG of SMI of MOI and target local governments for Japanese experts equipped with office facilities, such as office furniture, telephone connection, internet access, will be provided before the Project starts.

(2) Assignment of counterpart personnel

The Government of Indonesia will assign the Indonesian counterpart personnel and administrative staff for the Project.

(3) Appropriation of local costs

The Government of Indonesia will bear the local cost necessary for the smooth implementation of the Project.

1) Services of the Indonesian counterpart personnel and administrative personnel including their local travel cost and local transportation.

2) Supply or replacement of office equipment, tools, office supplies and any other materials necessary for the implementation of the Project other than the equipment provided by JICA.

3) Custom duties, internal taxes and any other charges, imposed in Indonesia.

(4) Privileges, exemptions and benefits to the Japanese experts

The Government of Indonesia will grant privileges, exemptions and benefits to the Japanese experts and their families no less favorable than those accorded to experts of third countries working in Indonesia with the prevailing laws and regulation in Indonesia as well as under the Colombo Plan Technical Cooperation Scheme.

9 Joint Coordinating Committee and Local Working Group Meeting of the Project

(1) Joint Coordinating Committee (JCC)

For effective and successful implementation of the Project, JCC composed of the members appointed by both sides will be established and held at least twice a year in Indonesia.

The members of the JCC are shown in ANNEX 5.

Functions of JCC are as follows.

- 1) To supervise the annual plan of the activities of the Project based on PDM.
- 2) To review the management of the Project and to find out appropriate ways and means for the solution of major issues arising from or in connection with the management of the Project.
- 3) To supervise the annual work plan of the Project in line with the PO which will be formulated based on the R/D.
- 4) To review the overall progress of the Project, and to evaluate the achievement of the objectives.

(2) Local Working Group

For effective and successful implementation of the Project in local level, Local Working Group will be established.

The members of the Local Working Group are shown in ANNEX 6.

10 Joint Evaluations

The evaluation of the Project will be carried out at the middle of and about six months before the completion of the Project. The evaluation study will be jointly conducted by the Indonesian and Japanese sides.

11 Signing of Record of Discussions

The Record of Discussions, draft of which is attached as ANNEX 8, will determine the framework of the Project and include the contents of this Minutes of Meeting. The Record of Discussions will be signed by the Chief Representative of JICA Indonesia Office and the Director General of Small and Medium Industry of MOI.

List of ANNEXES

ANNEX1: Project Concept

ANNEX2: Tentative Project Design Matrix (PDM)

ANNEX3: Tentative Plan of Operations (PO)

ANNEX4: Organizational Chart of the Project

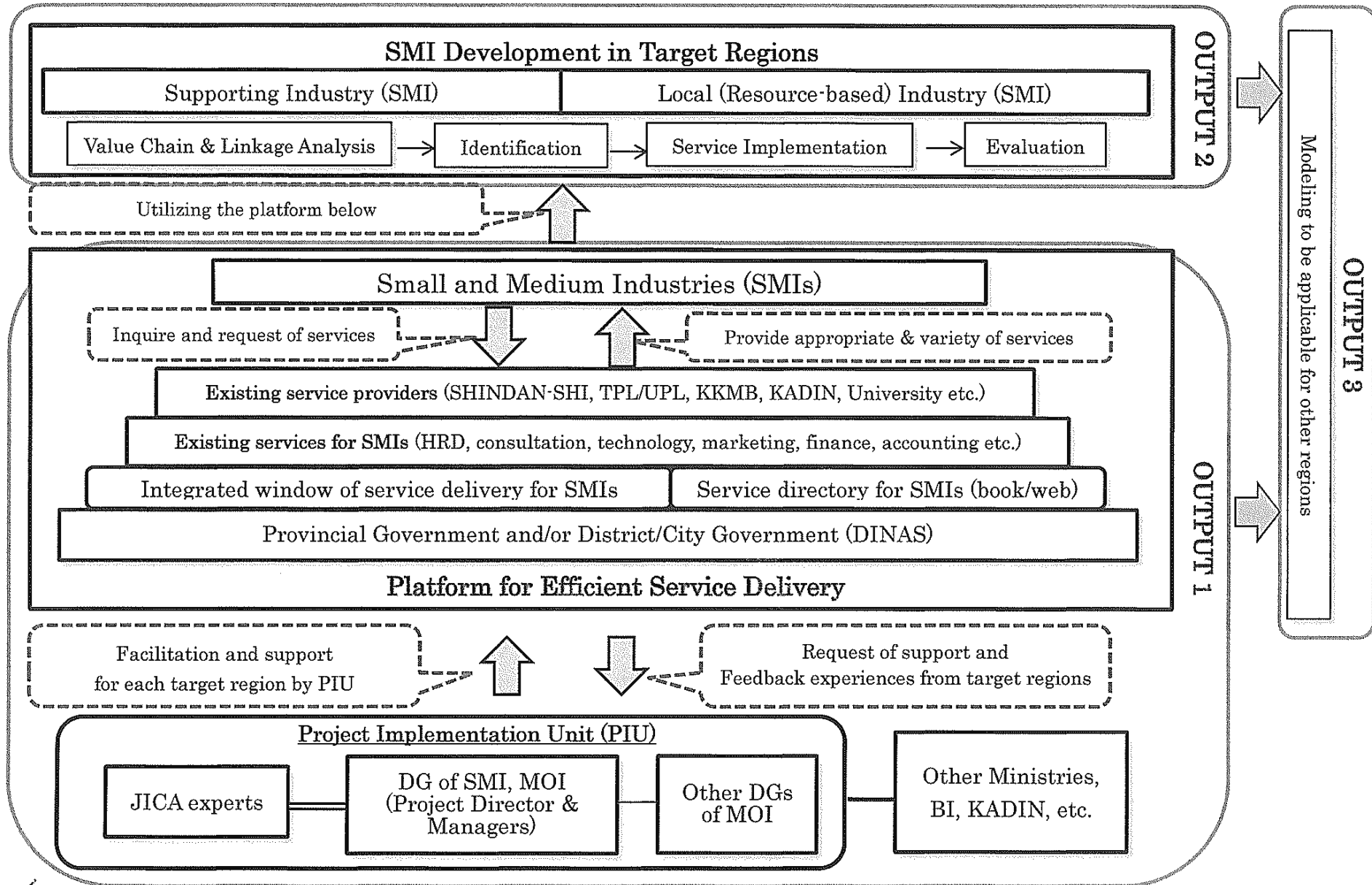
ANNEX5: A List of Proposed Members of Joint Coordinating Committee

ANNEX6: A List of Proposed Members of Local Working Group (Example)

ANNEX7: ORGANIZATIONAL CHART - MINISTRY OF INDUSTRY
ANNEX8: Record of Discussions (Draft)



PROJECT CONCEPT



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Tentative Project Design Matrix (PDM) :

Name of the Project: Project on Small and Medium Industry (SMI) Development based on Improved Service Delivery

Duration : from 2013 for three (3) years

Date: 15 June 2012

Target Area: Central Java, Central Sulawesi, One province from Sumatra/Kalimantan

Target Group : SMIs in target regions

PDM ver.0

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATIONS	IMPORTANT ASSUMPTIONS
<p>OVERALL GOAL</p> <p>SMIs in the target regions will increase the production and competitiveness and the established model will be practiced in other regions.</p>	<p>1 Turnover and market channel of SMIs in target regions are increased.</p> <p>2 Number of regions which opt the established model are increased.</p>	<p>Statistical data of Province, District/City and KADIN(DA)</p> <p>Data of MOI</p>	<p>Local governments which adapt the model continue to support SMIs in those regions.</p>
<p>PROJECT PURPOSE</p> <p>Preparation for expansion of the model for SMI development based on the efficient service delivery platform is arranged in MOI.</p>	<p>1 Official adoption of developed guideline for SMI development by MOI.</p> <p>2 Budgetary and organizational arrangement of MOI to expand the established model to other regions.</p>	<p>Official document and statement of MOI</p> <p>Official document and statement of MOI</p>	<p>Government policy for promotion of SMIs is not changed.</p>
<p>OUTPUTS</p> <p>1 Platform for efficient service delivery is prepared as a base of SMI development in each target region.</p> <p>2 Target SMIs in each target region are strengthened by utilization of efficient service delivery.</p> <p>3 The model is established based upon experience and lessons obtained through activities performed under Outputs 1 and 2 to be applicable to other regions.</p>	<p>1-1 Formulation of Local Working Group to coordinate service providers and SMIs in each model region.</p> <p>1-2 Development of the directory (paper based and web based) of services for SMIs.</p> <p>2-1 Most of SMIs recognize improvement of service delivery.</p> <p>2-2 Most of SMIs which used delivered services are satisfied.</p> <p>2-3 Positive change is observed among SMIs such as sales of products, diversification of market, linkages among/within SMIs and etc.</p> <p>3-1 The guideline as reference materials for the newly established model to develop SMIs in the country is materialized.</p> <p>3-2 Socialization workshop is organized by MOI.</p>	<p>Project documents</p> <p>Project documents, Printed directory, Web site</p> <p>Result of questionnaire survey done by the Project</p> <p>Result of questionnaire survey done by the Project</p> <p>Project documents, result of questionnaire survey done by the Project</p> <p>Project documents, Guideline</p> <p>Project documents</p>	<p>Economic conditions of target industries are not deteriorated.</p> <p>SMIs continue their economic activity in target regions.</p> <p>Strategic Plan of DG of SMI in MOI is sustained.</p>

ACTIVITIES	INPUTS	
<p>[Preparation of efficient service delivery platform]</p> <p>1-1 Set up the project implementation unit organized by DG of SMI in MOI for overall management of the Project.</p> <p>1-2 In each target region, formulate Local Working Group to coordinate the activities for SMI development for overall management of the Project.</p> <p>1-3 Review and map the currently available institutions and services for SMIs development by various entities and service providers in each target region.</p> <p>1-4 Establish the system to ensure efficient service delivery for SMIs.</p> <p>1-5 Assign and train staff in charge at the local government who facilitate services by local and central governmental institutions and private service providers for SMIs. (Special attention shall be paid for the SHINDAN-SHIs and their utilization for this function.)</p> <p>1-6 Develop a directory (paper based and web based) to introduce SMI support services by government and private institutions.</p> <p>1-7 Facilitate and support activities of Local Working Group in each target region.</p> <p>1-8 Monitor situation of service delivery in each target region.</p>	<p>Indonesian side:</p> <ul style="list-style-type: none"> - Appropriate number of counterpart personnel in MOI - Local cost necessary for counterpart in the project activities - Office space for the Project and facilities <p>Japanese side:</p> <ul style="list-style-type: none"> - Japanese experts for required sectors - Local cost expenditure for the project activities - Training of counterpart personnel in Japan - Provision of equipment necessary for the project activities 	
<p>[Strengthening of SMIs]</p> <p>2-1 Conduct regular meetings of Local Working Group in each target region.</p> <p>2-2 Analyze issue and needs of value chain and industrial linkage in target SMIs in each region (considering the target SMI's type such as local resource-based industry and supporting industry).</p> <p>2-3 Identify the goals, tasks, and activities for the development of the target SMIs based on the result of the analysis done above.</p> <p>2-4 Implement the identified activities by using improved service delivery mechanism.</p> <p>2-5 Analyze and evaluate the result of activities for development of target SMIs by Local Working Groups in each region.</p> <p>[Establishing a model for SMI development]</p> <p>3-1 Analyze and evaluate the experience which is acquired through Activities under Output 1 and 2 in each region.</p> <p>3-2 Identify contents and factors to constitute the model, which is adaptable to other regions.</p> <p>3-3 Develop the guideline as reference materials for other regions to replicate and implement the model.</p> <p>3-4 Organize workshop to socialize the model for other stakeholders.</p> <p>3-5 Facilitate the necessary budgetary arrangement as well as formulate program to respond to the possible requests from other provincial governments.</p>		<p style="text-align: center;">PRECONDITIONS</p> <p>Provincial and District/City governments in model regions accept the Project.</p>

Note) SMI: Small and Medium Industry, MOI: Ministry of Industry, DG: Directorate General

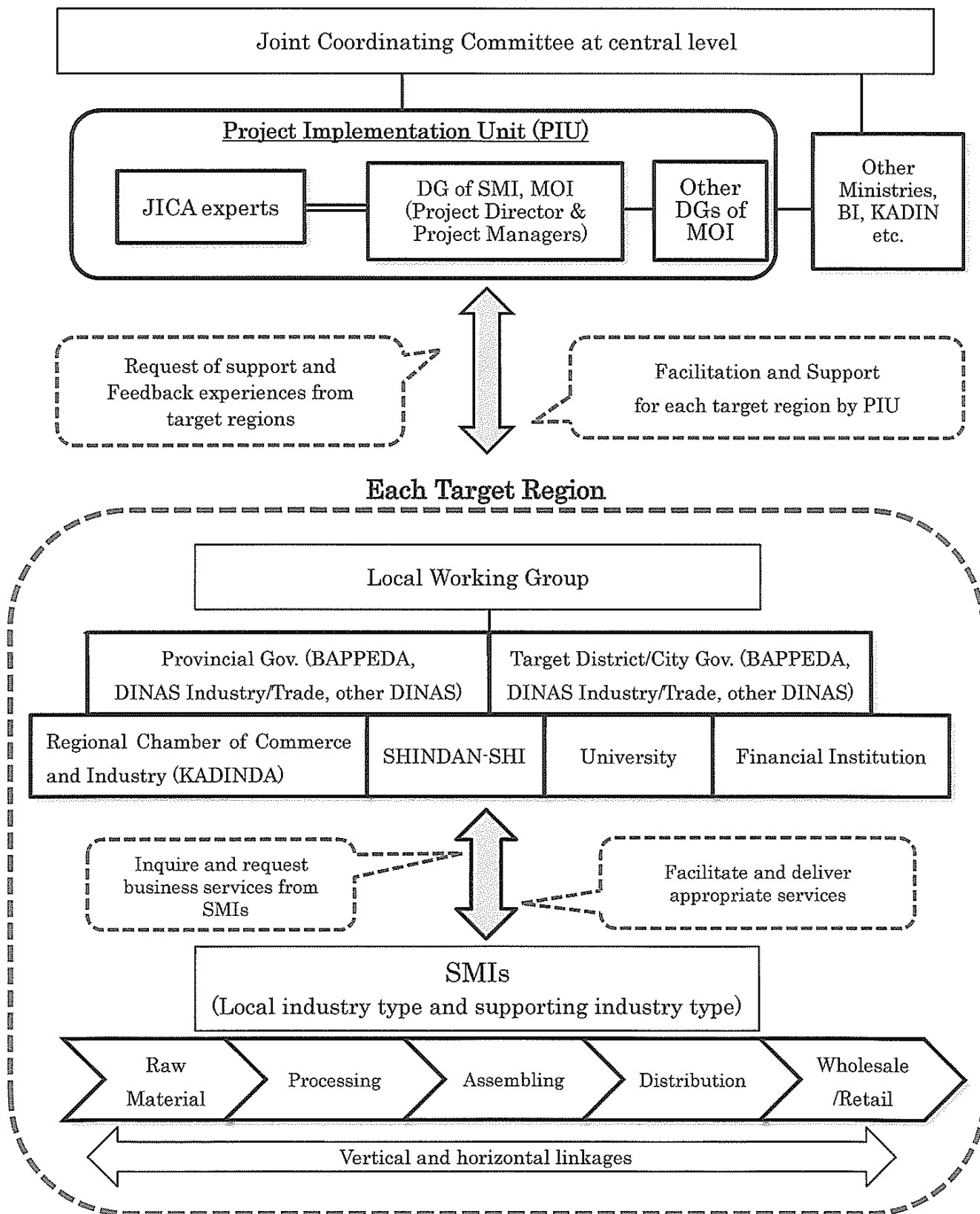
Tentative Plan of Operations (PO)

Project Title: Project on Small and Medium Industry (SMI) Development based on Improved Service Delivery

Date: 15 June 2011
PO Ver.0

ACTIVITIES	SCHEDULE											
	Year 1				Year 2				Year 3			
	I	II	III	IV	i	II	III	IV	I	II	III	IV
[Preparation of efficient service delivery platform]												
1-1 Set up the project implementation unit organized by DG of SMI in MOI for overall management of the Project.	[Gantt bar: I-1]											
1-2 In each target region, formulate Local Working Group to coordinate the activities for SMI development for overall management of the Project.	[Gantt bar: I-2]											
1-3 Review and map the currently available institutions and services for SMIs development by various entities and service providers in each target region.	[Gantt bar: I-3]											
1-4 Establish the system to ensure efficient service delivery for SMIs.	[Gantt bar: I-4]											
1-5 Assign and train staff in charge at the local government who facilitate services by local and central governmental institutions and private service providers for SMIs. (Special attention shall be paid for the SHINDAN-SHIs and their utilization for this function.)	[Gantt bar: I-5]											
1-6 Develop a directory (paper based and web based) to introduce SMI support services by government and private institutions.	[Gantt bar: I-6]											
1-7 Facilitate and support activities of Local Working Group in each target region.	[Gantt bar: I-7]											
1-8 Monitor situation of service delivery and performance of SMIs in each target region.	[Gantt bar: I-8]											
[Strengthening of SMEs]												
2-1 Conduct regular meetings of Local Working Group in each target region.	[Gantt bar: 2-1]											
2-2 Analyze issue and needs of value chain and industrial linkage in target SMIs in each region (considering the target SMI's type such as local resource-based industry and supporting industry).	[Gantt bar: 2-2]											
2-3 Identify the goals, tasks, and activities for the development of the target SMIs based on the result of the analysis done above.	[Gantt bar: 2-3]											
2-4 Implement the identified activities by using improved service delivery mechanism.	[Gantt bar: 2-4]											
2-5 Analyze and evaluate the result of activities for development of target sectors by Local Working Groups in each region.	[Gantt bar: 2-5]											
[Establishing a model for SMI development]												
3-1 Analyze and evaluate the experience which is acquired through Activities under Output 1 and 2 in each region.	[Gantt bar: 3-1]											
3-2 Identify contents and factors to constitute the model, which is adaptable to other regions.	[Gantt bar: 3-2]											
3-3 Develop the guideline as reference materials for other regions to replicate and implement the model.	[Gantt bar: 3-3]											
3-4 Organize workshop to disseminate the model for other stakeholders.	[Gantt bar: 3-4]											
3-5 Facilitate the necessary budgetary arrangement as well as formulate program to respond to the possible requests from other provincial governments.	[Gantt bar: 3-5]											

Organizational Chart of the Project



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A List of Proposed Members of Joint Coordinating Committee

I. Indonesian Side

1. Ministry of Industry (MOI)

- Director General of Small and Medium Industry (Chair)
- Representative(s) of Directorate General of International Industrial Cooperation
- Representative(s) of Directorate General of Manufacturing Based Industry
- Representative(s) of Directorate General of Agro Based Industry
- Representative(s) of Directorate General of Leading Industry Based on High Technology

2. Other Ministries and Public Institutions

- National Development Planning Agency (BAPPENAS)
- Ministry of Cooperatives and SMEs
- Ministry of Trade
- Ministry of Finance
- Bank Indonesia (BI)

3. Local Working Group

- Representative of each local working group

4. Private Sectors

- Chamber of Commerce and Industry of Indonesia (KADIN)
- Relevant Associations

II. Japanese Side

- JICA Expert Team
- JICA Indonesia Office
- Embassy of Japan (Observer)



A List of Proposed Members of Local Working Group (Example)

I. Indonesian Side

1. Provincial Government

- Regional Development Planning Board (BAPPEDA)
- Industry and Trade Office (Dinas)
- Other related offices if necessary

2. District/City Government

- Regional Development Planning Board (BAPPEDA)
- Industry and Trade Office (Dinas)
- Other related offices if necessary

3. Other Public Institutions and Individual

- University
- SHINDAN-SHI

4. Private Sectors and Financial Institution

- Regional Chamber of Commerce and Industry (KADINDA)
- Bank Indonesia Regional Office
- Regional Bank
- Cooperatives

II. Japanese Side

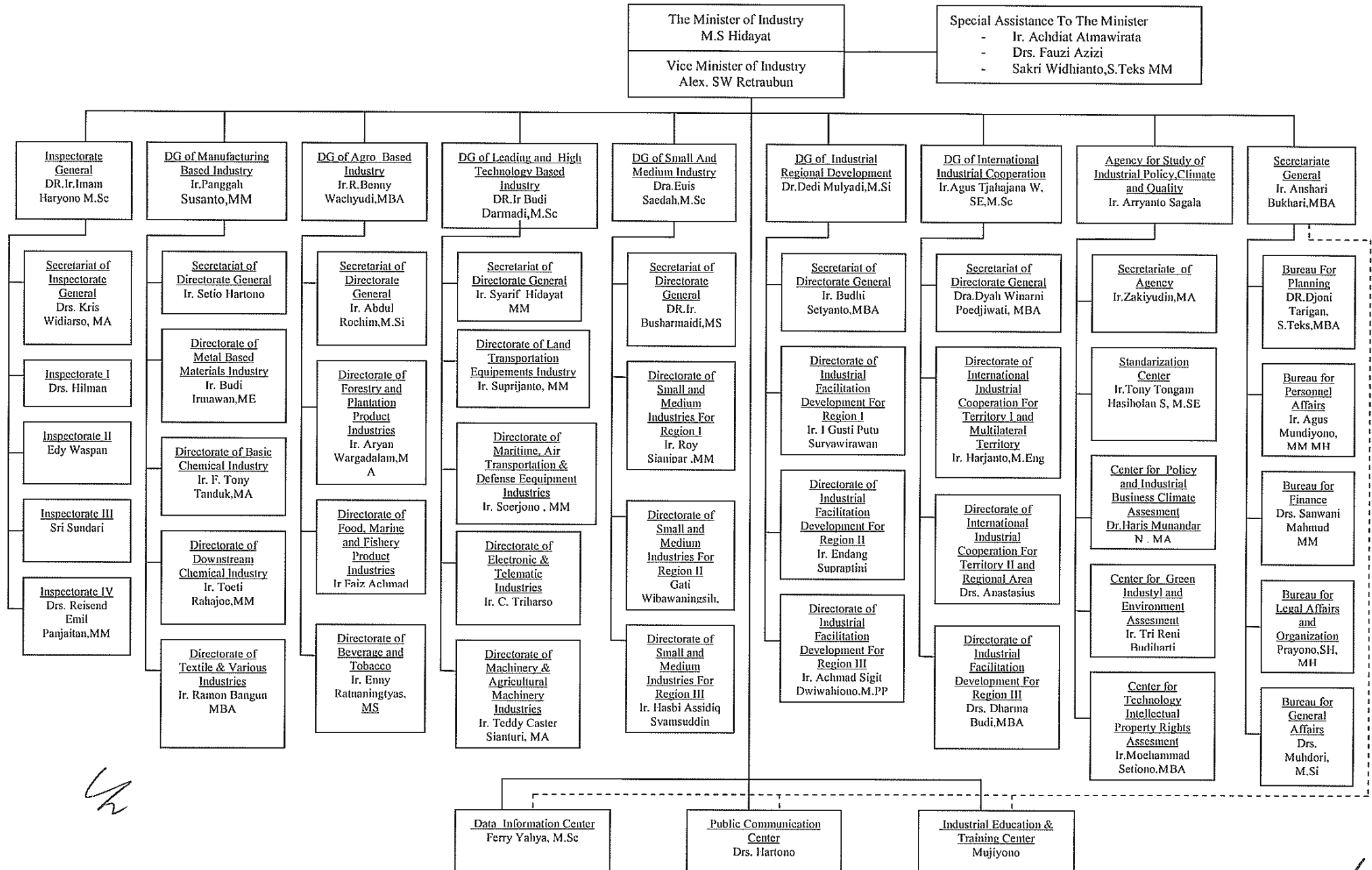
- JICA Expert Team
- JICA Indonesia Office

Note) Name of the member organization and membership will vary according to the organizational structure of each Province/District/City.



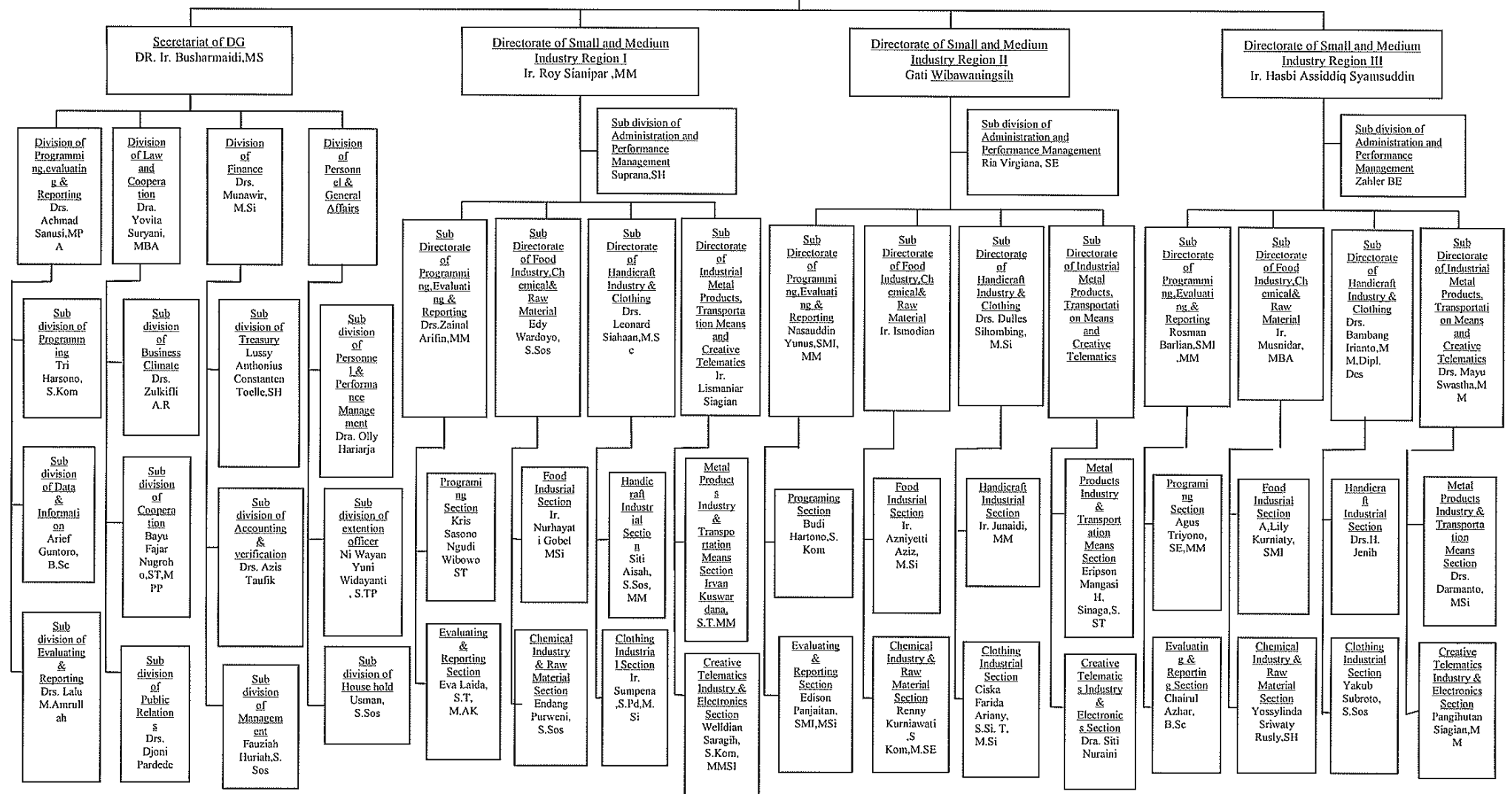
ORGANIZATIONAL CHART - MINISTRY OF INDUSTRY

ANNEX7



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RECORD OF DISCUSSIONS

ON

THE PROJECT ON SMALL AND MEDIUM INDUSTRY (SMI)
DEVELOPMENT BASED ON IMPROVED SERVICE DELIVERY

IN

INDONESIA

AGREED UPON BETWEEN

AUTHORITIES CONCERNED OF THE GOVERNMENT OF
THE REPUBLIC OF INDONESIA

AND

JAPAN INTERNATIONAL COOPERATION AGENCY

Jakarta, aa August 2012

Mr. Motofumi KOHARA
Chief Representative
JICA Indonesia Office
Japan International Cooperation Agency
Japan

Ms. Euis Saedah
Director General
Directorate General of Small and
Medium Industry
Ministry of Industry
Republic of Indonesia



Based on the minutes of meeting on the 2nd Detailed Planning Survey on the Project on Cluster Support Human Resource Development in Indonesia (hereinafter referred to as “the Project”) signed on 15th June between Ministry of Industry (hereinafter referred to as “MOI”) and the Japan International Cooperation Agency (hereinafter referred to as “JICA”), JICA held a series of discussions with MOI and relevant organizations to develop a detailed plan of the Project.

Both parties agreed the details of the Project and main points discussed as described in the Appendix 1 and the Appendix 2, respectively, and to request their respective governments to proceed with the necessary procedures for implementation of the Project.

Both parties also agreed that Ministry of Industry, the counterpart to JICA, will be responsible for the implementation of the Project in cooperation with JICA, coordinate with other relevant organizations and ensure that the self-reliant operation of the Project is sustained during and after the implementation period in order to contribute toward social and economic development of Indonesia.

The Project will be implemented within the framework of the Colombo Plan Technical Cooperation Scheme and the Note Verbal to be exchanged between the Government of Japan and the Government of Indonesia represented by Ministry of Industry.

The effectiveness of the record of discussions is subject to the exchange of the Note Verbal.

Appendix 1: Project Description
Appendix 2: Main Points Discussed



PROJECT DESCRIPTION**I. BACKGROUND**

Indonesia has been strongly promoting industrial development with special attention to SME development, which has been further encouraged by “Regulation of the President No.28, 2008 on the National Industrial Policy”.

Based on the strategy designated by the Regulation, the Government has endeavored to accelerate industrial development through upgrading and strengthening the value-chains of industries and increasing the added values in the value-chain through establishing core-competence of local industries. In concrete, taking so-called “Top-Down Approach”, 35 priority industries have been selected and promoted with the initiative of MOI whereas the Provincial and District/City Governments are required to take the responsibility of the local industry development through so-called “Bottom-Up Approach” with the budget support from MOI.

JICA's support to the area of SME development has been organized and streamlined after “Policy Recommendation for SME Promotion in Republic of Indonesia” was disseminated in 2000 proposing the comprehensive approach to SME development. Subsequently, JICA has provided supports to various areas of SME development in partnership with MOI. SME Management Consultant (SHINDAN-SHI) system was established in 2006 through the Project on Human Resource Development for SMEs. In the recent years, JICA undertook “Cooperation for Strengthening Clusters (SENTRA) of Small and Medium Industries” (the Master Plan Study) from 2009 to 2010 which produced the Master Plan comprising the proposed action programs for industrial cluster development and the guideline for cluster development. In the meantime, JICA has been implementing the projects to reinforce various governmental institutions for SME development and industrial cluster development including “Technical Cooperation Project for Facilitation of Local Industry Development in South Sulawesi Province” and “The Capacity Development for Supporting Industry Development: Credit Guarantee System”.

However, it was widely observed that the efforts of industrial development both Top-Down by MOI and Bottom-Up by the local Governments are yet to be streamlined where the policy measures may not be utilized fully to incur the maximum impact.

In the situation, MOI requested JICA for the assistance to reinforce the capacity of MOI and other relevant institutions to increase the effectiveness of the on-going efforts for industrial cluster development. In response to the request of the Government of Indonesia, the Project will be formulated by Government of Indonesia and JICA jointly.

II. OUTLINE OF THE PROJECT

Details of the Project are described in the Logical Framework (Project Design Matrix: PDM) (Annex 1) and the tentative Plan of Operations (Annex 2).】

1. Title of the Project

The Project on Small and Medium Industry (SMI) Development based on Improved Service Delivery in Indonesia

2. Overall Goal

SMIs in the target regions will increase the production and competitiveness and the established model will be practiced in other regions.

3. Project Purpose

Preparation for expansion of the model for SMI development based on the efficient service delivery platform is arranged in MOI.

4. Outputs

- i) Platform for efficient service delivery is prepared as a base of SMI development in each target region.
- ii) Target SMIs in each target region are strengthened by utilization of efficient service delivery.
- iii) The model is established based upon experience and lessons obtained through activities performed under Outputs 1 and 2 to be applicable to other regions.

5. Activities

- i-1) Set up the project implementation unit organized by DG of SMI in MOI for overall management of the Project.
- i-2) In each target region, formulate Local Working Group to coordinate the activities for SMI development for overall management of the Project.
- i-3) Review and map the currently available institutions and services for SMIs development by various entities and service providers in each target region.
- i-4) Establish the system to ensure efficient service delivery for SMIs.
- i-5) Assign and train staff in charge at the local government who facilitate services by local and central governmental institutions and private service providers for SMIs. (Special attention shall be paid for the SHINDAN-SHIs and their utilization for this function.)
- i-6) Develop a directory (paper based and web based) to introduce SMI support services by government and private institutions.
- i-7) Facilitate and support activities of Local Working Group in each target region.
- i-8) Monitor situation of service delivery in each target region.

- ii-1) Conduct regular meetings of Local Working Group in each target region.
- ii-2) Analyze issue and needs of value chain and industrial linkage in target SMIs in each region (considering the target SMI's type such as local resource-based industry and supporting industry).
- ii-3) Identify the goals, tasks, and activities for the development of the target SMIs based on the result of the analysis done above.
- ii-4) Implement the identified activities by using improved service delivery

mechanism.

ii-5) Analyze and evaluate the result of activities for development of target SMIs by Local Working Groups in each region.

iii-1) Analyze and evaluate the experience which is acquired through Activities under Output 1 and 2 in each region.

iii-2) Identify contents and factors to constitute the model, which is adaptable to other regions.

iii-3) Develop the guideline as reference materials for other regions to replicate and implement the model.

iii-4) Organize workshop to socialize the model for other stakeholders.

iii-5) Facilitate the necessary budgetary arrangement as well as formulate program to respond to the possible requests from other provincial governments.

6. Input

(1) Input by JICA

JICA will take, at its own expense, the following measures according to the normal procedures under the Colombo Plan Technical Cooperation:

(a) Dispatch of Experts (* to be discussed)

Chief Advisor (1)

Experts on Local Industry development (2)

Expert on Supporting Industry development (1)

Expert on SMI Service Delivery (1)

Project Coordinator (1)

* Other short-term experts are dispatched based on necessity.

(b) Counterpart Training in Japan

(c) Provision of Equipment

If necessary for the Project implementation

In case of importation, the equipment and other materials under II-6 (1) (c) above will become the property of the Government of Indonesia upon being delivered C.I.F. (cost, insurance and freight) to the Indonesia authorities concerned at the ports and/or airports of disembarkation.

Input other than indicated above will be determined through mutual consultations between JICA and the Government of Indonesia during the implementation of the Project, as necessary.

(2) Input by the Government of Indonesia

The Government of Indonesia will take necessary measures to provide at its own expense:

(a) Services of Ministry of Industry's counterpart personnel and



- administrative personnel as referred to in II-7;
- (b) Suitable office space with necessary equipment;
- (c) Supply or replacement of equipment, tools, spare parts and any other materials necessary for the implementation of the Project other than the equipment provided by JICA;
- (d) Means of transport and travel allowances for the JICA experts for official travel within Indonesia;
- (e) Suitable furnished accommodation for the JICA experts and their families;
- (f) Information as well as support in obtaining medical service;
- (g) Credentials or identification cards;
- (h) Available data (including maps and photographs) and information related to the Project;
- (i) Running expenses necessary for the implementation of the Project;
- (j) Expenses necessary for transportation within Indonesia of the equipment referred to in II-6 (1) as well as for the installation, operation and maintenance thereof; and
- (k) Necessary facilities to the JICA experts for the remittance as well as utilization of the funds introduced into Indonesia from Japan in connection with the implementation of the Project

7. Implementation Structure

The Project organization chart is given in the Annex 3. The roles and assignments of relevant organizations are as follows:

- (1) Ministry of Industry
 - (a) Project Director
Director General of Small and Medium Industry, MOI
 - (b) Deputy Project Director
Secretary of Directorate General of Small and Medium Industry (hereinafter referred to as "DG of SMI"), MOI
 - (c) Project Managers
Director of Small and Medium Industry Region I, DG of SMI, MOI
Director of Small and Medium Industry Region II, DG of SMI, MOI
Director of Small and Medium Industry Region III, DG of SMI, MOI
- (2) Assignment of personal of MOI
 - (a) [Assignment of personnel]
- (3) JICA Experts
The JICA experts will give necessary technical guidance, advice and recommendations to Ministry of Industry on any matters pertaining to the implementation of the Project.
- (4) Joint Coordinating Committee

Joint Coordinating Committee (hereinafter referred to as "JCC") will be established in order to facilitate inter-organizational coordination. JCC will

be held at least once a year and whenever deems it necessary. JCC will approve an annual work plan, review overall progress, conduct monitoring and evaluation of the Project, and exchange opinions on major issues that arise during the implementation of the Project. A list of proposed members of JCC is shown in the Annex 4.

8. Project Site(s) and Beneficiaries

Central Java, Central Sulawesi, One province from Sumatra/Kalimantan
SMLs in target regions

9. Duration

36 months from 2013

* Duration and commencement date of the Project are subject to budget allocation.

10. Reports

Ministry of Industry agreed to abide by 'JICA Guidelines for Environmental and Social Considerations' in order to ensure that appropriate considerations will be made for the environmental and social impacts of the Project.

III. UNDERTAKINGS OF MINISTRY OF INDUSTRY AND GOVERNMENT OF INDONESIA

1. Ministry of Industry and Government of Indonesia will take necessary measures to:

- (1) ensure that the technologies and knowledge acquired by the Indonesia nationals as a result of Japanese technical cooperation contributes to the economic and social development of Indonesia, and that the knowledge and experience acquired by the personnel of Indonesia from technical training as well as the equipment provided by JICA will be utilized effectively in the implementation of the Project; and
- (2) grant privileges, exemptions and benefits to the JICA experts referred to in II-6 (1) above and their families, which are no less favorable than those granted to experts of third countries performing similar missions in Indonesia under the Colombo Plan Technical Cooperation Scheme.

IV. EVALUATION

JICA and the Ministry of Industry will jointly conduct the following evaluations and reviews.

1. Mid-term review at the middle of the cooperation term
2. Terminal evaluation during the last six (6) months of the cooperation term

JICA will conduct the following evaluations and surveys to mainly verify sustainability and impact of the Project and draw lessons. The Ministry of

Industry is required to provide necessary support for them.

1. Ex-post evaluation three (3) years after the project completion, in principle
2. Follow-up surveys on necessity basis

V. PROMOTION OF PUBLIC SUPPORT

For the purpose of promoting support for the Project, Ministry of Industry will take appropriate measures to make the Project widely known to the people of Indonesia.

VI. MUTUAL CONSULTATION

JICA and Ministry of Industry will consult each other whenever any major issues arise in the course of Project implementation.

VII. AMENDMENTS

The record of discussions may be amended by the minutes of meetings between JICA and Ministry of Industry.

The minutes of meetings will be signed by authorized persons of each side who may be different from the signers of the record of discussions.

- Annex 1 Logical Framework (Project Design Matrix:PDM)
- Annex 2 Tentative Plan of Operations
- Annex 3 Project Organization Chart
- Annex 4 A List of Proposed Members of Joint Coordinating Committee/
Steering Committee

Main Points Discussed
(Things to do before signing of R/D)

1. Selection of target Provinces/Districts/Cities as well as target industries in Region I by DG of SMI and JICA
2. Issuance of the official letter from DG of SMI to the local government of the target Provinces/Districts/Cities to inform them of the Project, request their participation in the Project and ask them to nominate some personnel in charge of the Project
Responses from the local government to the letter from DG of SMI which shows the commitment to the Project



RECORD OF DISCUSSIONS

BETWEEN

**DIRECTORATE GENERAL OF SMALL AND MEDIUM INDUSTRY
MINISTRY OF INDUSTRY
THE REPUBLIC OF INDONESIA**

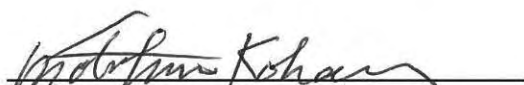
AND

JAPAN INTERNATIONAL COOPERATION AGENCY


ON

**THE PROJECT ON SMALL AND MEDIUM INDUSTRY (SMI)
DEVELOPMENT BASED ON IMPROVED SERVICE DELIVERY
IN INDONESIA**

Jakarta, 7 December 2012



Mr. Mofofumi KOHARA
Chief Representative
Indonesia Office
Japan International Cooperation Agency



Ms. Euis Saedah
Director General of Small and
Medium Industry
Ministry of Industry
Republic of Indonesia

Based on the minutes of meeting on the 2nd Detailed Planning Survey on the Project on Small and Medium Industry (SMI) Development Based on Improved Service Delivery in Indonesia (hereinafter referred to as "the Project") signed on 15th June between Ministry of Industry (hereinafter referred to as "MOI") and the Japan International Cooperation Agency (hereinafter referred to as "JICA"), JICA held a series of discussions with MOI and relevant organizations to develop a detailed plan of the Project.

Both parties agreed the details of the Project and main points discussed as described in the Appendix 1 and the Appendix 2.

Both parties also agreed that MOI, the counterpart to JICA, will be responsible for the implementation of the Project in cooperation with JICA, coordinate with other relevant organizations and ensure that the self-reliant operation of the Project is sustained during and after the implementation period in order to contribute toward social and economic development of Indonesia.

The Project will be implemented within the framework of the Colombo Plan Technical Cooperation Scheme.

Appendix 1: Project Description

Appendix 2: Main Points Discussed



PROJECT DESCRIPTION

I. BACKGROUND

Indonesia has been strongly promoting industrial development with special attention to Small and Medium Enterprise (hereinafter referred to as "SME") development, which has been further encouraged by "Regulation of the President No.28, 2008 on the National Industrial Policy".

Based on the strategy designated by the Regulation, the Government of the Republic of Indonesia (hereinafter referred to as "GOI") has endeavored to accelerate industrial development through upgrading and strengthening the value-chains of industries and increasing the added values in the value-chain through establishing core-competence of local industries. In concrete, taking so-called "Top-Down Approach", 35 priority industries have been selected and promoted with the initiative of MOI whereas the Provincial and District/City Governments are required to take the responsibility of the local industry development through so-called "Bottom-Up Approach" with the budget support from MOI.

JICA's support to the area of SME development has been organized and streamlined after "Policy Recommendation for SME Promotion in Republic of Indonesia" was disseminated in 2000 proposing the comprehensive approach to SME development. Subsequently, JICA has provided supports to various areas of SME development in partnership with MOI. SME Management Consultant (SHINDAN-SHI) system was established in 2006 through the Project on Human Resource Development for SMEs. In the recent years, JICA undertook "Cooperation for Strengthening Clusters (SENTRA) of Small and Medium Industries" (the Master Plan Study) from 2009 to 2010 which produced the Master Plan comprising the proposed action programs for industrial cluster development and the guideline for cluster development. In the meantime, JICA has been implementing the projects to reinforce various governmental institutions for SME development and industrial cluster development including "Technical Cooperation Project for Facilitation of Local Industry Development in South Sulawesi Province" and "The Capacity Development for Supporting Industry Development: Credit Guarantee System".

However, it was widely observed that the efforts of industrial development both Top-Down by MOI and Bottom-Up by the local governments are yet to be streamlined where the policy measures may not be utilized fully to incur the maximum impact.

In the situation, MOI requested JICA for the assistance to reinforce the capacity of MOI and other relevant institutions to increase the effectiveness of the on-going efforts for industrial cluster development. In response to the request of the GOI, the Project will be formulated by GOI and JICA jointly.

II. OUTLINE OF THE PROJECT

Details of the Project are described in the Logical Framework (Project Design Matrix: PDM) (Annex 1) and the tentative Plan of Operations (Annex 2).

1. Title of the Project

The Project on Small and Medium Industry (SMI) Development based on Improved Service Delivery in Indonesia

2. Overall Goal

SMIs in the target regions will increase the production and competitiveness and the established model for SMI development based on the efficient service delivery platform ("the model") will be also practiced in other regions.

3. Project Purpose

Preparation for expansion of the model for SMI development based on the efficient service delivery platform is arranged in MOI.

4. Outputs

- i) Platform for efficient service delivery is prepared as a base of SMI development in each target region.
- ii) Competitiveness of target SMIs in each target region are strengthened with efficient service delivery.
- iii) The model for SMI development is established based upon experience and lessons obtained through activities performed under Outputs 1 and 2 to be applicable to other regions.

5. Activities

- i-1) Set up the project implementation unit organized by DG of SMI in MOI for overall management of the Project.
- i-2) In each target region, formulate Local Working Group to coordinate the activities for SMI development for overall management of the Project.
- i-3) Review and map the currently available institutions and services for SMIs development by various entities and service providers in each target region.
- i-4) Establish the system to ensure efficient service delivery for SMIs.
- i-5) Assign and train staff in charge at the local government who facilitate services by local and central governmental institutions and private service providers for SMIs. (Special attention shall be paid for the SHINDAN-SHIs.)
- i-6) Develop a Service Directory (paper based and web based) to introduce SMI support services by government and private institutions.
- i-7) Facilitate and support activities of Local Working Group in each target region.
- i-8) Monitor situation of service delivery in each target region.

- ii-1) Conduct regular meetings of Local Working Group in each target region.
- ii-2) Analyze issue and needs of value chain and industrial linkage in target SMIs in each region (considering the target SMI's type such as local resource-based industry and supporting industry).
- ii-3) Identify the goals, tasks, and activities for the development of the target

SMI based on the result of the analysis done above.

- ii-4) Implement the identified activities by using improved service delivery mechanism.
- ii-5) Analyze and evaluate the result of activities for development of target SMIs by Local Working Groups in each region.

- iii-1) Analyze and evaluate the experience which is acquired through Activities under Output 1 and 2 in each region.
- iii-2) Identify contents and factors to constitute the model, which is adaptable to other regions.
- iii-3) Develop the guideline as reference materials for other regions to replicate and implement the model.
- iii-4) Organize workshop to socialize the model for other stakeholders.
- iii-5) Facilitate the necessary budgetary arrangement as well as formulate program to respond to the possible requests from other provincial governments out of target areas.

6. Input

(1) Input by JICA side

- (a) Dispatch of Experts
 - Chief Advisor
 - Experts on Local Industry development
 - Expert on Supporting Industry development
 - Expert on SMI Service Delivery
 - Project Coordinator
 - * Other short-term experts are dispatched based on necessity.
- (b) Counterpart Training in Japan
- (c) Telecommunications for international and local calls expenses necessary for the implementation of the Project
- (d) Local consultants for the activity in 5.i.3 and 5 ii.2 and secretaries of JICA experts

Input other than indicated above will be determined through mutual consultations between JICA and the GOI during the implementation of the Project, as necessary.

(2) Input by the Indonesian side

GOI will take necessary measures to provide at its own expense:

- (a) Services of Indonesian side's counterpart personnel and administrative personnel as referred to in II-7;
- (b) Suitable office space with necessary equipment;
- (c) Supply or replacement of equipment, tools, spare parts and any other materials necessary for the implementation of the Project other than the equipment provided by JICA;
- (d) Information as well as support in obtaining medical service;
- (e) Credentials or identification cards;
- (f) Available data (including maps and photographs) and information related to the Project; and
- (g) Running expenses (electricity) necessary for the implementation of the

Project.

7. Implementation Structure

The Project organization chart is given in the Annex 3. The roles and assignments of relevant organizations are as follows:

- (1) The Indonesian side
 - (a) Project Director
Director General of Small and Medium Industry, MOI
 - (b) Deputy Project Director
Secretary of Directorate General of Small and Medium Industry (hereinafter referred to as "DG of SMI"), MOI
 - (c) Project Managers
Director of Small and Medium Industry Region I, DG of SMI, MOI
Director of Small and Medium Industry Region II, DG of SMI, MOI
Director of Small and Medium Industry Region III, DG of SMI, MOI
 - (d) Assignment of personal of MOI
 - (e) Assignment of personal from related organizations for Working Groups

(2) JICA side

The JICA experts will give necessary technical guidance, advice and recommendations to Indonesian side on any matters pertaining to the implementation of the Project.

(3) Joint Coordinating Committee

Joint Coordinating Committee (hereinafter referred to as "JCC") will be established in order to facilitate inter-organizational coordination. JCC will be held at least once a year and whenever deems it necessary. JCC will approve an annual work plan, review overall progress, conduct monitoring and evaluation of the Project, and exchange opinions on major issues that arise during the implementation of the Project. A list of proposed members of JCC is shown in the Annex 4.

8. Project Site(s) and Beneficiaries

Central Java, Central Sulawesi, One province from Sumatra/Kalimantan
SMIs in target regions

9. Duration

36 months from 2013

10. Reports

MOI and JICA experts will jointly prepare the following reports in English.

- (1) Progress Report on semiannual basis until the project completion
- (2) Project Completion Report at the time of project completion

11. Environmental and Social Considerations

MOI agreed to abide by 'JICA Guidelines for Environmental and Social Considerations' in order to ensure that appropriate considerations will be made for the environmental and social impacts of the Project.



III. UNDERTAKINGS OF MOI AND GOI

1. GOI will take necessary measures to:

- (1) ensure that the technologies and knowledge acquired by the Indonesia nationals as a result of Japanese technical cooperation contributes to the economic and social development of Indonesia, and that the knowledge and experience acquired by the personnel of Indonesia from technical training as well as the equipment provided by JICA will be utilized effectively in the implementation of the Project; and
- (2) grant tax exemptions to the JICA experts referred to in II-6 (1) above, which are no less favorable than those granted to experts of third countries performing similar missions in Indonesia under the Colombo Plan Technical Cooperation Scheme.

IV. EVALUATION

JICA and the MOI will jointly conduct the following evaluations and reviews.

1. Mid-term review at the middle of the cooperation term
2. Terminal evaluation during the last six (6) months of the cooperation term

JICA will conduct the following evaluations and surveys to mainly verify sustainability and impact of the Project and draw lessons. The MOI is required to provide necessary support for them.

1. Ex-post evaluation three (3) years after the project completion, in principle
2. Follow-up surveys on necessity basis

V. PROMOTION OF PUBLIC SUPPORT

For the purpose of promoting support for the Project, MOI will take appropriate measures to make the Project widely known to the people of Indonesia.

VI. MUTUAL CONSULTATION

JICA and MOI will consult each other whenever any major issues arise in the course of Project implementation.

VII. AMENDMENTS

The record of discussions may be amended by the minutes of meetings between JICA and MOI.

The minutes of meetings will be signed by authorized persons of each side who may be different from the signers of the record of discussions.



- Annex 1 Logical Framework (Project Design Matrix: PDM)
- Annex 2 Tentative Plan of Operations
- Annex 3 Project Organization Chart
- Annex 4 A List of Proposed Members of Joint Coordinating Committee/
Steering Committee
- Annex 5 A List of Proposed Members of Local Working Group



Main Points Discussed

1. Both sides confirmed that the Project is categorized as "Goods / Services" stipulated in Article 42 (1) c of Government Regulation No. 10/2011.
2. In accordance with Regulation of Minister of Finance No. 191/ PMK.05/2011, MOI shall submit BAST (handover delivery certificate of goods/services) to the Ministry of Finance of Indonesia. In order to secure the accuracy of BAST, JICA Indonesia Office will provide MOI with data on semester basis as follows.
 - Goods: name and price (in effective currency) per item of equipment handed over during last six months
 - Services: total expenditure (in effective currency) of last six months for expert, training and mission
3. MOI will make and sign BAST based on the data provided by JICA and after obtaining JICA's confirmation, submit to the Ministry of Finance.
4. Both sides agreed that the target province / districts / cities as well as target industries in region I will be identified in approximately few months from the commencement of the project by DG of SMI and JICA.



Tentative Project Design Matrix (PDM) :

Name of the Project: Project on Small and Medium Industry (SMI) Development based on Improved Service Delivery

Duration : from 2013 for three (3) years

Date: 1 November 2012

Target Area: Central Java, Central Sulawesi, One province from Sumatra/Kalimantan

Target Group : SMIs in target regions

PDM ver.0.1

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATIONS	IMPORTANT ASSUMPTIONS
<p>OVERALL GOAL</p> <p>SMIs in the target regions will increase the production and competitiveness and the established model for SMI development based on the efficient service delivery platform ("the model") will be also practiced in other regions.</p>	<p>1 Turnover and market channel of SMIs in target regions are increased.</p> <p>2 Number of regions which opt the established model and improve SMI development service are increased.</p>	<p>Statistical data of Province, District/City and KADIN(DA)</p> <p>Data of MOI</p>	<p>Local governments which adapt the model continue to support SMIs in those regions.</p>
<p>PROJECT PURPOSE</p> <p>Preparation for expansion of the model for SMI development based on the efficient service delivery platform is arranged in MOI.</p>	<p>1 Official adoption of developed guideline for SMI development by MOI.</p> <p>2 Budgetary and organizational arrangement of MOI to expand the established model to other regions.</p> <p>3 xx private firms utilized the development services and consultation services in supporting organizations are increased xx%.</p> <p>4 Satisfaction of private firms which take support service.</p>	<p>Official document and statement of MOI</p> <p>Official document and statement of MOI</p>	<p>Government policy for promotion of SMIs is not changed.</p>
<p>OUTPUTS</p> <p>1 Platform for efficient service delivery is prepared as a base of SMI development in each target region.</p> <p>2 Competitiveness of target SMIs in each target region are strengthened with efficient service delivery.</p> <p>3 The model for SMI development is established based upon experience and lessons obtained through activities performed under Outputs 1 and 2 to be applicable to other regions.</p>	<p>1-1 Formulation of Local Working Group to coordinate service providers and SMIs among stakeholders on SMI development services in each target region.</p> <p>1-2 Development of the directory (paper based and web based) of services for SMIs.</p> <p>2-1 Most of SMIs recognize improvement of service delivery.</p> <p>2-2 Most of SMIs which used delivered services are satisfied.</p> <p>2-3 Positive changes are observed among SMIs such as sales of products, diversification of market, linkages among/within SMIs and etc.</p> <p>3-1 The guideline as reference materials for the newly established model to develop SMIs in the country is materialized.</p> <p>3-2 Socialization workshop is organized by MOI.</p>	<p>Project documents</p> <p>Project documents, Printed directory, Web site</p> <p>Result of questionnaire survey done by the Project</p> <p>Result of questionnaire survey done by the Project</p> <p>Project documents, result of questionnaire survey done by the Project</p> <p>Project documents, Guideline</p> <p>Project documents</p>	<p>Economic conditions of target industries are not deteriorated.</p> <p>SMIs continue their economic activity in target regions.</p> <p>Strategic Plan of DG of SMI in MOI is sustained.</p>

ACTIVITIES	INPUTS	
<p>[Preparation of efficient service delivery platform]</p> <p>1-1 Set up the project implementation unit organized by DG of SMI in MOI for overall management of the Project.</p> <p>1-2 In each target region, formulate Local Working Group to coordinate the activities for SMI development for overall management of the Project.</p> <p>1-3 Review and map the currently available institutions and services for SMIs development by various entities and service providers in each target region.</p> <p>1-4 Establish the system to ensure efficient service delivery for SMIs.</p> <p>1-5 Assign and train staff in charge at the local government who facilitate services by local and central governmental institutions and private service providers for SMIs. (Special attention shall be paid for the SHINDAN-SHIs.)</p> <p>1-6 Develop a Service Directory (paper based and web based) to introduce SMI support services by government and private institutions.</p> <p>1-7 Facilitate and support activities of Local Working Group in each target region.</p> <p>1-8 Monitor situation of service delivery in each target region.</p> <p>[Strengthening of SMIs]</p> <p>2-1 Conduct regular meetings of Local Working Group in each target region.</p> <p>2-2 Analyze issue and needs of value chain and industrial linkage in target SMIs in each target region (considering the target SMI's type such as local resource-based industry and supporting industry).</p> <p>2-3 Identify the goals, tasks, and activities for the development of the target SMIs based on the result of the analysis done above.</p> <p>2-4 Implement the identified activities by using improved service delivery mechanism.</p> <p>2-5 Analyze and evaluate the result of activities for development of target SMIs by Local Working Groups in each region.</p> <p>[Establishing a model for SMI development]</p> <p>3-1 Analyze and evaluate the experience which is acquired through Activities under Output 1 and 2 in each region.</p> <p>3-2 Identify contents and factors to constitute the model, which is adaptable to other regions.</p> <p>3-3 Develop the guideline as reference materials for other regions to replicate and implement the model.</p> <p>3-4 Organize workshop to socialize the model for other stakeholders.</p> <p>3-5 Facilitate the necessary budgetary arrangement as well as formulate program to respond to the possible requests from other provincial governments out of target areas.</p>	<p>Indonesian side:</p> <ul style="list-style-type: none"> - Appropriate number of counterpart personnel in MOI - Local cost necessary for counterpart in the project activities - Office space for the Project and facilities <p>Japanese side:</p> <ul style="list-style-type: none"> - Japanese experts for required sectors - Local cost expenditure for the project activities - Training of counterpart personnel in Japan - Provision of equipment necessary for the project activities 	<p style="text-align: center;">PRECONDITIONS</p> <p>Provincial and District/City governments in model regions accept the Project.</p>

Note) SMI: Small and Medium Industry, MOI: Ministry of Industry, DG: Directorate General

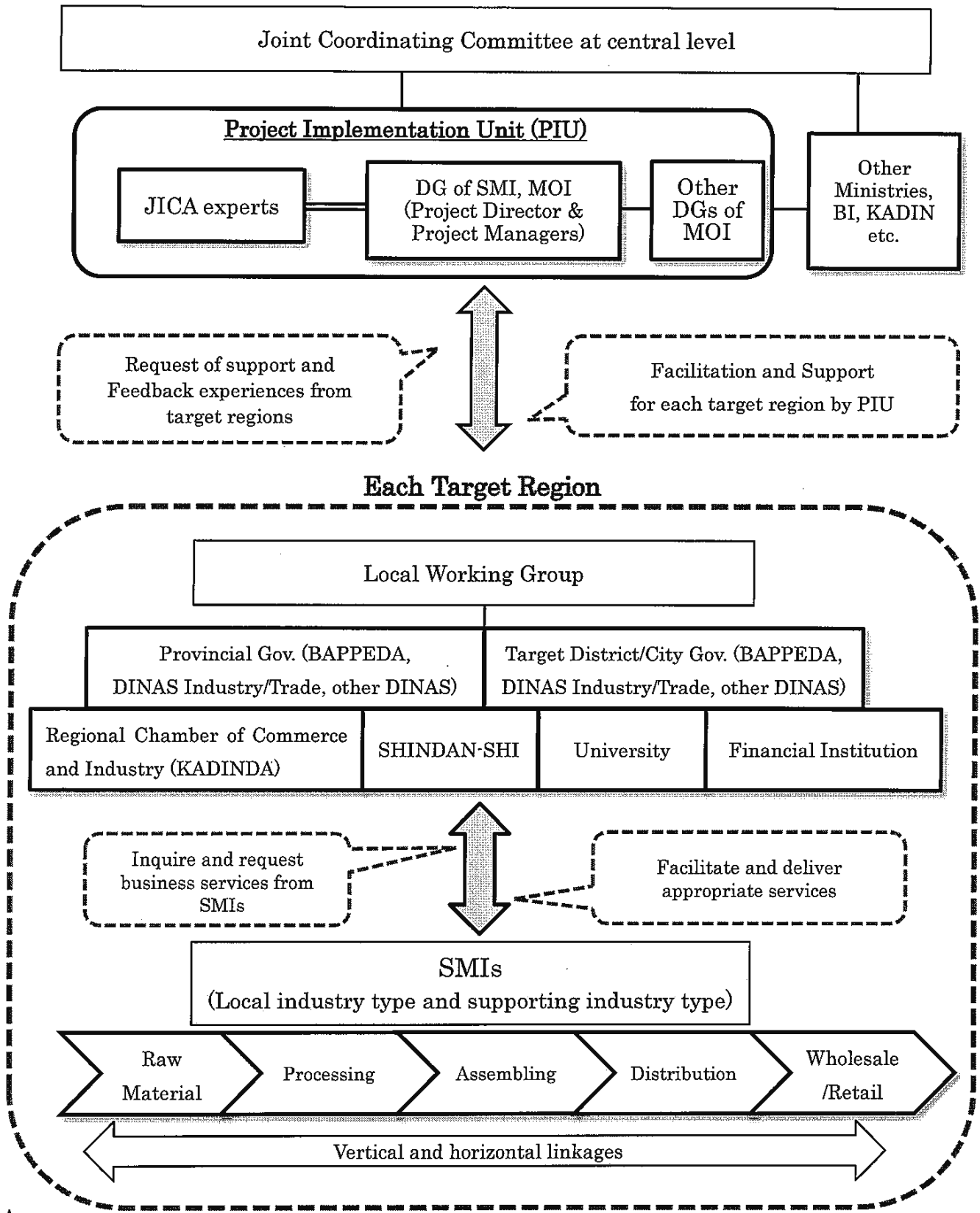
Tentative Plan of Operations (PO)

Project Title: Project on Small and Medium Industry (SMI) Development based on Improved Service Delivery

Date: 1 November 2012
PO Ver.0.1

ACTIVITIES	SCHEDULE											
	Year 1				Year 2				Year 3			
	I	II	III	IV	I	II	III	IV	I	II	III	IV
[Preparation of efficient service delivery platform]												
1-1 Set up the project implementation unit organized by DG of SMI in MOI for overall management of the Project.	[Timeline bar spanning from start of Year 1 to end of Year 1]											
1-2 In each target region, formulate Local Working Group to coordinate the activities for SMI development for overall management of the Project.	[Timeline bar spanning from start of Year 1 to end of Year 1]											
1-3 Review and map the currently available institutions and services for SMIs development by various entities and service providers in each target region.	[Timeline bar spanning from start of Year 1 to end of Year 1]											
1-4 Establish the system to ensure efficient service delivery for SMIs.	[Timeline bar spanning from start of Year 1 to end of Year 1]											
1-5 Assign and train staff in charge at the local government who facilitate services by local and central governmental institutions and private service providers for SMIs. (Special attention shall be paid for the SHINDAN-SHIs.)	[Timeline bar spanning from start of Year 1 to end of Year 1]											
1-6 Develop a Service Directory (paper based and web based) to introduce SMI support services by government and private institutions.	[Timeline bar spanning from start of Year 1 to end of Year 1]											
1-7 Facilitate and support activities of Local Working Group in each target region.	[Timeline bar spanning from start of Year 1 to end of Year 1]											
1-8 Monitor situation of service delivery and performance of SMIs in each target region.	[Timeline bar spanning from start of Year 1 to end of Year 1]											
[Strengthening of SMEs]												
2-1 Conduct regular meetings of Local Working Group in each target region.	[Timeline bar spanning from start of Year 1 to end of Year 1]											
2-2 Analyze issue and needs of value chain and industrial linkage in target SMIs in each target region (considering the target SMI's type such as local resource-based industry and supporting industry).	[Timeline bar spanning from start of Year 1 to end of Year 1]											
2-3 Identify the goals, tasks, and activities for the development of the target SMIs based on the result of the analysis done above.	[Timeline bar spanning from start of Year 1 to end of Year 1]											
2-4 Implement the identified activities by using improved service delivery mechanism.	[Timeline bar spanning from start of Year 1 to end of Year 1]											
2-5 Analyze and evaluate the result of activities for development of target sectors by Local Working Groups in each region.	[Timeline bar spanning from start of Year 1 to end of Year 1]											
[Establishing a model for SMI development]												
3-1 Analyze and evaluate the experience which is acquired through Activities under Output 1 and 2 in each region.	[Timeline bar spanning from start of Year 1 to end of Year 1]											
3-2 Identify contents and factors to constitute the model, which is adaptable to other regions.	[Timeline bar spanning from start of Year 1 to end of Year 1]											
3-3 Develop the guideline as reference materials for other regions to replicate and implement the model.	[Timeline bar spanning from start of Year 1 to end of Year 1]											
3-4 Organize workshop to disseminate the model for other stakeholders.	[Timeline bar spanning from start of Year 1 to end of Year 1]											
3-5 Facilitate the necessary budgetary arrangement as well as formulate program to respond to the possible requests from other provincial governments out of target areas.	[Timeline bar spanning from start of Year 1 to end of Year 1]											

Organizational Chart of the Project



A List of Proposed Members of Joint Coordinating Committee

I. Indonesian Side

1. Ministry of Industry (MOI)

- Director General of Small and Medium Industry (Chair)
- Representative(s) of Directorate General of International Industrial Cooperation
- Representative(s) of Directorate General of Manufacturing Based Industry
- Representative(s) of Directorate General of Agro Based Industry
- Representative(s) of Directorate General of Leading Industry Based on High Technology

2. Other Ministries and Public Institutions

- National Development Planning Agency (BAPPENAS)
- Ministry of Cooperatives and SMEs
- Ministry of Trade
- Ministry of Finance
- Bank Indonesia (BI)

3. Local Working Group

- Representative of each local working group

4. Private Sectors

- Chamber of Commerce and Industry of Indonesia (KADIN)
- Relevant Associations

II. Japanese Side

- JICA Expert Team
- JICA Indonesia Office
- Embassy of Japan (Observer)



A List of Proposed Members of Local Working Group (Example)

I. Indonesian Side

1. Provincial Government

- Regional Development Planning Board (BAPPEDA)
- Industry and Trade Office (Dinas)
- Other related offices if necessary

2. District/City Government

- Regional Development Planning Board (BAPPEDA)
- Industry and Trade Office (Dinas)
- Other related offices if necessary

3. Other Public Institutions and Individual

- Bank Indonesia Regional Office
- University
- SHINDAN-SHI

4. Private Sectors and Other Financial Institution

- Regional Chamber of Commerce and Industry (KADINDA)
- Regional Bank
- Cooperatives

II. Japanese Side

- JICA Expert Team
- JICA Indonesia Office

Note) Name of the member organization and membership will vary according to the organizational structure of each Province/District/City.





Japan International Cooperation Agency

Sentral Senayan II 14th Floor, Jl. Asia Afrika No. 8, Jakarta 10270, Indonesia
Tel. : +62-21-5795-2112 (Hunting) Fax: +62-21-5795-2116
Homepage: <http://www.jica.go.jp/indonesia/english>

No.: 1132/PRJ/12/12

Jakarta, December 7, 2012

Ms. Euis Saedah

Director General of Small and Medium Industry
Ministry of Industry
Jakarta

**The Japanese Technical Cooperation Project on Small and Medium Industry (SMI)
Development Based on Improved Service Delivery in Indonesia
Budget Estimation**

Dear Madam,

We hereby inform you of the budget estimation for the above mentioned project. Please note that the figures are only estimated amount and subject to change in the future.

Project Title	The Project of Small and Medium Industry (SMI) Development Based on Improved Service Delivery in Indonesia			
Duration	March 2013 – March 2016			
Scheme	Technical Cooperation Project			
Counterpart	Directorate General of Small and Medium Industry			
Budget Estimation (in thousand US Dollar)				
Total	JFY 2012	JFY 2013	JFY 2014	JFY 2015
4,097	792	747	1,319	1,239

**JFY refers to April to March (e.g. JFY 2012 is from April 2012 to March 2013)*

**Conversion rate 1US\$ = 82.10860 Yen (as of December 2012)*

Thank you very much for your kind cooperation.

Sincerely yours,



KOHARA Motofumi
Chief Representative
Indonesia Office

Japan International Cooperation Agency

