Indonesia SME Strategy

I WAYAN DIPTA
Deputy Minister for Production and Marketing
Ministry of Cooperatives and SMEs

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STRUCTURE OF ESTABLISHMENT IN INDONESIA

Number of Enterprises in Indonesia 2013

- **Large Enterprises**: 5,066 units (0.01%)
- **Medium Enterprises**: 52,106 units (0.09%)
- **Small Enterprises**: 654,222 units (1.13%)
- **Micro Enterprises**: 57,189,393 units (98.78%)

SMEs definition according to the Law No. 20/2008 on Micro, Small, and Medium Enterprises.

- **Large Enterprises**
  - Asset maximum Rp 50,000,000, Omzet per annum maxRp 10,000,000,000
  - Asset Rp 50,000,000 – Rp 500,000,000, Omzet per annum maxRp 2,500,000,000
  - Asset Rp 500,000,000 – Rp 10,000,000,000, Omzet per annum maxRp 2,500,000,000
  - Asset maximum Rp 50,000,000,000, Omzet per annum maxRp 300,000,000

SMEs Roles

- Providing jobs
- Reducing poverty
- Triggering economic growth
- Ensuring equitable development
- Ensuring sustainable development

SMEs Contribution to the Economy

- Total SMEs (2013) reached 57.89 million units (99.99%), while large enterprises are around 5,066 units (0.01%).
- SMEs are able to contribute 97.16% to the job creation and to the national GDP amounted to 58.65%.

SMEs Problems

- Finance
- Markets
- Technology and innovation
- Advisory services and information
- Human resources development
- Policy and regulatory framework

Source: Data Division - Ministry of Cooperatives and SMEs
## NATIONAL TARGET ON IMPROVING SMEs AND COOPERATIVES COMPETITIVENESS 2015-2019

<table>
<thead>
<tr>
<th>TARGETS</th>
<th>INDICATORS</th>
<th>NUMBER</th>
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<tbody>
<tr>
<td>1. Increasing SMEs economic contribution</td>
<td>1. SMEs contribution growth on GDP (average/year)</td>
<td>6.5 – 7.5%</td>
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<td>2. Number of employment growth (average/year)</td>
<td>4.0 – 5.5%</td>
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<td>3. SMEs contribution growth on non-gas-and-oil export (average/year)</td>
<td>5.0 – 7.0%</td>
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<td>4. SMEs contribution growth on investment (average/year)</td>
<td>8.5 – 10.5%</td>
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<td>2. Improving SMEs competitiveness</td>
<td>5. SMEs productivity growth (average/year)</td>
<td>5.0 – 7.0%</td>
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<td>6. Proportion of SMEs accessing formal financing (target of 2019)</td>
<td>25.0%</td>
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<td>7. Number of SMEs applying quality standard and product certification (cumulative during 5 year)</td>
<td>50,000 unit</td>
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<td>3. Increasing start-up enterprises</td>
<td>8. Number of nascent entrepreneur established through central and regional government program</td>
<td>1 million unit</td>
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<td>4. Improving institutional work and cooperatives business</td>
<td>9. Participation of cooperatives member on capital (target of 2019)</td>
<td>55.0%</td>
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<td>10. Number of cooperatives member growth</td>
<td>7.5 – 10.0%</td>
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<td>11. Sales volume growth of cooperatives</td>
<td>15.5 – 18.0%</td>
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NATIONAL PRIORITY PLANS AND PRIORITY PROGRAM 2018

I. EDUCATION
  1. Vocational Education
  2. Teacher Quality Improvement

II. HEALTH
  3. Women and Children Health Improvement
  4. Disease Prevention
  5. Preventif and Promotif (Healthy Living Community Movement)

III. HOUSING AND SETTLEMENTS
  6. Provision of Decent Housing
  7. Water Supply and Sanitation

IV. DEVELOPMENT OF BUSINESS AND TOURISM
  8. Development of 3 Tourism Area (out of 10)
  9. Development of 5 Special Economic Zone (SEZ) (out of 10)
  10. Development of 3 Industrial Zone (out of 14)
  11. Improvement of Investment Climate and Job Creation
  12. Increase in Export of High Value-Added Products and Services

V. ENERGY SECURITY
  14. Fulfillment of Energy Demand

VI. FOOD SECURITY
  15. Increased Food Production
  16. Development of agricultural facilities (including irrigation)

VII. POVERTY ALLEVIATION
  17. Targeted Social Assistance and Guarantee
  18. Fulfillment of Basic Needs
  19. Improving Access for Micro and Small Enterprises and Cooperatives

VIII. INFRASTRUCTURE, CONNECTIVITY, AND MARITIME
  20. Development of Transportation Facilities (land, sea, air, and inter-moda)
  21. Development of Telecommunication and Informatics

IX. AREA DEVELOPMENT
  22. Development of Border Area and Disadvantaged Regions
  23. Village Development
  24. Agrarian Reform
  25. Disaster Prevention and Alleviation
  26. Acceleration of Papua’s Development

X. POLITICS, LAW, DEFENSE, AND SECURITY
  27. Strengthening Defense
  28. Social and Political Stability
  29. Legal Assurance
  30. Bureaucratic Reform

Ministry of Cooperatives and SMEs
NATIONAL PRIORITY & PROGRAM 2018 RELATED TO MINISTRY OF COOPERATIVES & SMES

1. Improvement of product quality and access to market;
2. Business skill and services development;
3. Entrepreneurship development;
4. Ease of doing business, business assurance, and protection;
5. Increase access to finance;
6. Cooperatives and business partnership;

1. Improvement of product quality and access to market;
2. Improvement of promotion effectiveness and market access;
3. Improvement of product quality and access to market;
4. Improvement of product quality and access to market;
5. Increase access to finance;
6. Cooperatives and business partnership

1. Development of business partnership and networking;
2. Improvement of quality & standard of export products;
3. Improvement of promotion effectiveness and market access;
4. Economic development in underdeveloped regions & border areas of the country;
5. Economic development in post-disaster areas.

19 Improving Access for Micro, Small Enterprises & Cooperatives
12 Increase in Export of High Value-Added Products & Services

VII Poverty Alleviation
IV Development of Business & Tourism

I Education
IX Area Development

1. Development of business partnership and networking;
2. Improvement of quality & standard of export products;
3. Improvement of promotion effectiveness and market access;
4. Economic development in underdeveloped regions & border areas of the country;
5. Economic development in post-disaster areas.

Entrepreneurship education and training and workmanship

= National Priority
= Priority Program
= Priority Activity
The Policy Framework

- Improving rules and regulations or deregulation in order to promote conducive-business environment,
  - Renewal of the law no. 25 of the year 1992 for cooperative development and its bylaws
  - Promoting one stop services simplification for licensing of SMES.
- Providing facilities in order to improve productivity of SMEs and cooperatives.
  - Appropriate technology provided for cooperatives and SMEs with guidance and technical know-how to utilize the supportive technology.
- Promotion, both locally/nationally and internationally in order to improve access of the products produced by SMEs and cooperatives, both for national and international markets.
- Promoting financial institution, including credit guarantee corporation at local level is dedicated to improve financial access of SMEs and cooperatives.
- Revitalization of cooperatives to strengthen and improve self-reliance of cooperatives.
  - Human resources development for cooperative members and managers
  - Improving business system
  - Business networking amongst cooperatives

Note:
- Indonesia’s Coop & SME Policy Framework doesn’t have wide spectrum
  - Initial stage of credit guarantee system
  - Limited incentive for Cooperatives & SME productivity improvement
  - Less coordination on program development from central to local government
- The focus on human capacity building and entrepreneurship
- Limited grant for start-up businesses and no support for R&D
Roles of Central and Local Government

Based on the Law No. 23 of 2014 concerning Local Government, the division of government in term of cooperatives, small and medium enterprises are as follows:

- The roles of the Central Government including:
  - Providing Cooperative Law and SME Law
  - Formulating policies and programs related with Cooperatives and SMEs

- Shared responsibility between the Central Government, Provincial Government and Local Government District/City are:
  - Empowerment of medium enterprises is the duty of the Central Government.
  - Empowerment of small enterprises is the duty of Provincial Government.
  - Empowerment of micro enterprises is the duty of District/City Government.
Inter-ministerial Synergy on SME Development

NAWA CITTA PRESIDEN
6. Promoting Productivity and Competitiveness in International Market
7. Promoting economic independence by developing domestic strategic sectors

SME POLICY
1. Improving SME rules and regulation
2. Improving SME and cooperatives productivity
3. Promoting market access for SME and cooperatives
4. Increasing access to finance
5. Improving self-reliance of cooperatives

ASEAN SAP SMED 2015-2025
1. Promote Productivity, Technology & Innovation
2. Increase Access to Finance
3. Enhance Market Access & Internationalization
4. Enhance Policy & Regulatory Environment
5. Promote Entrepreneurship & Human Capital Development

MINISTRY / AGENCY
1. Ministry of Agriculture
2. Ministry of Marine Affairs and Fishery
3. Central Bank (BI)
4. Financial Services Authority (OJK)
5. Ministry of Finance
6. Lembaga Pengelola Dana Bergulir (LPDB)
7. Jamkrindo
8. Ministry of Cooperatives and SMEs
9. Coordinating Ministry of Economic Affairs
10. Statistic Indonesia (BPS)
11. Ministry of Home Affairs
12. Ministry of Law and Human Rights
13. Ministry of Industry
14. Ministry of Trade
15. Ministry of Village, Development of Disadvantaged Region and Transmigration
16. Investment Coordinating Board (BKP)
17. Economic Creative Agency (BEKRAF)
18. Lembaga Layanan Pemasaran (LLP) KUKM
19. BSN
20. BPOM
Needs For Improvement

- Improvement of coordination on policy framework development from central to local government with all stakeholders involvement
  - Create wider spectrum on cooperative and SME development
  - Make clearer on roles and functions on every policy and program implementation (less duplication)
  - Create the same perspective on cooperative and SME development, especially on productivity improvement
    - Tax system and incentives including funding system (grant, venture capital, angel investor etc)
    - Reduce uncertainty
- Monitoring and evaluation to identify the progress and impact