

Indonesia SME Strategy

I WAYAN DIPTA

Deputy Minister for Production and Marketing

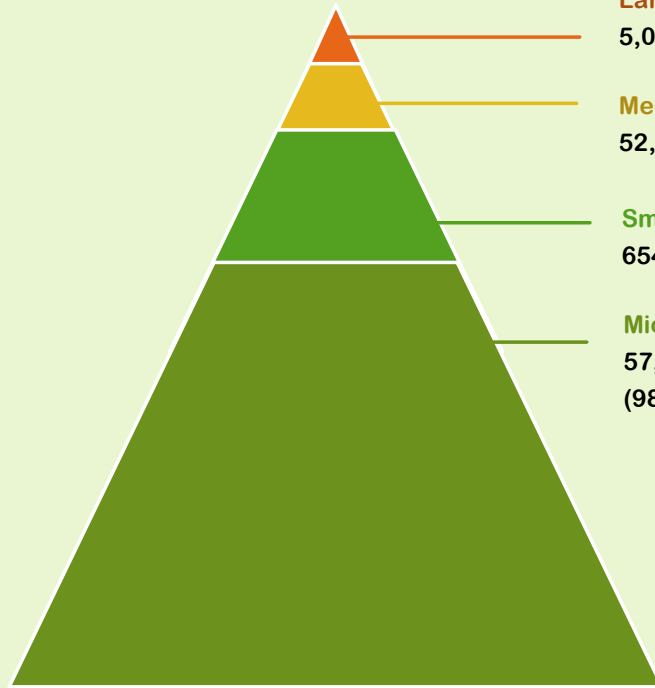
Ministry of Cooperatives and SMEs

ILO/OECD Workshop for Policy Makers on Productivity and Working Conditions in SMEs

Jakarta, 13 June 2017

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.

Asset Rp 500,000,000 - Rp 10,000,000,000, Omzet per annum
Rp 2.500.000.000 - Rp 50.000.000.000

Asset Rp 50,000,000 - Rp 500,000,000, Omzet per annum
Rp 300,000,000 - Rp 2,500,000,000

Asset maximum Rp 50,000,000, Omzet per annum
maximum Rp 300,000,000

Source: Data Division - Ministry of Cooperatives and SMEs

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

SMEs Roles

- 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 Contribution to the Economy

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

SMEs Problems

NATIONAL TARGET ON IMPROVING SMEs AND COOPERATIVES COMPETITIVENESS 2015-2019

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

NATIONAL PRIORITY PLANS AND PRIORITY PROGRAM 2018

Mental Revolution

Gender Equality

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

13. Renewable Energy and Energy Conservation
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 | 29. Legal Assurance |
| 28. Social and Political Stability | 30. Bureaucratic Reform |

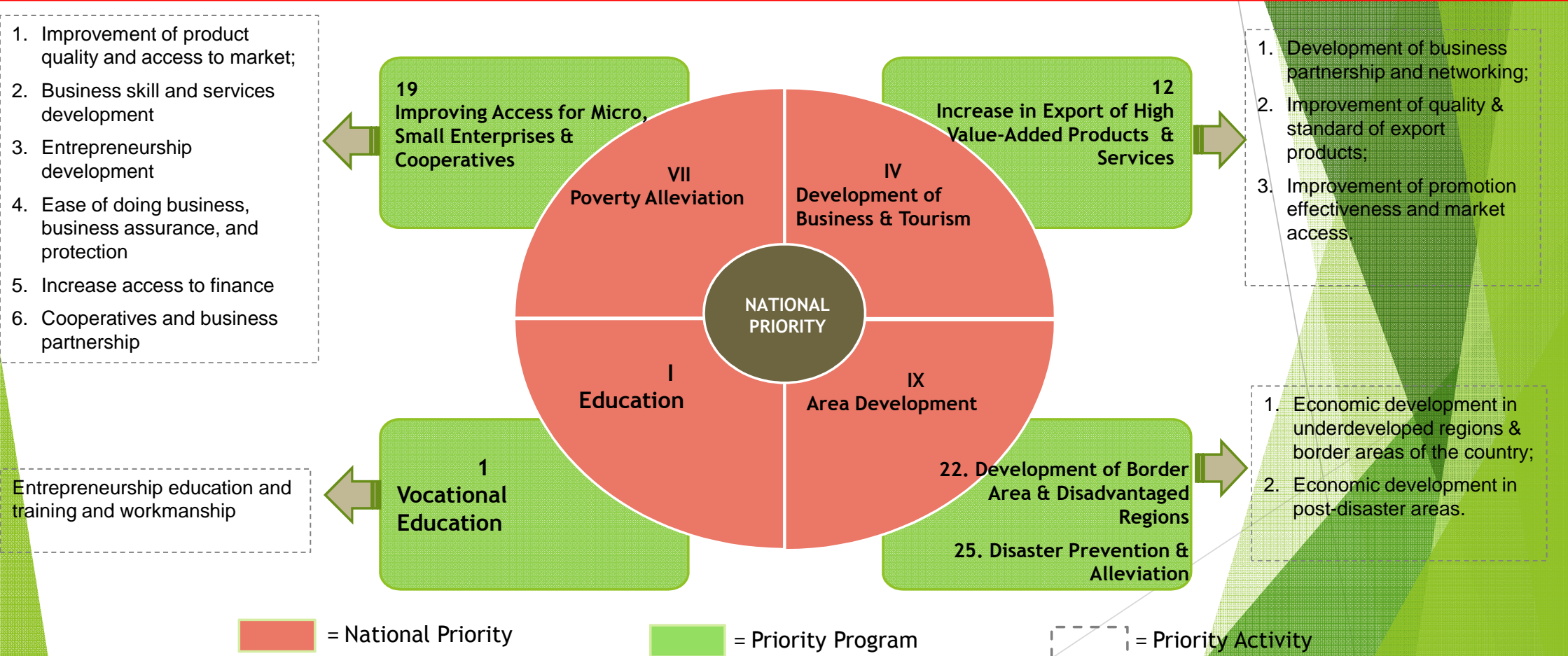
Ministry of Cooperatives and SMEs

Climate Change

Equity

Good Governance

NATIONAL PRIORITY & PROGRAM 2018 RELATED TO MINISTRY OF COOPERATIVES & SMES



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 CITA 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

1. Ministry of Agriculture
2. Ministry of Marine Affairs and Fishery

2

1. Central Bank (BI)
2. Financial Services Authority (OJK)
3. Ministry of Finance
4. Lembaga Pengelola Dana Bergulir (LPDB)
5. Jamkrindo

3

1. Ministry of Industry
2. Ministry of Trade
3. Ministry of Village, Development of Disadvantaged Region and Transmigration
4. Investment Coordinating Board (BKPM)
5. Economic Creative Agency (BEKRAF)
6. Lembaga Layanan Pemasaran (LLP) KUKM
7. BSN
8. BPOM

4

1. Ministry of Home Affairs
2. Ministry of Law and Human Rights

5

1. Ministry of Manpower
2. Ministry of Youth and Sports
3. Ministry of Environment and Forestry

1. BAPPENAS
2. Coordinating Ministry of Economic Affairs
3. Ministry of Cooperatives and SMEs
4. Statistic Indonesia (BPS)

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