



Inception Phase – Promoting micro and small enterprises through improved entrepreneurs’ access to finance and green business services (PROMISE IMPACTS)

Objective: To refine the PROMISE IMPACT project document by addressing the design of the project intervention.

Key Partners:

- Provincial Development Planning Agency
- Cooperative and Small Medium Enterprises Offices
- Sectoral Trade Unions
- Employers’ Organization
- Central Bank
- Ministry of Industry

Duration: 8 months (August 2012 – March 2013)

Geographical Coverage: West Java and East Java.

Donor:



Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra
Swiss Confederation
Federal Department of Economic Affairs FDEA
State Secretariat for Economic Affairs SECO

Swiss State Secretariat for
Economic Affairs (SECO)

Budget: USD 90,174

Implementing Agency: ILO

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Project Background

Micro and small businesses (MSEs) account for 99.9 per cent of the total number enterprises in Indonesia and 91.7 per cent of total employment. Despite their economic importance, MSEs face significant structural, fiscal and non-fiscal issues and challenges, which include: limited access to finance, technology and markets; inadequate entrepreneurial and management skills; lack of information on and poor compliance with standards and certification; absence of a conducive business environment; inadequate information and communications technology; and insufficient adjustment to outsourcing and networking strategies.

Inadequate access to finance persists as a significant challenge for the expansion of MSEs. MSEs, for the most part, depend on microfinance institutions such as rural banks and savings and credit cooperatives. These microfinance institutions though are often unable to meet the more complex needs of micro and small entrepreneurs, such as diversified loans, leasing, and insurance.

The PROMISE IMPACT project endeavours to address these challenges and promote micro and small enterprise development through improved entrepreneurs' access to financial services as well as green business services.

Project Strategy

The PROMISE IMPACT project plans to implement a three-stage-strategy which will address supply, demand, and policy issues.

- On the supply side, the project aims to strengthen the technical and management capacities of microfinance institutions;
- On the demand side, the aim is to strengthen the entrepreneurs' capacity to run efficient and environmentally friendly businesses through the provision of improved access to finance, business development services and green production training; and
- On the policy side, the project aims to strengthen the capacities of Bank Indonesia and other government agencies to assess social and economic impacts of financial and green business services on private sector development.

The PROMISE IMPACT project is slated to begin in 2013, preceding this project implementation is the Inception Phase. The aim of the Inception Phase is to further define design aspects of the PROMISE IMPACT project so as to ensure a timely and efficient implementation of the project.

The Inception Phase plans to address the following design aspects:

1. Further identify in more detail the geographical area of the project, target group, and related stakeholders;
2. Identify most promising potential intervention which can be implemented by the ILO based on the demand expressed by the relevant stakeholders and ILO comparative advantage;
3. Ensure ownership of the project by the relevant government agencies through consultations with at both national and regional levels;
4. Consult agencies on the subject through the financial inclusion working group, in order to avoid overlap, to ensure complementary efforts and synergies with other initiatives; and
5. Develop a detailed framework, with milestones, and precise monitoring and evaluation plan, which include corrective processes if need be.

Formulated Project Outputs:

The following outputs are expected from the implementation of the Inception Phase objectives:

1. The project sites as well as the targeted cluster industries within the two economic sectors are selected in consultation with social partners and other relevant stakeholders at national and provincial levels;
2. The specific business and financial needs of micro and small entrepreneurs engaged in the targeted cluster industries are identified;
3. The financial and business service providers operating in and surrounding the project sites are identified and their performances assessed for future collaboration;
4. Detailed data on micro and small entrepreneurs engaged in the targeted cluster industries are collected to establish a baseline against which changes could be compared over the duration of the project;
5. The results of the assessments are validated and concrete recommendations on the project strategy and activities are formulated; and
6. Results of the current social impact study with BI would be presented; action plan for the formulation of social performance indicator is developed based on consultations with the stakeholders.

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