

Country Name	Small & Medium Enterprise Human Resource Development under Economic Crisis
Republic of Indonesia	

I. Project Outline

Background	<p>In Indonesia, the global economic crisis in 2008 heavily damaged the economy that had been on a track for recovery since the currency crisis in 1997. Small and medium enterprises (SMEs) that produced goods for exporting companies suffered in particular, and faced a necessity to establish the operating foundation in terms of both management and production. JICA had supported SMEs in several ways including development of 257 persons as Shindanshi (registered SME management consultants) as well as establishment of 106 UPL (Direct Assistant Unit under local government units for training of Shindanshi) in 2005-2008, but their practical skills were still insufficient to support SMEs affected by the crisis.</p>														
Objectives of the Project	<ol style="list-style-type: none"> Overall Goal: To recover business performance of SMEs, contributing to the stabilization of economy which has been damaged by global recession. Project Purpose: SME support system is strengthened, and managerial and production skills of SMEs will improve. 														
Activities of the project	<ol style="list-style-type: none"> Project site: Based in Jakarta, training of trainers (TOT) were implemented in seven cities (where Industrial Training Centers (BDI) are located) and in-country trainings related with managerial/production skills were conducted in 17 cities (where Industrial Research and Development Centers (Balai Besar) or Institute for Research and Standardization of Industry (Baristand) are located) Main activities: TOT for Shindanshi trainers, training for production skills trainers, training for SMEs, survey on policy and measures. * Main targeted industries: textile and clothes, footwear, food and beverage, electric/electronic appliances, and toys. Inputs (to carry out above activities) <table border="0" style="width: 100%;"> <tr> <td style="width: 50%;">Japanese Side</td> <td style="width: 50%;">Indonesian Side</td> </tr> <tr> <td>1) Experts: 9 persons (short-term expert, total 28.39MM)</td> <td>1. Staff allocated: Ministry of Industry, Shindanshi (number of persons not mentioned)</td> </tr> <tr> <td>2) Trainees received: 20 persons (training in Japan)</td> <td>2. Land and facilities: Office space for experts</td> </tr> <tr> <td>3) Equipment: None</td> <td>3. Local cost: not mentioned</td> </tr> <tr> <td>4) Others: Hiring of local consultants for the survey</td> <td></td> </tr> </table> 					Japanese Side	Indonesian Side	1) Experts: 9 persons (short-term expert, total 28.39MM)	1. Staff allocated: Ministry of Industry, Shindanshi (number of persons not mentioned)	2) Trainees received: 20 persons (training in Japan)	2. Land and facilities: Office space for experts	3) Equipment: None	3. Local cost: not mentioned	4) Others: Hiring of local consultants for the survey	
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Ex-Ante Evaluation	2009	Project Period	September 2009 – August 2010	Project Cost	204 million yen										
Implementing Agency	Ministry of Industry (MOI)														
Cooperation Agency in Japan	UNICO International Corporation; World Business Associates Co., LTD.														

II. Result of the Evaluation

<Constraints on Evaluation>

- Effectiveness and impact: (i) The project was a Fast Track System-applied project in which planning steps can be simplified to promptly address urgent issues. Consequently, the planning documents for this project are not detailed, and it is not clear from available documents how this project intended to achieve Project Purpose Indicator 1 (Ministerial Decree on the role of UPL) through Shindanshi TOT. Therefore, evaluation of Effectiveness was designed to additionally assess the degree of utilization of Outputs (i.e. application of what participants learned in their jobs). (ii) For the same reason, the terminal evaluation report was not detailed, either, and the project completion report focused on the achievement of Inputs, Activities and Outputs (i.e. record of training). Therefore, there was little information on the achievement of Project Purpose by the time of project completion. In addition, (iii) It was difficult to reach ex-participants in the training, who should be the main source of information to assess the Project's achievements against both the second indicator of the Project Purpose and the first indicator of the Overall Goal, at the time of ex-post evaluation. Therefore, assessment of the degree of achievement of Project Purpose and Overall Goal had to rely much on general comments from MOI as well as the inference from the results of survey conducted by MOI on the satisfaction level of SMEs with advisory services provided by the Shindanshi in 2012 (Monitoring and Evaluation 2012), which has no information on whether the feedbacks from the respondents to the forgoing survey were representative of the ex-participants.
In light of the above constraints in the data and information available, it would be rather difficult to argue that the results of the evaluation delivered hereafter are strictly in line with the JICA's ex-post evaluation guidelines.
- Sustainability: It is exceptional in that the sustainability is evaluated as "not applicable", even though the fact, that the project had the nature of seeking immediate effects in the global economic crisis and the project period was only one year, can be taken into consideration.

1 Relevance

This project has been highly relevant with Indonesia's development policy and development needs at the time of both ex-ante evaluation and project completion. For the development policy, it is consistent with President Decree No. 28/2008 of National Industrial Policy, which was still effective at the time of project completion, and the Decree aimed at accelerating industrial revitalization. For the development needs, following the economic crisis, there have been needs to increase trained human resources to support SMEs that were engaged in build-to-order manufacturing with raw materials supplied by exporting companies, so that they can learn know-hows on procuring raw materials, develop products for domestic market and increase

sales for themselves. It is also consistent with Japan's ODA policy at the time of ex-ante evaluation.

The nature of this project as a Fast Track project posed challenges on the design of the project, which was not explicit enough in terms of how to achieve the ambitious objectives and indicators. In addition, the plan on how to utilize human resources developed by the project and the monitoring system of the project effects should have been considered well in advance. Nevertheless, it was significant that the project could provide the trainings to overcome the crisis in a timely manner through the Fast Track System.

Therefore, relevance of this project is high.

2 Effectiveness/Impact

This project aimed at capacity development of Shindanshi trainers, production skills trainers and SMEs so that SME support system is strengthened and managerial and production skills of SMEs will improve (project purpose), and business performance of SMEs will recover, contributing to the stabilization of economy (overall goal).

Under this project, (i) a cumulative total of 122 Shindanshi trainers received on-the-job training (OJT)-based TOT held in 7 cities in Indonesia, and 10 Shindanshi trainers observed actual cases of SME management consultation or diagnosis (Shindan) in Japan, 10 production skills trainers observed actual cases of production improvement in Japan, and (ii) approximately 1,000 persons from SMEs in the target industries participated in 41 in-country training courses held in 17 cities in Indonesia.

Through these trainings, participants' understanding of (a) Shindan or (b) management / production skills were improved, and what they learned in these trainings were incorporated in training plans developed by them and in their jobs (i.e. actual Shindan and consultations to SMEs or SME operation). After completion of the project, a Ministerial Decree that clarifies the role of UPL as a basic point of assistance for Shindanshi has not been issued and the quantitative data to show whether the management of the companies has been improved or not is not available. According to an ex-participant in the TOT-OJT in Indonesia, however, the knowledge of this project is reflected on workshops and seminars for SMEs conducted by MOI and local government. And there are some positive findings which the projects effects have continued seen in the ground. 3 ex-participants of the training in Japan interviewed are utilizing the OJT manual developed and knowledge learned through the project when giving lecture and consultation, and some of ex-participants of TOT-OJT in Indonesia were selected as facilitators to connect local industries and institutions for local industry promotion (such as local governments, chambers of commerce, bank local branches and so on) in the other JICA project (Project on Small and Medium Industry Development based on Improved Service Delivery in Indonesia: 2013-2016). They are contributing to performance improvement of SMEs by utilizing know-how cultivated by the project.

For the overall goal, the degree of contribution of SMEs to GDP is gradually increasing as shown in the Table 1, though the causal relationship with the project is vague. In addition, regarding another originally-designated indicator, a survey conducted by MOI in 2012 shows certain extent of improvement of production capacity, product quality and variety of produces of SMEs after receiving consultation from Shindanshi (see the column below). The respondents include ex-participants of in-country trainings and some of Shindanshi who provided the consultation have relation to the project through participating TOT trainings or receiving guidance from trainers.

In this way, the project promoted capacity development of trainers in the area of SME support and was successful in maintaining MOI's focus on the Shindanshi related system, though not enough information was collected to verify the overall goal. It should be pointed out that too high purpose and goal were set considering the nature of this project (i.e., a one-year project mainly consisting of training).

Therefore, effectiveness/ impact of the project is evaluated to be fair.

Achievement of project purpose and overall goal

Aim	Indicators	Results
(Project Purpose) SME support system is strengthened, and managerial and production skills will improve.	A Ministerial Decree that clarifies the role of UPL as a basic point of assistance for Shindanshi is issued.	(Project Completion) UPL had been institutionalized in 2007 by the Regulation of Directorate General SMI No. 55/IKM/PER/8/2007 which presented a guideline on the establishment of UPL, and there was no related Ministerial Decree issued during the project period. But MOI recognized the importance of Shindanshi and increased the number of UPL gradually. (Ex-post evaluation) No related Ministerial Decree issued, however the Regulation of Directorate General SMI No. 55/IKM/PER/8/2007 is still valid and the number of UPL increased from 106 in 2008 to 154 in 2012. And the ex-participants in the TOT-OJT in Indonesia who have been involved in SME support have continuously utilized the knowledge learned through this project.
	The companies that participated in the training improve quality control and production process, and produce goods of higher quality.	(Project Completion) Most of the SMEs applied what they learned from the in-country training (but no detailed information was available). (Ex-post evaluation) The survey results conducted by MOI in 2012 infer some sort of project contribution.
(Overall goal) Business performance of SMEs recovers, and contribute to the stabilization of economy, which has been damaged by global recession.	Half of the companies that participated in the training increase their sales and profit.	(Ex-post Evaluation) The survey results conducted by MOI in 2012 infer some sort of project contribution.
	Degree of contribution of SMEs to GDP is increased.	(Ex-post Evaluation) Gradually increased, but causal relationship is not clear.

Sources: Terminal Evaluation Report, Project Completion Report and MOI.

3 Efficiency

Both the project cost and project period are within the plan (ratio against the plan: 82% and 100%, respectively). The outputs of the project were produced mostly as planned, except for output 2 because the provision of training equipment was canceled due to the Indonesian government regulation that prohibits distribution of any equipment provided by foreign donors to outside of the government facilities. Therefore, efficiency of this project is high.

4 Sustainability

In the policy aspect, President Decree No. 28/2008 of National Industrial Policy, which aims at accelerating industrial revitalization, and National Mid-Term Development Plan (2015-2019), which holds SMEs promotion, are still effective at the time of ex-post evaluation.

In the institutional aspect, a lot of Shindanshi transferred to other sections and most of them are involved in the job which is not directly related with SME support. MOI commented more Shindanshi should be assigned to the section in charge of SMEs, but MOI doesn't have authority to manage personnel affairs for Shindanshi belong to local governments. In addition, MOI commented that Shindanshi themselves do not function well.¹ Therefore, MOI suspended the Shindanshi training in 2012 and to address issue, DGSMI, MOI set up the task force (working group) in 2013 to improve the Shindanshi system. Some counterparts of the project period were involved in the task force. And DGSMI has continued to consider the reform of Shindanshi system, though the task force was dissolved.

In the technical aspect, although information is not enough to update the skill gap problem mentioned above, some positive findings are that new staff succeeded the tasks of counterparts of the project period who left the positions, and that interviewed participants in TOT-OJT and the training in Japan said they still refers to the OJT manual and finds it useful.

As for the financial aspect, MOI commented that the budget reduction is one of the reasons for the suspension of Shindanshi training.

Seeing from the findings above, the project has problems in institutional, technical and financial aspects of the implementing agency for further impacts. Thus, sustainability of effects of the project is quite limited but not applicable.

That is because, it should be reminded that the project originally aimed for taking quick measures for SMEs development in the aftermath of global economic crisis in 2008. Considering that this is the one-year project placing importance on quick action, sustainability of the project cannot be evaluated as same as other project.

5 Summary of the Evaluation

The project, as a prompt action to the economic crisis through the Fast Track System, enhanced the capacity of many Shindanshi trainers and about 1000 trainees from SMEs, which contributed to strengthened SMEs after the global economic crisis in 2008. In the survey conducted by MOI in 2012, more than 60 % of participants who received Shindan services strengthened by the project acquired some capacities from the Shindan services, although there were the limited information to clarify the achievement level of the Project Purpose and Overall Goal.

As for the project sustainability, there are Shindanshi trainers and Shindanshi who keep utilizing knowledge and manual developed in the project. However, the government suspended the Shindanshi training in 2012 and tries to develop new SME support measures. It should be reminded that this is one-year project placing importance on quick action for SME recovery, though there are issues to be improved in the institutional, technical and financial aspects.

In the light of above, the evaluation of this project is not applicable since sustainability is not evaluated.

III. Recommendations & Lessons Learned

Recommendations for Implementing agency

The MOI needs to consider how to utilize the outcomes of Shindanshi system and is expected to take the necessary actions to make use of the experiences of the project for effective SMEs development policies and measures that meet current economic demands.

Lessons learned for JICA

The project has some issues to be improved in the evaluability of the project including the project design and the indicators. The monitoring system of the project effects was not considered well. As a result, it is not clear from available documents how this project intended to achieve Project Purpose Indicator 1 (Ministerial Decree on the role of UPL) through Shindanshi TOT. The indicators of the Overall Goal, such that degree of contribution of SMEs to GDP is increased, were set too high. The Project Purpose, Overall Goal and the indicators should be set with the careful consideration of the project inputs and duration.

Table 1: SME's Contribution to GDP

(Billion IDR)

	2008		2009		2010		2011		2012		2013	
SMEs subtotal	2,613,226	55.7%	2,993,152	56.5%	3,466,393	57.1%	4,303,573	57.9%	4,869,596	59.1%	5,714,575	60.3%
Medium enterprises	630,340	13.4%	713,263	13.5%	816,745	13.5%	1,002,170	13.5%	1,120,353	13.6%	1,299,494	13.7%
Small enterprises	472,830	10.1%	528,244	10.0%	597,770	9.8%	722,014	9.7%	798,122	9.7%	920,618	9.7%
Micro enterprises	1,510,056	32.2%	1,751,645	33.1%	2,051,878	33.8%	2,579,388	34.7%	2,951,121	35.8%	3,494,463	36.9%
Large enterprises	2,080,583	44.3%	2,301,709	43.5%	2,602,370	42.9%	3,123,516	42.1%	3,372,296	40.9%	3,755,377	39.7%
Total	4,693,809	100.0%	5,294,861	100.0%	6,068,763	100.0%	7,427,088	100.0%	8,241,892	100.0%	9,469,952	100.0%

Source: Annual Report 2013, Ministry of Cooperatives and Small and Medium Enterprises

¹ The number of Shindanshi was 408 in 2012. The accumulated number of working Shindanshi trainers was 51 in 2010 and 60 in 2011. In addition, according to the project completion report of this project (2010), the Shindanshi system had the following problems, "there are many cases for Shindanshi to leave from its services in the mid-stream" "because there are no specific incentives such as obtaining higher salaries, nor effect for promotions, etc." "There are no strong supports from the central government and even from the companies"; "Reputation or name recognition of Shindanshi from among local companies are very low." (p.4-1)

Column: Impact of Shindan for SMEs

A survey was conducted by the Center of Industrial Education and Training (CIET) in 2012 on the impact of consultation services for SMEs, and 69%* replied that their production capacity increased, 68%* replied that quality of their products was improved, and 63%* replied that their variety of products increased, compared with their previous status.

*Figures are the total of "Slightly Increased/Improved", "Increased/Improved" and "Highly Increased/Improved" in the table below.

	Decreased/ Worsened	Unchanged	Slightly Increased/ Improved	Increased/ Improved	Highly Increased/ Improved	Total
Production Capacity	11 (16%)	10 (14%)	14 (20%)	14 (20%)	20 (29%)	69
Product Quality	15 (22%)	7 (10%)	14 (20%)	20 (29%)	13 (19%)	69
Variety of Products	9 (13%)	17 (25%)	16 (23%)	19 (28%)	8 (12%)	69

Source: Monitoring and Evaluation 2012, Ministry of Industry

Note: 69 respondents (SMEs) above consists of 37 from food industry, 7 from textiles industry, 14 from handicraft industry, 5 from metal industry, 2 from furniture industry, 3 from household appliances industry, 1 from herbal (Jamu) industry, and 1 from building material industry



(Product inspection by the ex-participant of the training)