

Country Name	<b>The Project for Development of Industry based on Local Resources in South Sulawesi Province</b>
Republic of Indonesia	

**I. Project Outline**

Background	<p>The growth of manufacturing industries in South Sulawesi Province had been stagnant due to lack of market information, insufficient human resources and the level of technologies, insufficient cooperation between local provincial government and related industries, lack of functional legal systems and inexistence of an environment to create added value. In order to promote industries in the Province, it was necessary to grasp the needs of markets and clarify strategies and policies for the industrial development. Strengthening of links between the governmental agencies concerned and the producers in the region was also indispensable as well as efforts to promote processing of local resources and to improve the quality of products. Under these circumstances, the provincial government of South Sulawesi aimed to activate local economy development through the strengthening of industrial clusters, focusing especially on the promotion of agro-industry. Gerbang Emas, or the Community Economic Movement Program (2004-2007), was carried out under the initiative of the provincial government and identified eleven specialty products. The program was positively evaluated in its results during the program implementation, but there were still issues to be solved regarding the sustainability after the program was completed.</p>														
Objectives of the Project	<p>Through improving the capacity of the Government of South Sulawesi Province to develop and improve the industrial development strategy and strengthening the training implementation system and the system and strategy for enhancement of clusters, the project aimed at establishing the system where the concerned stakeholders could collaborate for product/market development utilizing locally available resources, thereby contributing to acceleration of manufacturing of local resources and improvement of the value of the products. The project objectives set forth are as follows:</p> <ol style="list-style-type: none"> <li>1. Overall Goal: Manufacturing of local resource is accelerated through strengthening of sectoral and regional linkage and the value of the products is improved.</li> <li>2. Project Purpose: The system, where the concerned stakeholders could collaborate for product/market development utilizing locally available resources according to the needs of local industry producers, is established.</li> </ol>														
Activities of the project	<ol style="list-style-type: none"> <li>1. Project site: South Sulawesi Province</li> <li>2. Main activities: (1) Improve industrial development strategy of the Government of South Sulawesi Province and formulate rules and regulations on industrial development; (2) Conduct trainings related to finance, marketing, production and management and monitoring and feedback on trainings; and (3) Select groups for cluster development, formulate industry-university-local government linkages, strengthen collaboration of related organizations, conduct matching of market and products, marketing (PR) event and monitoring and evaluation for improving activities etc.</li> <li>3. 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: 10 persons</td> <td>1. Staff allocated: 46 persons in Working Groups, 47 persons in Project Implementation Units</td> </tr> <tr> <td>2) Trainees received: 11 persons</td> <td>2. Office space and facilities</td> </tr> <tr> <td>3) Provision of equipment (computers, printer and photocopy machine etc.)</td> <td>3. Operational expenditure</td> </tr> <tr> <td>4) Operational expenditure</td> <td></td> </tr> </table> </li> </ol>					Japanese Side	Indonesian Side	1) Experts: 10 persons	1. Staff allocated: 46 persons in Working Groups, 47 persons in Project Implementation Units	2) Trainees received: 11 persons	2. Office space and facilities	3) Provision of equipment (computers, printer and photocopy machine etc.)	3. Operational expenditure	4) Operational expenditure	
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Ex-Ante Evaluation	2008	Project Period	March 2009 – February 2012	Project Cost	(ex-ante) 326 million yen (actual) 295 million yen										
Implementing Agency	Industry and Trade Office of South Sulawesi Province, Regional Export Training and Promotion Center (RETPC)														
Cooperation Agency in Japan	KRI International Corporation														

**II. Result of the Evaluation****1 Relevance**

<Consistency with the Development Policy of Indonesia at the time of ex-ante evaluation and project completion>

The project has been consistent with Indonesia's development policy on 'redressing regional disparity', 'strengthening of international competitiveness of Indonesian economy through cluster formation' and 'developing processing industry in Sulawesi area' etc. as set forth in "the National Long Term Development Plan (RPJPN)" (2005-2025), "the National Medium-Term Development Plan (RPJMN)" (2005-2009), "RPJMN" (2010-2014) and "the Medium-Term Development Plan of South Sulawesi Province (RPJMD)" (2008-2013).

<Consistency with the Development Needs of Indonesia at the time of ex-ante evaluation and project completion>

At the time of ex-ante evaluation, as the manufacturing industry had been underdeveloped and the economy of South Sulawesi Province had been dependent on production of raw materials, it was necessary to promote industries which utilize local resources and add values to their products in order to develop regional economy. Throughout the project period, there were no significant changes in the industrial structures in which producers in local industry took part. Thus, there were needs for local industrial development both at the time of ex-ante evaluation and project completion.

<Consistency with Japan's ODA Policy at the time of ex-ante evaluation>

The project was consistent with Japan's ODA policy, as stated in the Country Assistance Program for Indonesia (2004), which prioritized 'creation of a democratic and fair society'. 'Poverty reduction' was regarded important for 'creation of a democratic and fair society', and this project was consistent with the aim, as it was to support eastern Indonesia where poverty rate was high.

<Evaluation Result>

In light of the above, the relevance of the project is high.

## 2 Effectiveness/Impact

<Status of Achievement for the Project Purpose at the time of Project Completion>

Project Purpose was achieved by the time of project completion. The strategic plan, "Vision for Local Industry Facilitation in South Sulawesi", which indicated the idea of promotion of regional brand, establishment of product certification/accreditation system, organization of regional brand promotion institution and several action plans (including establishment of antenna shop), was prepared in early 2010. Following the vision in principle, the Regulation of Provincial Governor on Local Industry Development through Creation of South Sulawesi Brand was enacted in September 2011, in which establishment of a special team, formulation of technical guideline, and designing of original logo for local production were stipulated. The special team was organized for implementation of the strategic plan in November 2011, involving not only provincial government, but also private sector and academic etc. (Indicator 1). "Internal Training" courses for training institutions were conducted and five training institutions established the standard of demand based training, and an annual plan for implementing "External Training" courses for producers of local industry was prepared every year (Indicator 2). Five commodities (cacao, passion fruit, silk and marble craft as the priority commodities of this project, and seaweed as the additional commodity later identified by the initiative of the Indonesian side) were selected to improve product quality and to strengthen supply chain. The JICA experts reported that based on the result of External Training courses as well as marketing promotion activities by the project, the local producers became very active to enhance their business through improvement of their local specialty products (Indicator 3).

<Continuation Status of Project Effects at the time of Ex-post Evaluation>

The project effects have been partially maintained since project completion. Regarding the strategic plan (Indicator 1), South Sulawesi brand creation, initiated under the project as namely "I Love South Sulawesi Products", has continued until today. Coaching and facilitation for packaging and brands have been carried out by the central government and the province. The Regulation of Provincial Governor on Local Industry Development through Creation of South Sulawesi Brand has been effective, and the technical guideline which was required to be prepared in the Regulation has been finalized and utilized among stakeholders. The product certification/accreditation system was also established by the province. However, the special team is no longer functioning due to rotation and retirement of many members, and the duty assignment letter designated names/personal duties rather than institutional duties, which made the concerned organizations difficult to assign other staffs. The antenna shop established under the project was also closed in 2016 due to budget constraint. The regional government stopped the budget allocation in 2016 to use that budget for other purposes not related to this project, and there was no support budget from Central Government. Therefore, the regional government could not afford the rent of the antenna shop because revenues from sales of products could not match the cost of the antenna shop. Regarding trainings (Indicator 2), while "Forum Diklat South Sulawesi", which was initiated under the project for organizing trainings efficiently and effectively, is an informal network, communication and collaboration among member institutions<sup>1</sup> have continued, though the forum is not as efficient and effective as that of the beginning period, due to retirement and transfer of many key members. Nonetheless, an annual plan for implementing External Training courses has been prepared every year, and trainings on local product processing, labelling and packaging, export procedures and internet marketing etc. for local industries and small and medium enterprises were conducted for five times (350 participants) in 2015 and ten times (190 to 235 participants) in 2016. Training Needs Assessment (TNA) has also continuously been conducted by circulating a questionnaire to participants at the end of each training session, and results of the questionnaire survey is reflected in the next training. Regarding product improvement (Indicator 3), continuous improvements were observed in the targeted commodities (e.g., increase in size of cocoa industry, production of premium passion fruit juice, etc.)<sup>2</sup>. Moreover, Each Kabupaten (district) and/or Kota (city) in South Sulawesi Province currently has their own local products. For example, for passion fruits, Gowa and Toraja region have become the center of passion fruits production.

<Status of Achievement for Overall Goal at the time of Ex-post Evaluation>

Overall Goal has been achieved by the time of ex-post evaluation. Seaweed products such as syrup, nugget, candy, fried seaweed and bread and packaged sea products such as fish have become branded local commodities (they are qualified as "I Love South Sulawesi Products") besides the priority commodities of this project (Indicator 1). Moreover, Central Sulawesi Province has adopted the model of local industry development (i.e., system of training cycle management and provincial regulation) developed in South Sulawesi (Indicator 2). The model of the project encouraged the local government to explore more local products based on local resources and to engage in the training system (training cycle management) and the government regulation to enhance local products, as outputs of the project, which have supported development of other branded local products and contributed to the expansion of areas of local industry development.

<Other Impacts at the time of Ex-post Evaluation>

No negative impact on natural environment has been observed and no land acquisition and resettlement has been occurred under the project. As to other impacts, there are initiatives that are not directly connected to the JICA project but encouraged by the model of local industry promotion: the South Sulawesi Provincial Government is preparing a draft of new regional regulation for provincial industrial development plans, which will be issued in June 2017; and at around the same time, establishment of a new special team for local industry promotion is scheduled.

<Evaluation Result>

In light of the above, through the project, targets set in indicators for Project Purpose were achieved by the time of project completion, the project effects have been partially maintained since project completion, and the degree of achievement of Overall Goal is high at the

<sup>1</sup> Members of Forum Diklat South Sulawesi: RETPC, Education and Training Centre for Cooperative and SMEs (BDKUKM), Education and Training Centre for Industry (BDI), Education and Training Agency for Textile and Metal Products (BPTT), and Education and Training Agency for Industry and Agriculture Products (BPHIP)

<sup>2</sup> At the same time, the implementing agency commented that many of local industries in South Sulawesi are facing lack of supply of good raw material problem, for example, with passion fruits and chocolate industries, due to climate change.

time of ex-post evaluation. Therefore, the effectiveness/impact of the project is high.

Achievement of project purpose and overall goal

Aim	Indicators	Results
(Project Purpose) The system, where the concerned stakeholders could collaborate for product/market development utilizing locally available resources according to the needs of local industry producers, is established.	1. Strategic plan is implemented under appropriate institutional arrangement.	Status of the achievement: achieved (partially continued) (Project Completion) "Vision for Local Industry Facilitation in South Sulawesi" was prepared in 2010. Following the vision in principle, the Regulation of Provincial Governor on Local Industry Development through Creation of South Sulawesi Brand was enacted in 2011. The special team for implementation of the strategic plan was organized in 2011. (Ex-post Evaluation) South Sulawesi brand creation has continued, and the Regulation of Provincial Governor on Local Industry Development through Creation of South Sulawesi Brand has been effective. However, the special team is no longer functioning and the antenna shop established under the project was closed.
	2. The Plan in line with the needs of producers is formulated in collaboration with relevant training institutional system.	Status of the achievement: achieved (continued) (Project Completion) As outputs of Internal Training, five training institutions established the standard of demand based training, and they formed a network, which was authorized as "Forum Diklat South Sulawesi" in 2012. Annual Plan for implementing External Training courses was prepared every year since 2009. (Ex-post Evaluation) Communication and collaboration among members of Forum Diklat South Sulawesi have continued. An annual plan for implementing External Training courses has been prepared every year, and various trainings for local industries and small and medium enterprises were conducted for five times in 2015 and ten times in 2016. TNA has also continuously been conducted.
	3. Marketable products are developed and continuously improved.	Status of the achievement: achieved (continued) (Project Completion) Five commodities (cacao, passion fruit, silk, marble craft as the priority commodities of this project, and seaweed as the additional commodity later identified by the initiative of the Indonesian side) were selected, and various training and marketing promotion activities were conducted. (Ex-post Evaluation) Continuous improvements were observed in all of the five targeted commodities.
(Overall goal) Manufacturing of local resource is accelerated through strengthening of sectoral and regional linkage and the value of the products is improved.	1. Branded local commodities expand besides the priority commodities of the Project.	(Ex-post Evaluation) achieved Seaweed products and packaged sea products such as fish have become branded local commodities.
	2. Area of local industry development expands besides the target areas of the Project.	(Ex-post Evaluation) achieved Central Sulawesi Province has adopted the model of local industry development as developed in South Sulawesi.

Source: Project Completion Report and interview with Industry Office, Bappeda and RETPC of South Sulawesi Province

3 Efficiency

Both the project cost and project period were within the plan (ratio against the plan: 90% and 100%, respectively). Therefore, the efficiency of the project is high.

4 Sustainability

<Policy Aspect>

RPJPN (2005-2025) is still effective. RPJMN (2015-2019) and RPJMD of South Sulawesi (2014-2019) state the needs for local industries development. The Government Regulation No. 14 of 2015 on National Master Plan on Industry Development also shows government support to enhance local industry.

<Institutional Aspect>

For planning and implementation of local industry promotion policies, Industry and Trade Office of South Sulawesi Province was separated into two independent offices; Trade Office and Industry Office, in January 2017, in order to promote local industry development as well as to be consistent with the central government structure. Regarding development and improvement of marketable products, as stated above, the special team, which was expected to perform the central role in branding promotion after project completion, is no longer functioning, and a new special team that is planned has not been in place at the time of ex-post evaluation. Accordingly, it is not clear whether there is sufficient number of personnel for promotion of local industry.

As for training services provision, five training institutions have belonged to "Forum Diklat South Sulawesi", which is sufficient as the number of members of the training network, as the Forum is consisted of all training institutions necessary for implementation of trainings related to development of local industry in the region.

<Technical Aspect>

At the time of ex-post evaluation, many C/Ps have retired, been transferred to other positions or moved to other provinces, and as stated above, the special team is no longer functioning. Thus, the technical skill level of implementing agencies for policy planning/implementation and support for commodity development/promotion could not be maximized. Regarding training services, on the other hand, skill level of members of "Forum Diklat South Sulawesi" is sufficient to implement External Training courses, as they evaluate the whole training activity based on participants' feedback in the end of each training program, and the result is always satisfactory, which in turn means that they meet participants' expectations. Internal trainings for members in the Forum are regularly and independently conducted by each institution in the Forum based on their necessities at least once a year. The skill level of local producers of four priority products (cacao, passion fruit, silk and marble craft), which were originally targeted by the project, is also sufficient to continue product

diversification and improvement at the time of ex-post evaluation, as good quality of products have been observed and diversifications have been made, which is reflected in increasing number of products sold.

<Financial Aspect>

Budget for the special team is no longer available, as the team is not functioning at the time of ex-post evaluation. On the other hand, budget allocated for training institutions is sufficient<sup>3</sup>, as External Training courses have been implemented with sufficient quality meeting participants' expectations.

<Evaluation Result>

In light of the above, some problems have been observed in terms of the institutional, technical and financial aspects of the implementing agencies. Therefore, the sustainability of the effectiveness through the project is fair.

5 Summary of the Evaluation

Through the project, targets set in indicators for Project Purpose were achieved by the time of project completion. Although some of the achievements of the project have not been fully maintained since project completion, majority of the achievements have continued, and the degree of achievement of the Overall Goal is high at the time of ex-post evaluation. As for sustainability, some problems have been observed in terms of the institutional, technical and financial aspects, however, it was confirmed that the system, technical skills and budget allocated for implementation of External Training courses are sufficient. Considering all of the above points, this project is evaluated to be highly satisfactory.

### III. Recommendations & Lessons Learned

Recommendations for Implementing Agency:

- 1) In order to expand sales channel of developed products, alternative options to operating antenna shop, such as renting a part of space in existing shops, should be considered. To increase revenue, on-line shopping should also be considered.
- 2) Industry Office should encourage producers to utilize raw material in efficient and effective manner so that the effects of the climate change are minimized.

Lessons learned for JICA:

- 1) When a project is to create a team (working unit) and expects it to keep functioning after project completion, in order to avoid problem of weakening of performance of the team due to rotation and retirement of members over time, JICA could suggest the implementing agency/agencies that the duty assignment letter shall appoint the members by their institutional duties, not by their names or personal duties, so that the concerned organizations can assign another staff in place of the initial member who is retiring.
- 2) In this project, the antenna shop was closed due to limited budget provided by central government, and the provincial government could not maintain the budget of the antenna shop for long time due to imbalance between income and rent cost. When a local industry development project assists sales expansion of products, it could be considered to involve the private sector to enhance financial sustainability. Also, on-line shopping can be considered to increase income.



Examples of high quality products of cacao / chocolate industries as result of JICA's Project Training



Examples of High Quality of Passion Fruits syrup as result of JICA's Project Training

<sup>3</sup> The amount of budget allocated to RETPC was 575 million IDR in 2013, 640 million IDR in 2014 and 488 million IDR in 2015. Budget data on other institutions was not available.