

Country Name	<b>Project on the Service Improvement of the National Agency for Export Development (NAFED)</b>
Republic of Indonesia	

**I. Project Outline**

Background	<p>In Indonesia, promotion of exports of non-oil and gas products was a key issue in the development policy, and it was essential to execute an export promotion policy aiming at strengthening export competitiveness for accelerating the country's economic growth. At that time, the National Agency for Export Development (NAFED) under the Ministry of Trade of Indonesia took the role of policy-making and implementation in export promotion. However, NAFED had challenges in capacity development in areas such as policy formulation and provision of services that would meet the needs of export-oriented domestic companies including Small Medium Enterprises (SMEs). In response to the situation, JICA undertook the "Study for the strengthening of Export Promotion Organizations" (2007-2008), and, as a result, the direction of organizational reform and strengthening of NAFED was clarified as a transformation from "organization structure based on overseas market area" to an "organization structure based on service function"<sup>1</sup>. However, NAFED had no experience in operation and management of a function-based organization and faced insufficiencies in know-how and human resources in order to strengthen its service function.</p>												
Objectives of the Project	<p>Through preparation of standard operation procedures (SOPs), working plan and budget plan of the Directorate General of National Export Development (DGNED)<sup>2</sup>, establishment of objectives management system, preparation and implementation of an overall plan of improving export information service, establishment of customer service and its operation, and establishment and provision of designer matching services and designer dispatch services, the project aimed at improving the export development services<sup>3</sup> of DGNED, thereby contributing to increasing the amount of export sales of exporting SMEs that utilize DGNED services.</p> <ol style="list-style-type: none"> <li>Overall Goal: The amount of export sales of exporting SMEs that utilize DGNED services will increase.</li> <li>Project Purpose: The export development services of DGNED are improved.</li> </ol>												
Activities of the Project	<ol style="list-style-type: none"> <li>Project Site: Special Capital Region of Jakarta</li> <li>Main Activities: 1) Preparation of SOPs, working plan and budget plan of DGNED, 2) Establishment of objectives management system, 3) Preparation and implementation of an overall plan of improving export information service, 4) Establishment of customer service and its operation, 5) Establishment and provision of designer matching services and designer dispatch services, etc.</li> <li>Inputs (to carry out above activities) <table border="0" style="width: 100%;"> <tr> <td style="width: 50%;">Japanese Side</td> <td style="width: 50%;">Indonesia Side</td> </tr> <tr> <td>1) Experts: 14 persons</td> <td>1. Staff allocated: 7 persons</td> </tr> <tr> <td>2) Trainees Received: 42 persons</td> <td>2. Land and facilities: Office space for the Japanese experts</td> </tr> <tr> <td>3) Equipment: PC, printer, a telephone/fax, etc.</td> <td>3. Local expense: traveling cost</td> </tr> <tr> <td>4) Local expense: cost for project activities</td> <td></td> </tr> </table> </li> </ol>			Japanese Side	Indonesia Side	1) Experts: 14 persons	1. Staff allocated: 7 persons	2) Trainees Received: 42 persons	2. Land and facilities: Office space for the Japanese experts	3) Equipment: PC, printer, a telephone/fax, etc.	3. Local expense: traveling cost	4) Local expense: cost for project activities	
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Project Period	May 2010 – May 2015	Project Cost	(ex-ante) 490 million yen, (actual) 535 million yen										
Implementing Agency	Directorate General of National Export Development (DGNED), Ministry of Trade												
Cooperation Agency in Japan	Ministry of Economy, Trade and Industry Japan External Trade Organization (JETRO)												

**II. Result of the Evaluation**

## &lt; Special Perspectives Considered in the Ex-Post Evaluation &gt;

- At the time of ex-ante evaluation, to measure the achievement status of the indicator for the Overall Goal "The amount of export sales of exporting SMEs that utilize DGNED services will increase", "50% of member SMEs increase the amount of export sales." was set. However, since DGNED provides its services to all the member companies regardless of their size, it was difficult to extract solely the member SMEs' data, this ex-post evaluation covered the data from all the member companies and evaluated the achievement status. Also, as complementary information to get the picture of the amount of SME's export sales, the export sales of SMEs across the country were incorporated as a reference.

## &lt; Constraints on Evaluation &gt;

- At the time of ex-post evaluation, available information was limited for the following reasons, and therefore, there were some limitations in evaluating the Project Purpose and the Overall Goal. Some of the reasons were that the feedbacks from member SMEs on DGNED's services and the data on transitions of these SMEs' export sales were not submitted from DGNED, and that JICA had a limited access to information due to the staff reshuffle of Ministry of Trade.

**1 Relevance**

## &lt; Consistency with the Development Policy of Indonesia at the Time of Ex-Ante Evaluation and Project Completion &gt;

The project was consistent with Indonesia's development policies of "National Mid-term development Plan" (2010-2014) promoting the exportation of non-oil and gas products and "Five-year Strategy (of the Ministry of Trade)" (2010-2014) positioning the strengthening of export competitiveness as one of strategies at the time of ex-ante evaluation and at the time of project completion.

## &lt; Consistency with the Development Needs of Indonesia at the Time of Ex-Ante Evaluation and Project Completion &gt;

<sup>1</sup> For Indonesia's increased competitiveness in export, the Study made a proposal to restructure NAFED from current organization structure based on market areas to organization structure based on service function, to strengthen its service functions, and to improve the capacity of staffs in charge.

<sup>2</sup> NAFED was upgraded to DGNED as a result of organizational reform in accordance with the Presidential Decree No.24 in April 2010.

<sup>3</sup> Export development services cover the areas in (1) export information (ex. provision of overseas market information to SMEs), (2) export promotion (ex. assistance in PR of Indonesian SMEs' products at trade fairs) and (3) product development (ex. matching with designers and SMEs).

The project was consistent with Indonesia's development needs of organization development of DGNED with the insufficient experience in operation and management as a function-based organization and the lack of know-how and human resources to strengthen the service function.

<Consistency with Japan's ODA Policy at the Time of Ex-Ante Evaluation>

The project was consistent with "The Country Assistance Program for Indonesia" (2004) setting "assistance for sustainable growth driven by the private sector" as one of three prioritized areas.

<Evaluation Result>

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

## 2 Effectiveness/Impact

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

The Project Purpose was achieved by the time of project completion. According to the survey targeting member SMEs in October 2014, 57% of the total member SMEs answered that the services of DGNED improved very much or somewhat improved, which exceeded the target value of 50%. (Indicator 1) Also, the number of member companies reached 1,606 as of November 2014 after the services were launched in July 2013, which achieved the annual target of 500 new members per year.

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

The project effects have been partially continued since the project completion. Even at the time of ex-post evaluation, the export services of DGNED which the project supported have continued. Also, according to DGNED, DGNED has provided more export-related information and trainings for member SMEs, and above all, Designer Dispatch Services (DDS) established by the project has been having a certain demand and receiving reputations from the member SMEs. The fact indicates that the services of DGNED has improved at certain level. The number of new member companies per year receiving DGNED's services has outnumbered 300 since 2016, which is more than half of the target number (500 new members per year).

According to the Annual Performance Report of DGNED (2018), DGNED continued to provide various export services in 2018, such as 1) dispatching trade missions to three major market countries (United States, China and India) and 10 new market countries including Africa and Middle East, 2) issuing Market Intelligence (MARTEL) Report of 12 countries including Central and South America and Africa, and 3) participating in or hosting international trade exhibitions. Also, DGNED reported that product development (design and branding) services have been highly demanded than other services, and in 2019, 25 companies received DDS which supported matching with designers and joint development of products. Besides, in 2019, DGNED provided the Coaching Program (a self-contained mentoring program which assists product development through overseas buyer matching and transactions for a year) to 75 member companies in three regional cities. Moreover, as described below, the Customer Service Center (CSC) has continued to respond to inquiries from member companies, and the responding rate still remains high at 83% in 2019.

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

The Overall Goal has been partially achieved at the time of ex-post evaluation. As the survey conducted in October 2014 during the project period showed, 30% of the total member SMEs answered that their export sales had increased. Also, according to the Ministry of Cooperatives and SMEs, SMEs of Indonesia seems to have increased their overseas revenue by export as an overall trend even considering the inflation and fluctuation of exchange rate, with the export sales of SMEs in a non-oil and gas sector growing from 1,622,540 rupiah in 2010 to 2,982,080 rupiah in 2017. Also, 32 out of 75 companies which participated in the Coaching Program in 2018 eventually launched export business. Thus, it can be assumed that member SMEs using the services of DGNED have increased their export sales.

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

A positive impact was observed at the time of ex-post evaluation. In October 2017, Japan Institute of Design Promotion concluded Memorandum of Understanding regarding mutual design promotion with DGNED, aiming to strengthen cooperation in areas such as exchange of high-level judges to "Good Design Indonesia" and exemption of first screening of the award. Since the project supported to strengthen the function of a department providing product design and development services, it could be assumed that the project indirectly contributed to promotion of collaboration between DGNED and related organizations outside Indonesia.

<Evaluation Result>

Therefore, the effectiveness/impact of the project is fair.

### Achievement of Project Purpose and Overall Goal

Aim	Indicators	Results																					
(Project Purpose) The export development services of DGNED are improved.	1. 50% of SMEs that utilize DGNED services think that DGNED has improved its services such as the export information service, export promotion service and product development service compared with the year 2012.	<p>Status of the Achievement: Achieved (Partially Continued) (Project Completion)</p> <ul style="list-style-type: none"> <li>The survey targeting member SMEs in October 2014 showed that 57% of the total member SMEs answered that the services of DGNED improved very much or somewhat improved, which exceeded the target value of 50%.</li> </ul> <p>[Survey Results of Improvement of DGNED's services on the members SMEs]</p> <table border="1"> <thead> <tr> <th>Item</th> <th>Improved very much</th> <th>Improved somewhat</th> <th>Same</th> <th>Not improved</th> <th>N/A</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>No. of answers</td> <td>31</td> <td>47</td> <td>18</td> <td>8</td> <td>33</td> <td>137</td> </tr> <tr> <td>Rate of answers</td> <td>23%</td> <td>34%</td> <td>13%</td> <td>6%</td> <td>24%</td> <td>100%</td> </tr> </tbody> </table> <p>(Ex-post Evaluation)</p> <ul style="list-style-type: none"> <li>DGNED has provided more export-related information and trainings for member SMEs, and above all, DDS established by the project has been having a certain demand and receiving reputations from member SMEs. Thus, the services of DGNED is considered to be improved at a certain level.</li> </ul>	Item	Improved very much	Improved somewhat	Same	Not improved	N/A	Total	No. of answers	31	47	18	8	33	137	Rate of answers	23%	34%	13%	6%	24%	100%
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	2. The number of member companies reached the annual target of DGNED (500 new members per year).	<p>Status of the Achievement: Achieved (Partially Continued) (Project Completion)</p> <ul style="list-style-type: none"> <li>The number of member companies reached around 500 by March 2014 and 1,606 as of November 2014 after the service of DGNED was launched in July 2013.</li> </ul> <p>(Ex-post Evaluation)</p> <ul style="list-style-type: none"> <li>Although the annual target of 500 new members per year has not been achieved after the project completion, the number of member companies has been increasing by more than 300 companies annually in 2016 and afterwards.</li> </ul> <p>[No. of new member companies of the export development services provided by DGNED]</p> <table border="1"> <thead> <tr> <th>2015</th> <th>2016</th> <th>2017</th> <th>2018</th> <th>2019</th> </tr> </thead> <tbody> <tr> <td>104</td> <td>371</td> <td>421</td> <td>331</td> <td>344</td> </tr> </tbody> </table>	2015	2016	2017	2018	2019	104	371	421	331	344
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(Overall Goal) The amount of export sales of exporting SMEs that utilize DGNED services will increase.	1. 50% of member SMEs increase the amount of export sales.	<p>(Ex-post Evaluation) Partially Achieved</p> <ul style="list-style-type: none"> <li>The survey in October 2014 during the project showed that 30% of the total member SMEs answered that their export sales had increased.</li> <li>According to the Ministry of Cooperatives and SMEs, the export sales of SMEs in a non-oil and gas sector have grown from 1,622,540 rupiah in 2010 to 2,982,080 rupiah in 2017.</li> <li>According to DGNED, 32 out of 75 companies which participated in the Coaching Program in 2018 launched export business.</li> </ul>										

Source : Terminal Evaluation Report, questionnaire and interviews of DGNED, statistics of the Ministry of Cooperatives and SMEs

### 3 Efficiency

Although the project period was within the plan (ratio against the plan: 100%), the project cost slightly exceeded the plan (ratio against the plan: 105%). The outputs were produced as planned. Therefore, the efficiency of the project is fair.

### 4 Sustainability

#### <Policy Aspect>

“National Mid-term development Plan” (2015-2019) continues to put the strengthening of export competitiveness as a long-term development goal. Also, the Government of Indonesia announced “Making Indonesia 4.0” in 2018, aiming at increasing export competitiveness of industries such as food, beverages, garment, and machineries and at boosting net exports to a level representing a 10% contribution to GDP. The President Joko Widodo, re-elected in April 2019, aims to upgrade the country’s industrial structures in his second term, and his policy is to be maintained. In addition, “Strategic Objectives” (2015-2019) of DGNED raised “diversification of export market and products”, “promotion of image of export products (nation branding)”, and “optimal performance of export institutions”. The project has been endorsed by those policies and objectives.

#### <Institutional Aspect>

##### 1) Collaboration with local companies

Since the completion of the project in 2015, the number of DGNED staff has been decreasing from 303 in 2015 to 241 in 2019, but no major negative impact on their performance was reported from DGNED. The Export Education and Training Centers was most affected by staff reduction by 21% compared in 2015, but this may have been attributed to closure of four regional training centers established during the “Project for the Establishment and Capacity Building of Regional Export Training and Promotion Centers (RETPC)” with the support of JICA. With no permanent regional offices, the interactions with local companies may be decreased, and indeed, the number of trainings and seminars on export information and product development for local companies has been considerably decreasing (from 10 batches in 2010 to 3 batches in 2019). However, there would be no substantial change in the number of beneficial local companies, since the number of participants per one batch grew twice to three times from 50-100 companies in 2015 to 150-200 companies in 2019.

##### 2) Responsiveness to the clients’ needs

In CSC, which was established for the purpose to promote exportation through delivery of trade information, consultations to exporters and business matching with overseas buyers, the responding rate of inquiries from member companies increased from 80% at the time of project completion to 83% in 2018. However, it usually takes up maximum to one week to respond to each inquiry due to the complexities and large number of the inquiries. CSC has kept records of visitors, inquiries and member companies. Considering this situation, it can be concluded that the services of CSC have been still functioned. Other than CSC, there is a concern in DGNED’s responsiveness to the clients’ needs in a timely manner, since DGNED seems no longer conducts survey to get feedback on their services from the member SMEs.

##### 3) Possibility of restructuring of DGNED

As proposed in a development planning project by JICA, the project supported transformation from market-based to service/function-based structure for the purpose to advance expertise of staff and encourage information sharing of markets in a more systematic way. However, DGNED is considering moving back to market-based structure in order to alleviate the work overload in a Directorate of Promotion and Image Development. DGNED plans to set up service/function-based divisions under each market-based department. If the plan is to be materialized, DGNED will go back to the initial structure after 9 years running. According to DGNED, even if the restructuring happened, DGNED will hold its mandatory without any changes.

#### <Technical Aspect>

No data was available as to the status of implementation of internal trainings and of utilization of manuals. However, DGNED reported

that the staffs have maintained the knowledge and skills required to offer their services. The ex-trainees of the Knowledge Co-Creation Program (KCCP) trainings in Japan have continued to utilize the knowledge and skills gained in the trainings, and that development partners such as JETRO and donors from China and Europe have provided technical trainings to the DGNED staff.

Budget of DGNED

(unit: billion rupiah)

2015	2016	2017	2018	2019	2020 (Plan)
280	421	163	156	162	345

<Financial Aspect>

The budget allocated to DGNED decreased from 280 billion rupiah in 2015 to 161 billion rupiah in 2019. This was due to the fact that the budget for Indonesian Trade Promotion Center under DGNED was removed to Secretariat General, but no major impacts were caused to their performance by the budget reduction, according to DGNED. Also, the DGNED’s budget for 2020 is expected to rise to 345 billion rupiah, with an intension to improve services of export information and product development (design and branding) and to support Indonesian participation in Expo 2020 Dubai. On the other hand, it should be noted that the rate of fluctuation in their budget from 2015 through 2020 has been high, with the budget for 2016 increasing by 150% compared to the previous year and decreasing at 60% in the following year. Therefore, there remains a concern that the unstable allocation of budget may negatively affect the long-term planning and operation of DGNED’s services.

<Evaluation Result>

There have been some problems observed in the institutional and financial aspects. Therefore, the sustainability of the effects through the project is fair.

5 Summary of the Evaluation

The project has achieved the Project Purpose aiming at improving the export development services of DGNED, but it has partially achieved the Overall Goal aiming at increasing the amount of export sales of exporting SMEs that utilize DGNED services. As to Overall Goal, it is confirmed that the SMEs in Indonesia have been increasing their export sales as the overall trend, but it was difficult to clearly confirm the contribution of the project due to the unavailability of data regarding the member SMEs’ export sales. Also, with respect to sustainability, although the export promotion and competitiveness have been prioritized as a policy agenda and DGNED continues to focus their efforts on the capacity building of product development for the member SMEs, there remains a challenge in making permanent outreach to local companies, due to the closure of regional training centers, and in responding timely to the needs of the member SMEs. Also, there remains a concern in the financial aspect that the unstable allocation of budget may negatively affect the long-term planning and operation of DGNED’s services. As for the efficiency, the project cost slightly exceeded the plan.

Considering all of the above points, this project is evaluated to be partially satisfactory.

III. Recommendations & Lessons Learned

Recommendations for Implementing Agency:

- It is recommended that DGNED should capture the needs of the member SMEs in a timely manner, for example, by conducting customer satisfaction and needs surveys regularly, so that it can reflect their feedbacks in their performance and provide more customer-oriented services.

Lessons Learned for JICA:

- If JICA has no plan to launch the subsequent cooperation with an implementing agency at the time of the project completion, JICA may lose contact with the implementing agency afterwards. In that case, it may be difficult for JICA not only to probe the effectiveness and impacts of the project as well as the sustainability of the project at the ex-post evaluation, but also to offer the right advice to the implementing agency at the right time in case that the implementation agency makes unexpected changes in direction. In the case that the project has some risks in continuing its development outcomes after project completion, or in the case that, under the assistance strategy, strengthening of the relationship with the implementation agency is highly desired, or in the case that JICA’s assistance is more effective for self-reliant development of the agency, it is recommended that the implementing agency and JICA should consider developing a plan of the monitoring or follow-up (for example; utilization of JICA’s training schemes, collaboration with counterparts of relevant technical cooperation projects, holding workshops/seminars with other partners such as JETRO) by the terminal evaluation of the project. However, in so doing, JICA needs to identify and analyze, timely and properly, the transformation of the country assistance policy and the structure of the implementation agency after project completion.



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Product exhibition space and Customer Service Center

