



**USAID**  
FROM THE AMERICAN PEOPLE



**SENADA**  
INDONESIA COMPETITIVENESS PROGRAM

# SENADA ACTIVITY UPDATES

ACTIVITY UPDATES 01 to 49 (Dec 2006 – May 2009)

THIS PUBLICATION WAS PRODUCED FOR REVIEW BY THE UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT. IT WAS PREPARED BY **DAI**

## TABLE OF CONTENTS

---

1. SENADA Opens Its RCC in Semarang – Dec 2006 .....	3
2. SENADA Filling Bigger Shoe – Dec 2006 .....	4
3. SENADA Report Studies Anatomies of Manufacturing Value Chains – Feb 2007 .....	5
4. SENADA Upgrades Business Acumen Of Firms In West Java – Apr 2007 .....	6
5. SENADA Organizes Events to Strengthen Indonesia’s Footwear Value Chain – May 2007 .....	7
6. SENADA Leads Workshops to Formulate Competitiveness Strategies – June 2007 .....	8
7. SENADA Launches a One Million Dollar Business Innovation Fund – July 2007 .....	9
8. SENADA Facilitates Improved Business Licensing Services In Sidoarjo – July 2007 .....	10
9. SENADA Facilitates Initiative to Expand Markets for Auto Parts Manufacturers – July 2007.....	11
10. SENADA Hones Entrepreneurs’ Skills Through Knowledge Development – Aug 2007 .....	12
11. SENADA Announces of Publication of the 2007 Indonesia Leather Profile – Aug 2007 .....	13
12. SENADA Launches an Automotive Technical Service Supplier Directory – Aug 2007 .....	14
13. SENADA Expands Market Opportunities For Auto Part Manufacturers – Aug 2007 .....	15
14. SENADA Co-Sponsors National Workshop on SME Business Innovation – Aug 2007 .....	16
15. SENADA Certification For Timber-Based Furniture Producers Suggested– Aug 2007 .....	17
16. SENADA Launches Its RegMap Program To Improve The Business Climate – Dec 2007 .....	18
17. SENADA Tech-Savvy Innovators Learn From The Expert How To Build Their Business Skills – Jan 2008 .....	19
18. SENADA Successful Trade Show Participants Share Tips With Furniture Industry Stakeholder – Feb 2008 .....	20
19. SENADA Expert Stresses The Need For Modernized Human Resource Practices – Feb 2008 .....	21
20. SENADA Upbeat Workshop Participants See Potential For Permanent Design Center – Jan 2008 .....	22
21. SENADA Tackles Certification Bottleneck By Building Local Capacity – May 2008 .....	23
22. SENADA Strengthens The Ability of Manufacturers To Manage Subcontractors – June 2008 .....	24
23. SENADA Presentation Energizes Audience To Advocate Port Reform Strategies – June 2008 .....	25
24. SENADA Supports Directory To Guide Auto Parts Manufacturers – June 2008 .....	26
25. SENADA Identifies Business Software Catalyzes Design of New Application – June 2008 .....	27
26. SENADA Brief Media About Wood Certification And Export Market – June 2008 .....	28
27. SENADA Lead Manufacturers Use Prototype Software To Better Manage Subcontractors – July 2008 .....	29
28. SENADA Stimulates Customs Office To Improve Regulatory Environment – Aug 2008 .....	30
29. SENADA Indonesia’s Sustainable Home Furnishings Pioneers Impress International Buyers – Sept 2008.....	31
30. SENADA GOI Officials Learns To Identify Problematic Regulations Using SENADA’s RegMAP Tools – Sept 2008.....	32
31. SENADA Link & Match Event Brings Quality Garment Makers – Sept 2008.....	33
32. SENADA Fosters Analysis of Nuisance Law Regulatory Reform – Sept 2008 .....	34
33. SENADA Garment Industry Leaders Determined To Implement Productivity At SENADA Workshop – Sept 2008.....	35
34. SENADA Research Promotes Dialogue On Enhancing Indonesia’s Export Performance – Oct 2008.....	36
35. SENADA First Products Carrying The QSEAL Mark Of Quality Marketed To Consumer – Nov 2008.....	37
36. SENADA Supports ASMINDO Certification Care To Ensure Sustainable Industry Focus On Responsible Timber Sourcing – Nov 2008.....	38
37. SENADA Productivity Message Delivered at Garment Partnership Indonesia Event – Nov 2008.....	39
38. SENADA Uses RegMap to Strengthen BAPPENAS Capacity to Analyze Regulations – Nov 2008.....	40
39. SENADA Workshop Guides Indonesian Garment Companies on Accessing European Markets – Nov 2008.....	41
40. SENADA iMULAI 2.0 Competition Attracts Strong Interest From Indonesia’s Innovators – Jan 2009.....	42
41. SENADA Sponsored Expert Urges Private Sector, Researchers and Government - Jan 2009.....	43
42. SENADA Discussion of Problems and Solutions at LINI 2 of Tanjung Priok – Jan 2009 .....	44
43. SENADA Trains National Law Development Agency (BPHN) to use REGMAP – Jan 2009.....	45
44. SENADA Industry Attachment Program Enables SMES to Better Utilize Information – Feb 2009 .....	46
45. SENADA Indonesian Civil Society Representatives Learn to Apply International Best Practices - Feb 2009 .....	47
46. SENADA SAE International Offers Recommendations to Autopart – April 2009.....	48
47. SENADA New Tool Provides Framework to Reduce Regulatory Burden on Indonesian Business – April 2009.....	49
48. SENADA Auto Parts Manufacturers Learn Best Practices in Product Development – April 2009 .....	50
49. SENADA Department of Industry Officials Respond Enthusiastically to Training on Analyzing Regulations for Reform – May 2009.....	51



# ACTIVITY UPDATE

## SENADA OPENS ITS RCC IN SEMARANG

**USAID-SENADA helps entrepreneurs take their business to a new level**



Photo: Dyah Prabandari (RCC – Semarang)

*DR. Ilyas Saad, Sr. Economic Advisor of SENADA, explains the urgency for Central Java to be more competitive to the media attending the opening ceremony.*

*“I appreciate USAID’s SENADA initiative in Semarang, because Central Java’s competitiveness, which is a core focus of SENADA, is a high priority area for the Provincial Government of Central Java”*

*— H. Ali Mufiz,  
Vice Governor of Central Java*

To assist the Central Java government in improving the competitiveness of its industrial base, USAID through its SENADA program, recently launched a Regional Competitive Center (RCC) in Semarang.

The RCC Semarang was officially inaugurated by the Chairman for Central Java’s Board of Investment Mr. Agus Suryono MM on behalf of the Vice Governor of Central Java. The opening ceremony was attended by 70 invitees, ranging from industry practitioners to government officials, as well as members of the media, including *Suara Merdeka*, *Wawasan* and *Kompas*.

Central Java realizes its vast potential in certain industries, such as garments and furniture, and the provincial government has been working hard to enable growth in these industries. The provincial government is helping potential medium-sized Industry players to grow and to be more competitive in the national and international markets.

Targeted assistance to some medium-sized companies should have a domino effect on other firms in the industry value chain and will promote growth of the whole industry.

During his remarks, Mr. Suryono stated, “I appreciate USAID’s SENADA initiative in Semarang because Central Java’s competitiveness, which is a core focus of SENADA, is a high priority area for the Provincial Government.”

Mr. Suryono conveyed his hope that SENADA’s RCC in Semarang would actively communicate its program to business owners in related industries.

The RCC Semarang provides technical assistance in finance, marketing, operational quality improvement and trade promotion to firms that meet stringent criteria laid out by SENADA. The RCC focuses on the wooden furniture, garments and textiles industries.

The event was covered by the regional media *Suara Merdeka* and *Wawasan*. Both articles, which are attached, mentioned USAID’s support.

SENADA is a four-year, USAID-financed project whose goal is to increase Indonesia’s economic growth and employment by improving the competitiveness of major, labor-intensive light manufacturing industries.

To learn more about SENADA, visit <http://www.senada.or.id>.



# ACTIVITY UPDATE

## FILLING A BIGGER SHOE

**USAID assists the Indonesian footwear industry to position its workforce to compete in the global economy**



Photo: RCC – Surabaya

*A participant in the training program is diligently focusing on improving her skills. Although she may not realize it, she and her co-workers play a vital role in making Indonesia more competitive in the international footwear market.*

**“Given the fact that approximately 70% of laborers working in the footwear industry are from the inline-sewing sector, ensuring manufacturers have access to these skilled workers is critical to the future development of the industry.”**

SENADA has launched an intensive training program aimed at increasing the quality, productivity, and competitiveness of the Indonesian Footwear industry.

Competing dynamics are afoot: To date some 18 foreign companies have invested around US\$60 million in the footwear industry in Java alone. At the same time, the footwear industry is losing ground against its key global competitors. The industry has strong potential and assets that can make it a competitive global player, but the lack of skilled workers is hampering its ability to meet that potential.

In response to this need, SENADA has launched a program to tackle a constraint identified by local manufacturers, namely the lack of first-rate quality stitchers for their operations. Given the fact that approximately 70% of laborers working in footwear industry are from the in line-sewing sector, ensuring manufactures have access to these skilled professionals is critical to the future development of the industry.

SENADA is cooperating with the Government of Indonesia and Indonesian Footwear Association (Aprisindo) East Java, Indonesian Footwear Service Center (IFSC) to fill the gap by providing a training-of-trainers certification program for 100 stitchers in East Java. The training commenced on 27 November 2006 and will continue for 20 working days. This certification program specifically conducts SATRA UK stitching certified training-of-trainer program for 100 trainers from different areas in East Java.

Upon completion of the training, the 100 participants will be deployed to footwear producers or training units and will further train some 6000 stitchers throughout the next year.

This marks SENADA’s first formal intervention in the Industry Value Chain Strengthening (IVCS) component of the project. It is part of a larger activity to increase the productive competitiveness of footwear manufacturers in East Java by expanding the pool of qualified stitchers available to local manufacturers. Addressing this key constraint is one step in assisting Indonesia to be more competitive in the international footwear market.

The training program so far has generated articles in six national and regional media (attached). Three of these articles specifically mentioned USAID’s involvement.

SENADA is a four year, USAID financed project whose goal is to increase Indonesia's economic growth and employment by improving the competitiveness of selected light manufacturing industries.

To learn more about SENADA, visit <http://www.senada.or.id>.

# ACTIVITY UPDATE

## SENADA REPORT STUDIES ANATOMIES OF MANUFACTURING VALUE CHAINS

PRODUCT PRICE BREAKDOWN FOR A PAIR OF DOMESTICALLY-SOLD, LADIES LEATHER DRESS SHOES	
PRODUCT COSTS	PRICE (USD)
<b>RAW MATERIALS</b>	
Leather	\$2.10
Fabric	\$0.40
Foam	\$0.20
Soles	\$1.60
Other raw materials	\$0.80
Raw material supplier's mark-up	\$0.75
Raw materials added price	\$5.85
Raw materials price as percentage of final price	31%
<b>MANUFACTURING</b>	
Freight to manufacturer	\$0.10
Labor	\$0.90
Indirect materials	\$0.75
Packaging	\$0.25
Overhead	\$0.25
Manufacturer's mark-up	\$1.00
Manufacturing added price	\$3.25
Manufacturing added price as percentage of final price	18%
<b>WHOLESALE</b>	
Freight to warehouse	\$0.13
Storage costs	\$0.12
Wholesaler's mark-up	\$2.50
Wholesale added price	\$2.75
Wholesale added price as percentage of final price	15%
Freight to retailer	\$0.25
Retailer's mark-up	\$6.50
Retail added price	\$6.75
Retail added price as percentage of final price	36%
<b>FINAL PRICE</b>	<b>\$18.50</b>

In November 2006, SENADA hired an external consultant and formed a team with internal staff to research the automotive component, footwear, furniture and garment industry value chains (IVCs).

Information was collected through interviews with suppliers, manufacturers, distributors, retailers and associations, as well as through online research, to achieve the following objectives:

- Map the value chains, from input suppliers to end-consumers, including the principal characteristics of the firms and organizations that drive the value chains;
- Gain insight into the mechanisms and the inter-relationships of firms throughout each step of the value chains;
- Attain an understanding of the value in monetary terms attributable to firms along the value chains.

Research was conducted for eight weeks in and around Bandung, Jakarta, Semarang and Surabaya and culminated in a report for each of the four selected IVCs.

Each report is structured similarly and provides domestic and export industry trends, an explanation of material and product movement throughout the value chain and a breakdown of costs for representative products.

The reports are not designed to analyze constraints or to provide recommendations. But they do reveal some interesting findings that SENADA and other stakeholders will be pursuing.

Among these is the growth in export sales, particularly within the automotive component IVC, which has increased 90% from 2003 to 2005. Additionally, the mark-ups associated with sequential steps of the IVCs varied widely, ranging from 4-5% of total retail cost for raw material suppliers and manufacturers to 17% for wholesalers.

This initiative is part of SENADA's long-term strategy to serve as a leading source of ideas and information on our focus sectors.

SENADA is a four year, USAID financed project whose goal is to increase Indonesia's economic growth and employment by improving the competitiveness of selected light manufacturing industries.

To learn more about this initiative or to obtain a copy of the reports, please visit our website at [www.senada.or.id](http://www.senada.or.id).



# ACTIVITY UPDATE

## SENADA UPGRADES BUSINESS ACUMEN OF FIRMS IN WEST JAVA



Photo: RCC Bandung

***“This training has given us a fresh perspective on business planning, specifically about how to work collaboratively to create innovative products that will improve our business.”***

**Yadi T. Nugraha**  
**CV Taufik Jaya Teknik**

Major “Knowledge Development” training programs in Business Planning and Export Promotion were carried out during late February and March. The Knowledge Development Program is an integral component of the SENADA project, aimed at increasing critical business acumen of firms throughout our industry value chains.

This initiative is ongoing and involves the development and dissemination of business management best practices by SENADA and external partner organizations, such as business service providers, associations and national agencies.

*The first program*, a Business Planning workshop, was conducted in Bandung for 24 participants from 14 automotive component firms. The objective of this event was to educate participants on the use of a business plan to guide strategic decision making and resource allocation. During the session, participants reviewed their current business plans to identify areas for improvement in financial management, marketing, operations and human resource development.

*The second program* was an Export Promotion training seminar for 15 employees from 14 footwear and garment firms in Bandung during March 29-30<sup>th</sup>. The training focused on educating participants about required export policies and procedures, including trade documentation and export pricing and review of letters of credit.

Module-based training, in addition to development of technical publications, will continue to enhance SENADA’s position as a leading learning and information provider in Indonesia. SENADA is currently in the process of replicating the aforementioned trainings in each of our four Regional Competitiveness Centers, as well as piloting additional modules in financial accounting, inventory control and sales management.

In addition, SENADA has begun to identify external organizations, such as NAFED, for partnering via “training-of-trainer” sessions in an effort to foster sustainability and increased impact.

SENADA is a four year, USAID financed project whose goal is to increase Indonesia's economic growth and employment by improving the competitiveness of major, labor intensive light manufacturing industries.



## ACTIVITY UPDATE

# SENADA ORGANIZES EVENTS TO STRENGTHEN INDONESIA'S FOOTWEAR VALUE CHAIN



***“A critical element to realize is that footwear buyers will continue to look for manufacturers in countries with the best overall value in regard to price, quality, reliability, and logistics. There is no reason that Indonesia cannot be one of those countries and a key producer of footwear for many years to come.”***

***James Parchman***

***International Footwear Expert***

The ability to effectively source leather, assess international footwear trends and identify potential buyers are critical factors in increasing the competitiveness of footwear manufacturers in Indonesia. To help firms address these issues, SENADA hosted two roundtable events with key stakeholders to exchange ideas and provide recommendations for improvement.

On May 8<sup>th</sup>, SENADA facilitated a workshop in Surabaya aimed at strengthening trade linkages between leather and footwear producers. SENADA invited representatives from APRISINDO (Indonesian Footwear Association), APKI (Indonesian Tanners Association) and respective ministries to discuss key raw material sourcing constraints and potential solutions.

Feedback received during this and two similar previous events in Bandung and Jakarta has led to SENADA's planned development of a “smartbook” of leather specifications and a complete directory of tanneries. The smartbook will strengthen the domestic leather supply available for footwear production.

SENADA also conducted a forum in Jakarta on May 10<sup>th</sup> with footwear manufacturers, association representatives and ministry delegates to discuss strategies to improve the competitiveness of the Indonesian footwear industry.

Based on recommendations from footwear expert James Parchman, SENADA will implement activities to better promote the competitive advantages of the Indonesian footwear industry through the submission of articles in international trade journals and development of a domestic footwear webpage; increase access to potential buyers and current fashion trends for footwear manufacturers; facilitate trade deals between footwear manufacturers and buyers through “exchange” visits organized by SENADA; and strengthen footwear manufacturers' ability to attract and retain international buyers by providing training in trade fair preparation and export readiness.

SENADA is a four year, USAID financed project whose goal is to increase Indonesia's economic growth and employment by improving the competitiveness of major, labor intensive light manufacturing industries.

To learn more about SENADA, visit <http://www.senada.or.id>.

# ACTIVITY UPDATE

## SENADA LEADS WORKSHOPS TO FORMULATE COMPETITIVENESS STRATEGIES FOR INDONESIAN GARMENT INDUSTRY

HOURLY LABOR COSTS IN THE TEXTILE INDUSTRY	
Country	Labor cost (USD/hr)
Mexico	2.19
Oman	2.07
Tunisia	2.05
Mauritius	1.57
Bulgaria	1.50
Thailand	1.29
Malaysia	1.18
The Philippines	1.12
Egypt	0.82
China, Coastal	0.76
India	0.67
<b>Indonesia</b>	<b>0.55</b>
China, Mainland	0.48
Sri Lanka	0.46
Madagascar	0.37
Pakistan	0.37
Vietnam	0.28
Bangladesh	0.28

Source: Worldbank, 2004.

***“Indonesia’s garment producers have to improve productivity, service, and quality if they want to win a bigger share of the world market. Price is no longer a major issue in the world garment market, but product quality is.”***

***Andres Saldiaz Pozo  
International Garment Expert  
(The Jakarta Post, 15 June, Page 1)***

Indonesia’s garment industry has the potential to strengthen its position as the ninth largest garment exporting country in the world if it can provide a more complete garment package service, increase its productivity, and strengthen its understanding of, and access to, end markets.

This conclusion was presented during workshops on the garment industry’s export competitiveness lead by SENADA last week in Bandung and Jakarta.

Attended by more than 50 key stakeholders, the workshops featured international garment expert Andres Saldiaz Pozo.

Mr. Saldias highlighted four main challenges facing the Indonesian garment industry: (1) Provision of a more comprehensive package of garment services with stronger links between garment producers and fabric suppliers; (2) Improvement in productivity, in terms of production process, labor, and use of raw material; (3) Better understanding of, and access to, international markets; and (4) Collaboration among garment producers of all sizes.

Such collaboration, according to Mr. Saldias, would benefit both large garment producers and SMEs. The large garment producers will have bigger capacity to cater to international buyer needs without having to add substantial investment to their business. SMEs would benefit from the increase in sales and the knowledge transfer from large garment producers.

Mr. Saldias also emphasized that “Indonesia cannot claim labor costs as its only competitive advantage, because there are other countries who offer even lower labor costs. The comprehensive service will allow Indonesia to better control its quality and price, making it more appealing to international buyers.”

Based on the workshops and preliminary surveys, SENADA has developed two crucial themes for its work in the garments sector. The first is to increase knowledge of, and access to, end markets, and the second is the upgrading of medium-sized companies to prepare them for entrance into international supply networks.

SENADA is a four year, USAID financed project whose goal is to increase Indonesia's economic growth and employment by improving the competitiveness of major, labor intensive light manufacturing industries.

# ACTIVITY UPDATE

## SENADA LAUNCHES A ONE MILLION DOLLAR BUSINESS INNOVATION FUND



Picture above: The SENADA Business Innovation Fund's website. Go to <http://www.senada.or.id/innovation> and be a part of a more competitive Indonesia.

***“Innovation is a new way of thinking. A new way of doing things that not only applies to equipment and machinery, but to all aspects of a business from management to marketing, from design to distribution.”***

**Caesar Layton**  
**Senior Industry Advisor**  
**SENADA**

How can Indonesia best develop a more competitive economy? SENADA believes one answer is through business innovation.

SENADA is prepared to lead this movement by launching a 1,000,000 USD grant fund recently for firms, institutions and organizations that have innovative ideas for a more competitive Indonesia.

However, innovation is not a simple notion. It is multidimensional, going beyond simple advancements in technology or computer programs.

Caesar Layton, Senior Industry Advisor for SENADA further explained that innovations can be “new products or services that add value or reduce costs, initiatives that capture or retain customers or provide new services. It can even be an idea that creates a more business friendly environment. It improves the ways businesses do business and thus is a critical driver of growth.”

With any level of innovation, however, comes a level of risk. SENADA feels that this grant fund will mitigate risk by providing enough financing (up to \$25,000) to forward thinking firms and organizations to think big and act fast.

It is the goal of SENADA that innovations financed by the Business Innovation Fund will provide visible and replicable programs, services and technologies that various industries throughout Indonesia can benefit from.

Innovation occurs at many levels and in many ways. Its distinguishing characteristic is that it results in new and better ways to do business. The Business Innovation Fund is meant to be as flexible as possible investing only in the most promising of innovation proposals, with the greatest potential impact on industries.

SENADA is a four year, USAID financed project whose goal is to increase Indonesia's economic growth and employment by improving the competitiveness of major, labor intensive light manufacturing industries. The Business Innovation Fund is part of SENADA's long-term strategy for achieving those objectives.

For more information on the SENADA Business Innovation Fund, please refer to [www.senada.or.id/innovation](http://www.senada.or.id/innovation).

To learn more about SENADA, visit <http://www.senada.or.id>.

# ACTIVITY UPDATE

## SENADA FACILITATES IMPROVED BUSINESS LICENSING SERVICES IN SIDOARJO



***“Forty eight Tax Identification Numbers and 118 business licenses for SMEs were issued during the event. This is more than one third of the monthly average for 2006 for the entire district of Sidoarjo (305 licenses).”***

***The one-day business licensing initiative conducted in three sub districts in Sidoarjo since March 2007 has generated 522 business licenses and 252 tax identification numbers.”***

SENADA, in collaboration with the office of Licensing and Investment Sidoarjo (DPPM) and Regional SME Forum (FORDA UKM Jatim), conducted a business licensing event in Gedangan, a sub district of Sidoarjo, East Java, during the last week of June.

The event was designed to help local businesses understand the benefits and processes of formalization and to directly assist them with their business license applications spot.

Based on similar events previously held in Taman and Sedati sub-districts, DPPM, FORDA UKM and SENADA developed a special software to speed up the search process for business classification numbers (KLUI - *Klasifikasi Lapangan Usaha Indonesia*), significantly improving the service provided during the event. The first license was issued by 10AM and all requests were completed by 3PM, as opposed to 5PM in both of the previous events.

In addition, three local micro-finance institutions were invited to set up displays at the event. With newly issued licenses in hand, SMEs were able to consult with these institutions on how to apply for finance to fund their businesses.

According to SENADA senior staff member Dini Rahim, the event was unique in that it “brought together private businesses seeking licenses and the public sector office that issued them, together with the supporting actors—micro-finance institutions. By having all three involved in this event, SENADA helped to facilitate the right mix of technical and financial support for the effort, and hopefully established a basis for its sustainability.”

SENADA has facilitated a variety of mechanisms to increase small business registrations in the district, including radio-talk shows, poster campaign and eight village meetings.

Forty eight Tax Identification Numbers and 118 business licenses for SMEs were issued during the event. This is more than one third of the 2006 monthly average for the entire district of Sidoarjo (305 licenses).

SENADA is a four year, USAID financed project whose goal is to increase Indonesia's economic growth and employment by improving the competitiveness of major, labor intensive light manufacturing industries.

To learn more about SENADA, visit <http://www.senada.or.id>.

# ACTIVITY UPDATE

## SENADA FACILITATES INITIATIVE TO EXPAND MARKETS FOR AUTO PARTS MANUFACTURERS



*“The Seal of Quality is the first of its kind for automotive components in Indonesia. This seal of quality represents quality assurance and market penetration innovation to the aftermarket, from which small and medium manufacturers can benefit to improve their manufacturing capacity.”*

*Adirizal Nizar  
President of SOI*

Providing more profitable market opportunities for greater numbers of domestic automotive component manufacturers is one of the core objectives of the cooperation among the Society of Automotive Engineers – Indonesia (IATOI), the Indonesia Automotive Center (SOI), the Indonesia Service Station Association (ASBEKINDO) and SENADA.

To further this mission, SOI has entered into a partnership with IATOI, ASBEKINDO and SENADA to launch a national seal of quality for auto parts produced by small and medium component manufacturers.

The memorandum of understanding signing event was held with an estimated 70 guests last week in Jakarta, marking the official start of the Seal of Quality's development.

The first of its kind for the automotive parts in Indonesia, the Seal of Quality will work similar to a product brand. The Seal will be launched for a select pool of auto parts. Standards for each part will be selected from market-driven internationally and nationally recognized product and process standards. The standards will be applied by the auto parts manufacturer as part of the requirements for certification.

Once applied, the auto parts will be distributed using the vast member network of ASBEKINDO. During the event, ASBEKINDO confirmed its commitment to make the Seal of Quality a success.

Eventually, this initiative will also benefit the end consumers, in terms of quality assurance and competitive prices. Auto parts bearing the Seal of Quality will be a good alternative for customers who do not prefer, or cannot afford, high-value, high-quality genuine branded parts and provides ample market opportunities for smaller producers.

The Seal of Quality initiative was based on SENADA's recent research on the auto parts industry. The research concluded that, with about four million cars and 23 million motorcycles currently in use domestically, the domestic component aftermarket poses a prime opportunity for small and medium firms who want to upgrade into higher, but non-original part, niche markets.

SENADA is a four year, USAID financed project whose goal is to increase Indonesia's economic growth and employment by improving the competitiveness of major, labor intensive light manufacturing industries.

To learn more about SENADA, visit  
<http://www.senada.or.id>.

# ACTIVITY UPDATE

## SENADA HONES ENTREPRENEURS' SKILLS THROUGH KNOWLEDGE DEVELOPMENT



*“I gained a lot of practical knowledge about exporting which will greatly help our company.”*

*Robby Tan*

*Managing Director*

*PT Gading Wana Raya*

In July 2007, SENADA completed its initial phase of knowledge development training in export readiness, job order costing, and sales management modules.

SENADA conducted a total of twelve training sessions (four of each module) in Jakarta, Bandung, Semarang, and Surabaya. A total of 345 participants were trained, representing the auto parts, footwear, furniture, garment, and home accessory industries.

SENADA also trained and provided materials to representatives from the National Agency for Export Development (NAFED), Indonesian Footwear Service Center (IFSC), and Kamar Dagang Indonesia (KADIN) to empower these organizations to provide additional future training on their own.

Through participation in these trainings entrepreneurs increased their understanding of the fundamental principles of export policies and procedures, manufacturing cost allocation, sales forecasting, and incentive development.

Although each module contained both theoretical and practical information, significant attention was given to utilizing real-world, business case examples, to ensure participants could more easily apply the principles learned to their own business.

To build upon this success, SENADA has completed a survey of more than twenty business development service (BDS) firms to identify potential training partners. Once their profiles have been evaluated, SENADA will contact those firms whose objectives are most congruent with ours to explore collaboration.

Additionally, SENADA will continue to identify opportunities to provide high-impact training to firms using these and other business training modules.

SENADA is a four year, USAID financed project whose goal is to increase Indonesia's economic growth and employment by improving the competitiveness of major, labor intensive light manufacturing industries.

To learn more about SENADA, visit <http://www.senada.or.id>.



## ACTIVITY UPDATE

### SENADA ANNOUNCES PUBLICATION OF *THE 2007 INDONESIA LEATHER PROFILE*



*“Finally we got something that we (tanneries and footwear producers) have been waiting for for so long.”*

*Agit Punto Yuwono*

*Secretary General*

*Indonesian Tanners Association*

On July 25<sup>th</sup>, SENADA announced its publication of *The 2007 Indonesian Leather Profile*, during a press conference held at Le Meridien Hotel in Jakarta. Invitees included representatives from government ministries, footwear industry associations, research academies, and the media.

This important document was developed by SENADA in collaboration with the Indonesian Tanners Association (APKI). The aim is to increase domestic trade by detailing the capacity and product offerings of a broad segment of domestic tanneries for buyers and potential buyers.

Following the launch of its publication, SENADA participated in the Indonesian Leather and Footwear Exhibition from July 26-28 at the Jakarta International Expo. The event is the largest footwear exhibition in Indonesia and, this year, it included 199 domestic and 26 foreign exhibitors.

As a co-exhibitor with the Indonesian Footwear Association (APRISINDO), SENADA disseminated information about project objectives and distributed over 200 copies of *The 2007 Indonesian Leather Profile* to leather and footwear manufacturers. Additionally, SENADA distributed flyers outlining a new “Footwear Buyer Link” program aimed at linking international buyers with domestic footwear manufacturers.

On the closing day of the exhibition, SENADA held a training session on Letter of Credit (L/C) procedures. More than twenty footwear manufacturers attended.

To build upon this initial momentum, SENADA is distributing an additional 400 copies of *The 2007 Indonesian Leather Profile* to tanneries, footwear manufacturers, government institutions, and other donor organizations. SENADA also plans to conduct a roundtable with APRISINDO to promote use of this publication to increase trade linkages between leather suppliers and footwear manufacturers.

SENADA is a four year, USAID financed project whose goal is to increase Indonesia's economic growth and employment by improving the competitiveness of major, labor intensive light manufacturing industries.

To learn more about SENADA, visit <http://www.senada.or.id>.



# ACTIVITY UPDATE

## SENADA LAUNCHES INITIATIVE TO DEVELOP A COMPREHENSIVE AUTOMOTIVE TECHNICAL SERVICE SUPPLIER DIRECTORY



*“Through our directory, manufacturers will have access to accurate information of qualified and competent technical service providers, and providers will know consumer expectations and market potential of their services. It will be a win-win initiative.”*

*Faisal Rahadian*

*President Director*

*Wahana Pengembangan Usaha*

SENADA and Wahana Pengembangan Usaha (WPU), a technical consulting service provider in Bandung, entered into a memorandum of understanding on August 2<sup>nd</sup> to develop and publish a *Technical Training Service Provider Directory* of automotive related technical service firms.

The directory will be the first of its kind in Indonesia and will provide automotive component manufacturers with up-to-date information on types, descriptions, and availability of technology services provided throughout Java.

The cutting-edge survey methodology to be used to develop the directory will provide independent rankings and detailed, independent evaluations of all automotive-related technology and training service providers.

The directory will be designed as a market-driven product and will be sold to manufacturers on a fee basis. The pilot edition for the motor vehicle metal stamping industry is expected to be published by November 2007. A comprehensive directory detailing more than 150 companies will be developed in mid-2008.

This SENADA-led initiative aims to provide small and medium auto parts manufacturers the information necessary to identify the right training or technical center for their needs.

With accurate information about which training services are available at what cost, manufacturers will be able to make informed decisions to better invest their resources on training and upgrading.

SENADA is a four year, USAID financed project whose goal is to increase Indonesia's economic growth and employment by improving the competitiveness of major, labor intensive light manufacturing industries.

# ACTIVITY UPDATE

## SENADA LAUNCHES PARTNERSHIP TO EXPAND MARKET OPPORTUNITIES FOR AUTO PART MANUFACTURERS



*“Promoting sustainable partnerships between service stations and smaller component manufacturers is one of the best ways of promoting quality standards and production process improvement.”*

*Windy Kurnia  
President Director  
Konjaya Motor*

In the first week of August, a memorandum of understanding was signed between Konjaya Motor, Bintang Jaya Motor, Raka Autocare, 3S Auto, Link Auto Division, and SENADA. Its core objective is to build market-based partnerships to provide more profitable market opportunities for greater numbers of domestic automotive component manufacturers.

The signing event, marking the official start of brand development, was held in Bandung and attended by approximately 40 guests.

This consortium of service stations has entered into partnership with SENADA to launch a joint service center sponsored brand for auto parts produced by small and medium component manufacturers.

The brand will be one of the first of its kind for auto parts produced by small automotive component manufacturers in Indonesia.

The brand will represent quality assurance and will assist in penetration of the aftermarket. It will also lead to increased demand for the products made by small and medium manufacturers.

The brand will be attached to a select pool of auto parts and quality will be standardized using internationally and nationally recognized product and process standards. Suppliers will be required to meet these standards in order to be eligible to enter the aftermarket under the brand.

Service stations have not yet fully realized the value of working directly with small auto parts manufacturers to upgrade quality and production processes. However, as demand increases, service stations will be able to meet the growing needs of their customers through the development of a network of reliable suppliers, offering a greater variety of components and accessories.

SENADA is a four year, USAID financed project whose goal is to increase Indonesia's economic growth and employment by improving the competitiveness of major, labor intensive light manufacturing industries.

To learn more about SENADA, visit <http://www.senada.or.id>.

# ACTIVITY UPDATE

## SENADA CO-SPONSORS NATIONAL SEMINAR / WORKSHOP ON SME BUSINESS INNOVATION



*“High competitiveness and innovativeness of SMEs is a prerequisite for Indonesia to be successful in the global economy.”*  
**Dr. Totok Hari Wibowo**  
*Assistant to Deputy Head of Technology Policy Study Section BPPT*

A three-day national seminar on the promotion of small and medium enterprise (SME) business innovation was held on August 1-3, in Jakarta. The event was co-sponsored by SENADA, in conjunction with the Agency for the Assessment and Application of Technology (BPPT), the Coordinating Ministry for Economic Affairs, the State Ministry of Research and Technology (KNRT), the Ministry of Industry, and the State Ministry of Cooperatives and SME.

The seminar, fully-titled, *The National Seminar, Workshop, and Exhibition on Competitiveness Development through the Establishment of an SME Innovation Center*, was attended by over 250 people. Its aim was to lay the groundwork for the improvement of national competitiveness by proposing cross-cutting approaches for the establishment of a permanent national SME Innovation Center (to be managed by BPPT).

The event provided the forum for the identification and discussion of critical ideas and concepts for establishment of the center. In addition, the real potential impact of innovation improvement and upgrading on the national competitiveness of SMEs was discussed. The event also highlighted effective strategies and models for improving the competitiveness of SMEs through policy improvement, financing, upgrading, targeted support, and training facilities.

In addition to the workshop, a product fair was held with over 30 exhibitors displaying products and services from a selection of innovative SMEs in Indonesia.

This event was a key part of SENADA’s marketing roadshow for our recently launched Business Innovation Fund. The one-million US dollar grant fund supports firms, institutions, and organizations that have innovative ideas for a more competitive Indonesia.

It is the goal of SENADA that innovations financed by the Business Innovation Fund will provide visible and replicable programs, services, and technologies that various types of SMEs throughout Indonesia can benefit from.

SENADA is a four year, USAID financed project whose goal is to increase Indonesia’s economic growth and employment by improving the competitiveness of major, labor intensive light manufacturing industries.

To learn more about SENADA, visit <http://www.senada.or.id>.

# ACTIVITY UPDATE

## CERTIFICATION FOR TIMBER-BASED FURNITURE PRODUCERS SUGGESTED TO INCREASE ACCESS TO MARKETS



*“Primary markets such as the EU countries and the United States have developed, or are developing, bilateral and multilateral agreements to prohibit the import of timber-based products manufactured from illegal wood to their region. Indonesian furniture producers must move fast to certify our products if we do not want to lose our markets.”*

*Mr. Ambar Tjahyono*

*Chairman*

*ASMINDO*

There is increasing international market demand for certified timber-based furniture. Product certification would help to improve and ensure Indonesian furniture producers' access to those international markets, especially in Europe and the United States.

This was the conclusion reached during the workshop entitled, “Increasing Access to International Markets through Product Certification Strategy” conducted on August 15<sup>th</sup> in Semarang and on August 24<sup>th</sup> in Surabaya.

Attended by more than 170 participants, the two workshops were sponsored by the Indonesian Furniture Producer Association (ASMINDO), Perhutani, Rainforest Alliance, and SENADA.

As an initial phase in the certification process, a timber-based furniture producer must ensure that its raw material does not come from an illegal or controversial source. This is accomplished through the Verification of Legal Origin (VLO) verification process.

SENADA helps timber-based furniture producers obtain VLO verification as they work to increase their share of, and access to international markets. It also facilitates the linkage between VLO-certified Indonesian furniture producers and export markets.

The success of this initiative depends on support from the timber supply industry, which was affirmed by Perhutani Marketing Director, Mr. Fachrodji, who stated, “We are committed to supporting product certification through monitoring of the timber supply industry.”

Mr. Christian Sloth, Operations Coordinator, Asia Pacific Region, Rainforest Alliance, emphasized that in the long run the verification of legal sources will give furniture producers a competitive advantage and ensure a traceable supply of raw material. It will also help to assure improved forest management.

SENADA is a four year, USAID financed project whose goal is to increase Indonesia's economic growth and employment by improving the competitiveness of major, labor intensive light manufacturing industries.

To learn more about SENADA, visit <http://www.senada.or.id>.



# ACTIVITY UPDATE

## SENADA LAUNCHES ITS REGMAP PROGRAM TO IMPROVE THE BUSINESS CLIMATE



*“A few clear and mutually consistent regulations are incomparably better and more effective than a thousand unclear and mutually inconsistent pile of regulations which confuse both businessmen and officials.”*

*Dr. Thee Kian Wie  
Senior Economist*

*Indonesian Institute for Sciences*

The SENADA RegMAP offers a comprehensive mapping and review of all regulations associated with and/or impacting upon the project's five focus industry value chains: garments, footwear, furniture, auto parts and home accessories.

SENADA will use the analysis resulting from this exercise to develop follow-on targeted advocacy and reform activities that work closely with key public, private and civil society counterpart organizations.

RegMAP's most immediate, meaningful and sustainable impact will be the institutionalization of regulatory review techniques and processes within the private and public sectors. In the longer term, RegMAP may also contribute to the simplification or elimination of problematic regulations.

With the purpose of sharing information and sourcing input on RegMAP from a broad range of stakeholders, SENADA held a roundtable on regulatory reform at the Le Meridien Hotel in Jakarta on Friday, December 14, 2007.

Through presentations by David Ray (SENADA) and Andi Ikhwan (from the contracted RegMAP team) SENADA outlined the rationale, approach and methodology behind the RegMAP initiative.

This was followed by a major presentation by SENADA consultant Prof. Gary Goodpaster on the problems, constraints and opportunities associated with institutionalizing RegMAP into key business associations

The roundtable was attended by 35 enthusiastic participants representing a broad cross-section of stakeholders including business associations, government, research groups and donors.

Key discussion topics included: building the advocacy capacity of business associations, RegMAP methodology and problems faced by other donors/groups working on regulatory reform issues.

SENADA is a four-year, USAID financed project whose goal is to increase Indonesia's economic growth and employment by improving the competitiveness of major, labor intensive light manufacturing industries.

To learn more about SENADA, visit <http://www.senada.or.id>.



## ACTIVITY UPDATE

### TECH-SAVVY INNOVATORS LEARN FROM THE EXPERTS HOW TO BUILD THEIR BUSINESS SKILLS



*“This program introduces iMULAI participants to lessons on how to become an entrepreneur, and also helps current and potential businesses with the implementation of their business plans.”*

— *Nila Puspitasari,*

*S. Kom, University Lecturer*

Over 150 eager individuals took advantage of an opportunity to learn from the experts how they can turn their innovative ideas from dream to business proposal to profitable enterprise. These aspiring entrepreneurs attended an Entrepreneurship Seminar held in Jakarta on January 24, jointly sponsored by SENADA and Microsoft Indonesia.

The seminar was targeted at young ICT developers who have the technical expertise needed to design innovative business solutions, but need help to develop their entrepreneurial and business savvy. It was open to all who registered for the SENADA and Microsoft iMULAI competition. This competition, intended to stimulate awareness of how innovation contributes to the economic future of Indonesia, offers awards to the top three submissions of designs for innovative software and business solutions.

The workshop featured presentations by business and economics experts Rhenald Kasali, Director of the Masters of Management Program at the Faculty of Economics, University of Indonesia; and Senior Solution Architect Irving Hutagalung from leading e-solution provider Jatis Solutions. The two speakers introduced seminar attendees to such crucial concepts as developing business proposals, accessing finance, and creating successful marketing and promotional strategies. Dr. Kasali urged attendees to take the plunge into entrepreneurship, and reminded them of the importance of networking, not just with peers in their technical field, but also with businesspeople whose acumen, contacts and advice can help novice entrepreneurs to launch their ideas.

Seminar feedback was extremely positive, with participants indicating that they would like to attend more workshops of a similar nature to further develop their business skills.

SENADA is a four-year, USAID-financed project whose goal is to increase Indonesia's economic growth and employment by improving the competitiveness of major, labor-intensive light manufacturing industries.

To learn more about SENADA, visit <http://www.senada.or.id>.

## ACTIVITY UPDATE

### SUCCESSFUL TRADE SHOW PARTICIPANTS SHARE TIPS WITH FURNITURE INDUSTRY STAKEHOLDERS



*“The experiences that Indonesian companies had at the international trade fair were inspiring. I appreciated the chance to learn what my company can do to achieve similar results.”*

*Wisnu Broto  
Director, Rimba Sentosa*

Representatives from three Indonesian furniture companies that participated in the prestigious Spoga International Trade Fair in September 2007 shared their experiences with avid listeners in Solo and Semarang on January 23 and 24, 2008.

The presenters, representing the firms Surya Gemilar, Rimba Sentosa, and Wisanka, explained the benefits they reaped by participating in Spoga (all three companies set records with the orders received) and the practical steps they needed to take in order to prepare. They also shared the insight they gleaned into export markets and the nature of Indonesia’s competition on the world stage. They delivered a clear overall message: in order to compete internationally in the furniture arena, Indonesian companies must acquire the necessary “green” certifications and must also develop sophisticated marketing and promotion strategies.

The audiences in both Solo and Semarang responded positively, asking a variety of penetrating questions. They represented a broad range of furniture industry stakeholders, including over 50 member companies of ASMINDO (the Indonesian Furniture Business and Handicraft Association) and local ASMINDO executives from Solo, Yogyakarta, Semarang and Jepara. Officials from regional offices of the ministries of Forestry, Trade and Industry also attended, as did KADIN (the Indonesian Chamber of Commerce), FPESD (the Central Java Forum for Economic and Natural Resource Development), NAFED (National Agency for Export Development), and media representatives.

The presenters had received broad-based assistance from SENADA to prepare for Spoga. SENADA chose the three companies to receive help based on their progress toward receiving VLO (Verification of Legal Origin) certification, a key component of the “green” certifications that are increasingly necessary to access major export markets.

SENADA is a four-year, USAID financed project whose goal is to increase Indonesia's economic growth and employment by improving the competitiveness of major, labor-intensive light manufacturing industries.

To learn more about SENADA, visit <http://www.senada.or.id>.



## ACTIVITY UPDATE

### SENADA EXPERT STRESSES THE URGENT NEED FOR MODERNIZED HUMAN RESOURCE PRACTICES



*“We have been waiting for this kind of presentation for several years... We are excited that SENADA has a solid plan to upgrade production in Indonesia. That’s what we need, we cannot do it alone.”*

*— Toni Wahid  
Vendor Compliance Manager, Gap*

An audience of over 40 stakeholders listened intently to the urgent message delivered by labor expert and SENADA consultant Dr. Henrietta Lake during a roundtable at Le Meridien Hotel in Jakarta on February 6, 2008. The attendees included representatives from Indonesian businesses and associations; BAPPENAS; and international buyers from GAP, Nike, and Adidas.

Dr. Lake presented the findings from her SENADA-sponsored survey of 22 Indonesian firms in the garment, footwear and furniture industries. Her central point: “Manufacturers often talk about the constraints and costs of the 2003 Manpower Law. But there are many measures that they can take in their factories to bring down costs and remain competitive.”

According to Dr. Lake, such measures are critical. She highlighted evidence showing that countries such as China, India and Vietnam are quickly outpacing Indonesia’s performance in labor productivity. Although the data are alarming, they also suggest that Indonesian manufacturers have a great opportunity to make improvements, simply by moving from a traditional to a more modern human resources management approach. She recommends that managers learn about available strategies such as more selective recruitment processes, targeted training, encouraging a more participative and supportive working environment and being more innovative in workers’ compensation schemes and promotion opportunities. Managers can then select the techniques that best fit their local environment. Dr. Lake also stressed the value of collaborative efforts between manufacturers and international buyers.

In the discussion that followed, representatives of the government, industry associations, and international buyers reviewed the constraints they face and the opportunities suggested by Dr. Lake’s presentation.

SENADA is a four-year, USAID-financed project whose goal is to increase Indonesia's economic growth and employment by improving the competitiveness of major, labor-intensive light manufacturing industries.

To learn more about SENADA, visit <http://www.senada.or.id>.

## ACTIVITY UPDATE

### UPBEAT WORKSHOP PARTICIPANTS SEE POTENTIAL FOR PERMANENT DESIGN CENTER IN YOGYA



*“The workshop facilitators really opened my eyes to the importance of meeting market demands when we create our home furnishings designs. I feel energized about returning to my factory and applying what I learned.”*

*Pak Tommy Sutarso*

*Director, PT Setia Pelem Sewu*

A well-attended workshop on sustainable design in the home furnishings industry, held in Yogyakarta from January 16–19, 2008, left organizers and participants feeling optimistic about the long run potential for establishing a permanent design center there.

The workshop was the result of combined efforts by various participants in Indonesia’s home furnishings value chain, including SENADA, private sector representatives (owner/directors, design managers, and heads of manufacturing/production), local entrepreneur Warwick Purser, and Goldsmiths College (the internationally renowned design school at University of London).

Workshop sessions, facilitated by representatives of leading Indonesian design schools and Goldsmiths, provided the 52 attendees with design training, stressing how crucial this element is if Indonesia is to maintain pace with competitors from China, Thailand, Vietnam and the Philippines. Everyone involved in home furnishings manufacture and export must be savvy about design cycles, the importance of acquiring and promoting “green” certifications, and the discerning tastes at the high end of the market.

While the training was a success, it was only a step toward a larger goal: establishing a permanent design center in Yogya where students can pursue a Master in Arts in Sustainable Design from Goldsmiths College, or possibly joint degrees with Indonesian universities such as ISI and ITB. The fact that turn-out by paying individuals from the home furnishings industry for the workshop exceeded the original estimate suggests that private sector support for the enhanced design training such a center could provide is strong.

Wide-ranging stakeholder support was confirmed the following week as well, when about 20 representatives, primarily from academia, held lively discussions on making plans for the future design center.

SENADA is a four-year, USAID-financed project whose goal is to increase Indonesia's economic growth and employment by improving the competitiveness of major, labor-intensive light manufacturing industries.

To learn more about SENADA, visit <http://www.senada.or.id>.



## ACTIVITY UPDATE

### SENADA TACKLES CERTIFICATION BOTTLENECK BY BUILDING LOCAL CAPACITY



*“This program is really strategic for ASMINDO as an institution, and it’s a new business opportunity. In the long run I want to see more companies get certified as a result of our assistance.”*

— Ambar Tjahyono  
Chairman, ASMINDO Pusat

Steadily increasing numbers of wood furniture makers in Indonesia realize that they must obtain internationally recognized green certifications in order to compete internationally. SENADA’s efforts to assist these companies to achieve VLO (verification of legal origin) certification as a first step, and ultimately full FSC (Forest Stewardship Council) certification, have met with an enthusiastic response.

The high level of interest has revealed a serious constraint for local firms: there simply is not enough technical expertise on the certification process to meet demand. Indonesia has too few qualified consultants who can help companies to successfully prepare to be audited, and once a company is ready for audit it may have to wait for the process to begin. When the first two firms that SENADA worked with were prepared to be audited, they had to wait two months for certification bodies to fit them into their schedules.

To overcome these problems, SENADA has formulated a capacity-building program with ASMINDO (the Indonesian Furniture and Handicrafts Industry Association). By training regional ASMINDO staff and representatives from consulting firms on VLO, SENADA is developing legal wood pre-certification consulting services that will fill the gap between demand and supply.

The program launched on 5 April, attended by 15 ASMINDO staff representing the Surabaya, Semarang, and Yogyakarta offices (which also cover Jepara, Solo and Klaten) along with 5 representatives from consulting firms. The full training program will last approximately four months and includes class work on standard operating procedures related to VLO as well as practical fieldwork. It is expected to create a lasting supply of VLO services that Indonesian wood furniture producers can draw on for years to come.

SENADA is a four-year, USAID-financed project whose goal is to increase Indonesia’s economic growth and employment by improving the competitiveness of major, labor-intensive light manufacturing industries.

To learn more about SENADA, visit <http://www.senada.or.id>.

## ACTIVITY UPDATE

### SENADA STRENGTHENS THE ABILITY OF MANUFACTURERS TO MANAGE SUBCONTRACTORS



*“With SENADA assistance, our company is now able to monitor our subcontractors’ performance and provide them with feedback.”*

*— Isak Latief of the footwear manufacturing firm Basama Soga*

Poor subcontractor management can be costly for manufacturing firms. When subcontractors fail to deliver quality products on time at a competitive price, the manufacturer will in turn have difficulty producing goods for the next link in the value chain. But monitoring and improving subcontractor performance is a sophisticated task that requires attention to diverse components of the subcontracting process.

SENADA addressed this issue by strengthening the ability of firms to oversee the subcontracting process and improve subcontractors’ technical compliance. From September 2007 to May 2008, SENADA experts worked with nine lead firms and 355 subcontractors in the home furnishings, footwear, and garments sectors, supplying technical assistance in firm offices and on the factory floors. A total of 5,535 employees work in these firms.

The TA enhanced lead firms’ capacity to assess subcontractors, develop cooperative consulting agreements, create and operate an effective internal team to monitor subcontractor performance, complete a subcontractor performance improvement plan, install and utilize a prototype subcontractor management application, and generate key performance indicators.

The assistance produced immediate impact, with lead firms evaluating and providing feedback to their subcontractors on order shipment compliance, delivery time, defect rate, and types of defect. The firms Basama Soga and Golfer, for example, each identified their four subcontractors with the worst defect rates, which ranged as high as 95 percent, and provided feedback on the types of defects identified. In the longer run, the lead firms will be able to link the receipt of goods to their inventory and sales data, enabling them to better plan their orders of goods from subcontractors.

The TA was also instrumental to the process of fine-tuning the prototype subcontractor performance software application. Several of the lead firms have met with the application developer to provide feedback for its finalization.

SENADA is a four-year, USAID-financed project whose goal is to increase Indonesia's economic growth and employment by improving the competitiveness of major, labor-intensive light manufacturing industries.

To learn more about SENADA, visit <http://www.senada.or.id>.



## ACTIVITY UPDATE

### SENADA PRESENTATION ENERGIZES AUDIENCE TO ADVOCATE PORT REFORM STRATEGIES



*“If the regulations allow it, this [new legislation] will translate into lower investment costs and improved efficiencies.”*

— *Nasdion Agoes*  
*Secretary General, Association of Indonesian Industrial Ports*

Indonesia took an important step toward reforming its port system in April 2008 with the passage of a new Shipping Law that revises the original law of 1992. The new law ends the state-sector monopoly on ports and opens the door for new participation by the private sector, which ideally will enhance competition, exert downward pressure on prices, and drive overall improvement in port services.

Yet much remains to be done to reform parallel regulations, to address inconsistencies with other regulations such as the Negative Investment List (DNI), and to develop supporting regulations and planning documents.

These upcoming challenges were the focus of a joint SENADA-World Bank stakeholder roundtable on 29 April that featured a presentation by David Ray, Deputy Project Director of SENADA, in which he outlined Indonesia’s current port performance compared to other ports in the region, examined potential roadblocks to competition, and highlighted areas where further debate and analysis are essential.

Approximately 50 people attended the roundtable at World Bank facilities, including businesspeople and entrepreneurs; representatives of associations, national and local government, and the donor community; and legal experts. The questions raised by Ray prompted lively discussion by the audience, with illuminating input provided by the Director of Ports and Dredging at the Ministry of Transport, Bapak Kholik Kiron.

Participants took advantage of the opportunity to request that the Ministry of Transport obtain input from stakeholders as the Ministry draws up implementing regulations for the new law over the next year. Ray noted that SENADA will continue to promote dialogue on port reform and will focus further research and analysis on areas requiring regulatory reform.

SENADA is a four-year, USAID-financed project whose goal is to increase Indonesia’s economic growth and employment by improving the competitiveness of major, labor-intensive light manufacturing industries.

To learn more about SENADA, visit <http://www.senada.or.id>.

# ACTIVITY UPDATE

## SENADA SUPPORTS FIRST-OF-ITS-KIND DIRECTORY TO GUIDE AUTO PARTS MANUFACTURERS



*“This directory provides unbiased empirical information on training within the automotive industry along with information that may improve users’ ability to utilize the content.”*

— *Syarif Hidayat, Director of Land Transport Equipment and Aerospace Affairs Industries, Ministry of Industry*

Markets operate with greater efficiency when actors have access to complete information. This is a driving principle behind Business Development Services (BDS), and the impetus for SENADA’s initiative to create a comprehensive, self-sustaining BDS directory for Indonesia’s auto parts industry.

A significant milestone in this effort was achieved on 7 May with the official launch of the pilot BDS directory, *Technical Training Service Provider Directory, Metal Stamping Edition*. This directory, the first of its kind in Indonesia, provides detailed information and analysis of key metal stamping technical service providers throughout the country. Parts manufacturers can utilize the directory to make strategic decisions on how to devote resources for training and upgrading.

The directory, published by Wahana Pengembangan Usaha with technical and financial support from SENADA, provides standardized information on available services, including companies, contact information, training programs and materials, instructors, timelines, costs, and related information that will increase downstream technology transfer.

The directory also includes a rating system, based on inspection and quantification of service provider experience, training materials, etc., to help users assess the quality of the services listed.

Fourteen advertisements were secured for the pilot edition, a promising indicator that the full-scale directory will achieve long-term sustainability. The complete directory currently in the planning stages will contain information on six other automotive component groups in addition to metal stamping.

The directory is now on sale to manufacturers and is being promoted through trade fairs, distributors, and automotive associations such as ASBEKINDO, the Indonesian Service Station Association.

SENADA is a four-year, USAID-financed project whose goal is to increase Indonesia's economic growth and employment by improving the competitiveness of major, labor-intensive light manufacturing industries.

To learn more about SENADA, visit <http://www.senada.or.id>.

## ACTIVITY UPDATE

### SENADA IDENTIFIES BUSINESS SOFTWARE GAP AND CATALYZES DESIGN OF NEW APPLICATION



*“This project is helping us to penetrate the SME market faster and more effectively. SENADA has enabled us to follow best practices in the development of custom software.”*

— Pak Gani  
Managing Director, Inforsys

Sound management of subcontractors is crucial to manufacturers’ ability to produce quality goods in a timely fashion. SENADA has addressed this need by working directly with companies to increase their sophistication in evaluating, selecting, and providing feedback to subcontractors.

While providing this support, SENADA also identified that virtually no tools were on the market designed specifically and cheaply enough to help small and medium manufacturers manage subcontractors efficiently. Being able to access a properly designed application is vital, as subcontractor management cannot be treated as a separate business function. The data related to subcontractor performance must be integrated with other business transaction tools that track accounting and ERP (enterprise resource planning) functions such as purchase orders, GRNs (Goods Received Notes), invoices, etc.

Given this need, SENADA solicited a local software company to develop a commercial SME subcontractor management application that can be used across a variety of light industrial sectors. The software was developed with and pilot-tested on three SENADA partner footwear manufacturers to ensure that the new tool is market driven and available to SMEs after the conclusion of SENADA.

SENADA selected the local firm InforSys to modify their flagship product, Bonastoco (a modular ERP system) to include subcontractor performance management capability. The prototype software created was introduced in May and is now being beta-tested by the three lead firms, with nine more firms being recruited for this activity. The effort has met with enthusiastic response from manufacturing companies. Once testing is completed, the low-cost application will be marketed widely to Indonesia’s light manufacturing industries throughout Indonesia.

SENADA is a four-year, USAID-financed project whose goal is to increase Indonesia’s economic growth and employment by improving the competitiveness of major, labor-intensive light manufacturing industries.

To learn more about SENADA, visit <http://www.senada.or.id>.

## ACTIVITY UPDATE

### SENADA BRIEFS MEDIA ABOUT WOOD CERTIFICATION AND EXPORT MARKETS



*“This event was fun and for a good purpose: to help Indonesia’s forest product industries to do better in world markets.”*

*—Loy Jones*

*Regional Manager for Asia Pacific,  
Smartwood/Rainforest Alliance*

Actors all along the value chain are influenced both by public opinion and knowing how they will benefit from changing their operations. This is certainly true in Indonesia’s wood furniture industry, where stakeholders must adapt their processes in order to participate in the growing global market for products made from certified, responsibly sourced timber.

The media are a valuable tool for educating the public and stakeholders about wood certification – but media representatives must first be educated themselves.

Therefore SENADA, which works directly with wood furniture companies to promote Verification of Legal Origin (VLO) certification as a means of strengthening the industry’s competitiveness, works with local and international media as a logical complement to its efforts with value chain actors.

SENADA held a briefing for Jakarta-based international and English-language media representatives on 4 June. Representatives of *The Jakarta Post*, Metro TV English, and *The Wall Street Journal* attended and were able to access the expertise of Loy Jones, Asia Pacific Regional Manager of Smartwood/Rainforest Alliance (a certification body); Ambar Tjahyono, head of ASMINDO (the Indonesian Furniture and Handicrafts Industry Association); and owners of three Indonesian furniture-producing firms that have achieved certification (Jawa Furni Lestari, Prima Putra, and Accasia). These individuals explained the facts about certification procedures, how the export market for certified goods is growing, and firm experiences going through the certification process. SENADA Chief of Party Steve Smith also participated, emphasizing the role of market incentives in promoting a sustainable wood furniture export industry. Follow-up efforts to the briefing include arranging field visits for additional representatives of prestigious media outlets such as CNN, BBC and Reuters.

SENADA is a four-year, USAID-financed project whose goal is to increase Indonesia's economic growth and employment by improving the competitiveness of major, labor-intensive light manufacturing industries.

To learn more about SENADA, visit <http://www.senada.or.id>.

## ACTIVITY UPDATE

### LEAD MANUFACTURERS USE PROTOTYPE SOFTWARE TO BETTER MANAGE SUBCONTRACTORS



*“The subcontractor performance prototype is easy to use for entering receipts from subcontractors and editing data.”*

*—Ibu Tari  
Production/Administrative  
Supervisor,  
CV Tashinda Putraprima*

Manufacturing firms that want to properly manage the performance of their subcontractors must develop different types of tools along with the skills to use them. Knowing what data to collect on subcontractor activities and how to present subcontractors with feedback are important parts of the picture, but not the whole story. Firms need a system to record the relevant data, and training on how to enter and extract information from this system.

Because such systems and knowledge on how to use them are lacking among Indonesian manufacturing firms, SENADA developed a prototype database for recording key data on subcontractor performance, such as defect rates, type of defects, and fulfillment of delivery schedules.

Over time, the application gives manufacturers not just a snapshot of current performance, but the ability to analyze historical data on subcontractor performance and give appropriate feedback on performance trends.

SENADA’s Information Technology and Knowledge Development experts initially collaborated with three Indonesian footwear firms (Basama Soga, Golfer, and Sumber Kreasi Fumiko) to install the prototype, train users, and create a user-friendly manual to accompany the application. The activities took place over a six-month period from September 2007 to February 2008.

Using lessons learned from these initial efforts, between February and June SENADA expanded installation of the prototype, training the personnel of five home accessory firms (Siji Lifestyle, Tashinda Putraprima, Harpa Inti Mandiri, Mendong Jaya and Lunar Kreasi Mulia) and a garment firm (Orca) to utilize the software and its user manual. As a result, five out of six have generated key performance indicators that have enhanced their ability to monitor their subcontractors and the sixth will soon reach that goal.

SENADA is a four-year, USAID-financed project whose goal is to increase Indonesia’s economic growth and employment by improving the competitiveness of major, labor-intensive light manufacturing industries.

To learn more about SENADA, visit <http://www.senada.or.id>.

## ACTIVITY UPDATE

### SENADA ANALYSIS STIMULATES CUSTOMS OFFICE TO IMPROVE REGULATORY ENVIRONMENT



*“The SENADA study will help us to ensure that our regulations related to furniture sample imports are efficient and function smoothly.”*

*—Bapak Purwantoro  
Subdivision Head, Customs*

Indonesian furniture producers encounter a major business obstacle when they receive imported sample products from potential overseas buyers. Because sample products are classified as commercial goods, furniture producers must pay taxes and duties equal to more than 60 percent of the value of the samples. In addition, although producers are able to obtain waivers exempting them from paying an import duty, the procedures for obtaining the waiver are very complicated. The complexity stems from the need to comply with two separate regulations (KMK/140/1997 and PMK/140/2007) that each call for differing steps to be taken.

SENADA identified these problems as part of its efforts to strengthen the Indonesian furniture value chain. As a first step in removing the constraints, the project completed a cost-benefit analysis of the regulations. A key finding of the analysis was that Indonesia loses an estimated Rp 485 billion/year in export orders as a result of the regulations' complexity. The SENADA study goes on to make two recommendations. First, a legal review of the regulations should be conducted in order to clarify misunderstandings on how they are to be implemented. Second, the waiver application process should be moved to the provincial level in order to make importation procedures simpler and less expensive.

The Customs Office responded to SENADA's recommendations by forming a team to review the conflicting policies. As a result, the Custom Office has drafted a new implementation guide to regulate the waiver application process at the provincial level. Customs has also initiated a series of discussions within the bureaucracy at the national and regional levels about the new draft guide. SENADA has facilitated dialogue between the Customs Office and producers/industry players so that business stakeholders can give feedback on the draft. The first such discussion was held in June.

SENADA is a four-year, USAID-financed project whose goal is to increase Indonesia's economic growth and employment by improving the competitiveness of major, labor-intensive light manufacturing industries.

To learn more about SENADA, visit <http://www.senada.or.id>.

# ACTIVITY UPDATE

## INDONESIA'S SUSTAINABLE HOME FURNISHINGS PIONEERS IMPRESS INTERNATIONAL BUYERS



*Among the buyers now in negotiation with Eco Exotic companies are trendsetting companies Crate & Barrel, Pottery Barn, and Hudson Bay.*

Indonesia has several advantages in serving the growing global demand for sustainable home furnishings. It is blessed with an abundance of natural fibers and recyclable materials, and is unrivaled in its use of village-based production. The challenge is to overcome the negative perception markets have about Indonesia's treatment of the environment.

A progressive group of nine Indonesian companies – called Eco Exotic – has mobilized to meet this challenge. With assistance from USAID-SENADA, each of these companies has introduced procedures in their factories that meet rigorous sustainability standards, such as using wood that is certified sustainable, switching from oil- to water-based paints and using recycled packing materials. They teamed to collaborate on an 18-month international promotional campaign with e-mail blasts, trade journal articles, a joint catalog and a website ([www.ecoexotic.net](http://www.ecoexotic.net)).

The highlight of the Eco Exotic activities was a showcase of their sustainable products in the Living Green Pavilion at the World Market Center trade show in Las Vegas from 28 July to 1 August. Eco Exotic's booth was visited by hundreds of enthusiastic potential buyers. As a result, several contracts have already been secured. More importantly, dozens of serious inquiries are being followed up. One buyer, who is negotiating an order for 15 containers of Eco Exotic products, commented that he “never imagined Indonesia had such a wealth of renewable resources.”

On their return to Indonesia, Eco Exotic members decided to coordinate in consolidating container shipments to the U.S. They have also drawn up plans to create a new association to continue international promotion of the Eco Exotic label and to expand the base of local producers implementing socially and environmentally sustainable practices.

SENADA is a four-year, USAID-financed project whose goal is to increase Indonesia's economic growth and employment by improving the competitiveness of major, labor-intensive light manufacturing industries.

To learn more about SENADA, visit <http://www.senada.or.id>.

## ACTIVITY UPDATE

### GOI OFFICIALS LEARN TO IDENTIFY PROBLEMATIC REGULATIONS USING SENADA'S REGMAP TOOL



*“RegMAP is a strategic step in the effort to enhance the competitiveness of Indonesia’s light industrial sector, which employs so much of our workforce.”*

*—Bapak Djimanto  
Vice Chairman, APINDO*

A key factor in national competitiveness is the nature of a country’s business regulations: how many there are, how expensive and time-consuming it is to comply with them, whether or not they are internally consistent, and the extent to which adhering to the rules hinders business operations.

Indonesia has a large number of potentially problematic national and regional regulations, making it difficult to establish priorities for analysis and reform. To assist in this process, SENADA has created an innovative tool dubbed RegMAP. RegMAP allows stakeholders to conduct a preliminary review of a large number of regulations in a relatively short period of time, leading to a “top 10” list of regulations targeted for further action. RegMAP works by applying three progressively stricter filters based on the basic principles of Regulatory Impact Assessment.

As the authorizing body for all regulation, the Government of Indonesia is the most appropriate party to utilize RegMAP. To work toward institutionalizing RegMAP in the GOI, SENADA held a workshop focused on applying the first RegMAP filter on 31 July, attended by more than 30 participants from the Directorate of Legislation Analysis at BAPPENAS (Indonesia’s national development agency); BPHN, the National Law Development Agency; the Ministry of Law and Human Rights; and the Ministry of Industry. The workshop was held at BAPPENAS and was also attended by representatives of various NGOs with an interest in reforming the Indonesian business environment, including the Indonesian Employers Association (APINDO), KPPOD, PEPI, and The Asia Foundation.

Following a presentation on RegMAP by SENADA’s RegMAP Activity Manager Efrulwan, workshop participants practiced what they had learned by applying Filter 1 to several regulations. Future workshop activities are planned to provide similar training on the second and third filters.

SENADA is a four-year, USAID-financed project whose goal is to increase Indonesia’s economic growth and employment by improving the competitiveness of major, labor-intensive light manufacturing industries.

To learn more about SENADA, visit <http://www.senada.or.id>.



## ACTIVITY UPDATE

### LINK & MATCH EVENT BRINGS QUALITY GARMENT MAKERS TOGETHER WITH ENTHUSIASTIC BUYERS



*“The meetings were extremely effective and we were able to closely interact with the buyers. We began discussing prices on the spot.”*

*—Ibu Nettyani  
Senior Marketing Staff  
PT Sutera Indah*

The modern textile and garments industry is exceptionally fast-paced. Fashion trends rapidly come and go. International markets increasingly demand smaller runs of more individualized products. Improvements in technology allow savvy producers to increase the range of products they produce and to switch specifications at a moment's notice. All these factors mean that buyers face a complex task locating suppliers who can keep up with their changing needs, while suppliers must work hard to establish solid relationships with buyers in order to stay attuned to market signals and grow their sales.

To help Indonesian manufacturers develop these relationships, Garment Partnership Indonesia (GPI, a private-sector initiative facilitated by SENADA), held a “Link and Match” event designed to appeal to buyers and suppliers alike. For buyers, the event provided access to more than 20 suppliers in one setting. For suppliers, it offered an opportunity to establish contacts with Buying Offices and Buying Agents representing 14 companies. The event, held on 21 August at the Commerce Club in Jakarta, built on the success of a similar event held in September 2007 by GPI.

Vendors, who came from Solo, Semarang, Bandung and the greater Jakarta area, were vetted in advance using standards drawn up by SENADA, so participating buyers were assured that all the suppliers they met were able to meet certain production and quality standards and also ethically source their products.

Both buyers and suppliers were enthusiastic about the contacts they made, and more than 80 one-to-one sessions resulted from the event. Many of the businesses urged SENADA and GPI to hold more of these events and with greater frequency.

SENADA is a four-year, USAID-financed project whose goal is to increase Indonesia's economic growth and employment by improving the competitiveness of major, labor-intensive light manufacturing industries.

To learn more about SENADA, visit <http://www.senada.or.id>.



## ACTIVITY UPDATE

### SENADA FOSTERS ANALYSIS OF NUISANCE LAW REGULATORY REFORM



*“Thank you for all the support from SENADA in reviewing the Ministry’s regulations. Hopefully this activity will provide additional insight to the team compiling our regulations and also to BANG DA.”*

*—Bapak Djiman Sarosa  
Director, BANG DA  
(Regional Development),  
Ministry of Home Affairs*

Indonesian businesses are still subject to a law promulgated by the Dutch colonial government in 1926, the *Hinder Ordonantie*, or Nuisance Law. The law specifies that before a business can establish or expand operations, it must obtain a permit from the local government to ensure it does not ‘disturb’ the nearby community. Not surprisingly, the implementing regulations that have grown up around the law are redundant and overly restrictive, and they have allowed for excesses in rent-seeking behavior while providing little or no real environmental protection.

Building upon an existing coalition of stakeholders advocating for change, SENADA and The Asia Foundation teamed up to assist GOI representatives to analyze problems with the regulations and develop modernization strategies. From 9 to 13 June, the two organizations sponsored a series of public forums and meetings in Jakarta and Solo attended by stakeholders from local, regional, and national governments, including the Department of Home Affairs and BAPPENAS (the national development agency), as well as business associations and NGOs. Among the problems tackled were the costs of obtaining permits, the need for frequent renewals, and lack of recourse for companies who are forced to suspend operations. Participants considered methods for streamlining overlapping requirements and eliminating troublesome delays.

The centerpiece of the event was a presentation by Donald Elliot, an attorney with international expertise in developing robust legislation that will serve public policy goals while creating an environment where business can flourish. Mr. Elliot pinpointed the most problematic aspects of the current situation and outlined possible solutions based on the experiences of other countries in developing and implementing effective and appropriate nuisance laws and regulations. He offered concrete proposals for change, energizing audience members and prompting ongoing follow-up activities after the event. GOI officials are now preparing and reviewing a significant series of revisions which are slated to be approved and instituted before the year is out.

SENADA is a four-year, USAID-financed project whose goal is to increase Indonesia's economic growth and employment by improving the competitiveness of major, labor-intensive light manufacturing industries.

To learn more about SENADA, visit <http://www.senada.or.id>.

## ACTIVITY UPDATE

### **GARMENT INDUSTRY LEADERS DETERMINED TO IMPLEMENT PRODUCTIVITY STRATEGIES PRESENTED AT SENADA WORKSHOP**



*“It was the most comprehensive, detailed and practical training I ever experienced in the garment industry. Mr. Araki showed us that it is not impossible to implement the Toyota Production System in garment manufacturing.”*

*Melly Gunawan  
Factory Manager,  
PT Bina Busana Internusa*

Few managers in Indonesia are unaware of internationally proven strategies for maximizing productivity on the factory floor, such as 5S (Sort, Set in order, Shine, Standardize, Sustain) or the Toyota Production System. But lacking evidence that these concepts will work for their firms too, it is easy for company executives to assume that those methods are irrelevant, not applicable in Indonesia, or perhaps would only work for auto manufacturers or other unrelated industries.

Working through Garment Partnership Indonesia (GPI), SENADA set out to overcome these misperceptions. SENADA and GPI sponsored a workshop in Semarang on 28 August featuring an energizing presentation entitled “Productivity Improvement: A Practical Guide on Implementing Lean Manufacturing in the Garment Industry.” The workshop was attended by 17 managers from five manufacturing firms in Solo and Semarang. The main speaker was Tatsuro Araki, a renowned Japanese garment productivity expert with 30 years experience in China and Indonesia. While explaining how the firms could implement Time and Process Analysis and similar strategies, Mr. Araki showcased garment factories that had achieved substantial gains by taking such steps. His presentation convinced attendees that the techniques he described would benefit their operations as well. Participants left the training eager to put what they had learned to work in their factories.

The workshop was part of GPI’s Executive Development Program II, a series of trainings designed to strengthen the garment industry by offering innovative solutions and ensuring that industry executives are equipped with the right skills, knowledge and competencies. This and other GPI activities are intended to increase the competitiveness of Indonesia’s garment industry, create business networks and improve access to global markets.

SENADA is a four-year, USAID-financed project whose goal is to increase Indonesia's economic growth and employment by improving the competitiveness of major, labor-intensive light manufacturing industries.

To learn more about SENADA, visit <http://www.senada.or.id>.

## ACTIVITY UPDATE

### SENADA RESEARCH PROMOTES DIALOG ON ENHANCING INDONESIA'S EXPORT PERFORMANCE



*“This workshop raises awareness of the need to create ‘Indonesia Incorporated’ – a national economy with competitive light manufacturing sectors as part of the backbone – and to further develop and explore the findings from SENADA’s research.”*

*–Bapak Djimanto  
Deputy Chairman, APINDO*

With the intent of spurring business associations and policy makers to take greater advantage of Indonesia’s export opportunities, SENADA released a comprehensive study analyzing the export performance and competitiveness of several of Indonesia’s key light manufacturing industries. The report, entitled “2008 Export Competitiveness Report: Footwear, Furniture, Autoparts, and the Garment Industry,” analyzes data from 2000 to 2007 to determine Indonesia’s share of global markets and compare its performance to its competitors (the report can be accessed at [www.senada.or.id](http://www.senada.or.id)). The report adds new insights to the discussion of Indonesian manufacturing competitiveness by focusing specifically on those products that the country actively exports.

To showcase the findings of the Report and stimulate dialog, SENADA sponsored a half-day seminar at the Commerce Club in Jakarta on 21 October. It was attended by nearly 100 representatives from business associations and government, as well as local and national media (for whom a special briefing was held to communicate the Report’s key points).

SENADA representatives David Ray and Dionisius Nardjoko opened the session with an overview of the Report. This was followed by a panel discussion to review its implications, featuring Arianto Patunru of LPEM FEUI (a research institute devoted to economics and society at the Faculty of Economics, University of Indonesia), Sjamsu Rahardja of the World Bank, Djimanto from APINDO (the Indonesian Employers’ Association), and Henrietta Lake, an internal garments sourcing expert.

Speakers emphasized that Indonesia is capitalizing on some of its opportunities, but can do better in others. Exports of auto components are the strongest, with Indonesia’s global share doubling over the study period. Garments and furniture exports were solid, but in footwear Indonesia has lost over half its share of international markets to regional competitors.

SENADA is a four-year, USAID-financed project whose goal is to increase Indonesia’s economic growth and employment by improving the competitiveness of major, labor-intensive light manufacturing industries.

To learn more about SENADA, visit <http://www.senada.or.id>.

## ACTIVITY UPDATE

### FIRST PRODUCTS CARRYING THE QSEAL MARK OF QUALITY ARE MARKETED TO CONSUMERS



*“QSEAL makes my choice easy and gives me confidence when I choose non-original spare parts. I know I am getting good quality at a good price.”*

*– Pak Yanto*

*University student and purchaser of QSEAL products*

SENADA’s QSEAL program achieved a major milestone on 19 September, when auto parts bearing the QSEAL guarantee of quality were introduced for sale to customers at several service stations in Jakarta and Bekasi. Posters and leaflets designed to persuade consumers that products bearing the QSEAL stamp are their best choice for a combination of price and quality accompanied the newly available products.

QSEAL is a national product and process seal of quality for non-original replacement automotive parts. As Indonesia’s first mid-market certification standard, it provides an opportunity to small suppliers who want to upgrade their production lines to reach higher value part markets and edge out competition from cheap imports. QSEAL standards also provide an important steppingstone for firms interested in reaching full OEM (original parts manufacturers) standards – a necessary springboard for exporting.

SENADA partnered with the Indonesian Automotive Center (SOI), the Indonesian Automotive Engineers Association (IATO), and the Indonesian Service Station Association (ASBEKINDO) to develop the QSEAL concept, create standards, and make QSEAL commercially available to Indonesian manufacturers on a sustainable basis. QSEAL, owned and operated by SOI, launched and signed up its first set of clients in May 2008. One of these early-adopter firms, PT Cipta Kreasi Prima Muda, has now completed the QSEAL certification process and is able to sell its back mirrors bearing the QSEAL label.

The launch of Cipta Kreasi Prima Muda’s QSEAL-labeled products was done under the auspices of a market penetration strategy jointly developed by SENADA and ASBEKINDO. The strategy covers all steps needed to help QSEAL products succeed in the market, including distribution and pricing strategies, packaging guidelines, and standardized materials needed for parts ordering, invoices, packing, etc. Accompanying marketing materials include a poster that attracts attention by advising buyers, “If you don’t want an original part, choose the one with a QSEAL sticker.”

SENADA is a four-year, USAID-financed project whose goal is to increase Indonesia’s economic growth and employment by improving the competitiveness of major, labor-intensive light manufacturing industries.

To learn more about SENADA, visit <http://www.senada.or.id>.

## ACTIVITY UPDATE

### SENADA SUPPORTS ASMINDO CERTIFICATION CARE TO ENSURE SUSTAINABLE INDUSTRY FOCUS ON RESPONSIBLE TIMBER SOURCING



*“Being a wood certification consultant in ACC has given me a deeper understanding of why wood certification is important for business and the environment. This initiative will bring positive impact to ASMINDO, to firms, and to the planet.”*

*–Andriana Swi Maretanti  
ACC wood certification  
consultant, ASMINDO*

Key to SENADA’s work with the home furnishings industrial value chain is helping wood furnishings producers tap into the international market for goods made with responsibly sourced timber. To access these markets, producers must obtain internationally recognized certifications such as VLO (Verification of Legal Origin) and FSC (Forest Stewardship Council).

SENADA’s efforts have already enabled over 20 companies to achieve these certifications, but these successes are simply the early outcomes of a larger effort toward a broader goal, which is to transform the industry mindset and institutionalize the capability to pursue certifications.

To ensure that certifications become standard practice among producers, over the past year SENADA has trained representatives from ASMINDO (the Indonesian Furniture Industry and Handicraft Association), building the association’s capacity to provide legal wood consulting and certification services.

In October, SENADA entered a new phase of activity by focusing on the development of “ASMINDO Certification Care” (ACC). ACC will act as a business unit within ASMINDO, charged with ensuring that ASMINDO’s consulting and certification efforts are provided on a sustainable basis. ACC’s start-up officially got underway on 24 October, when SENADA facilitated a strategic planning meeting with ACC staff from Semarang, Yogyakarta, and East Java. This was followed soon thereafter by a business skills workshop for ACC members – the first of four – entitled “How to Develop a Business Plan.” Also in October, ASMINDO was awarded a grant under SENADA’s Business Innovation Fund to provide seed capital to establish ACC units in Surabaya, Semarang and Yogyakarta.

SENADA is a four-year, USAID-financed project whose goal is to increase Indonesia's economic growth and employment by improving the competitiveness of major, labor-intensive light manufacturing industries.

To learn more about SENADA, visit <http://www.senada.or.id>.



## ACTIVITY UPDATE

### SENADA'S PRODUCTIVITY MESSAGE DELIVERED AT GARMENT PARTNERSHIP INDONESIA EVENT



*“Productivity improvement is a continuous process that never stops. Every factory should have an action plan to improve their internal productivity in 2009.”*

*– Tatsuro Araki  
Technical Director,  
PT Dayani Garment Indonesia*

The Indonesian garment industry faces ongoing challenges that cannot be effectively addressed on a one-off basis. A single machinery upgrade or one training session for employees can contribute to improved productivity, but strong competition from producers in other countries coupled with worrisome global economic trends means that garment industry leaders cannot afford to waver in their commitment to continuous productivity improvement.

This message was forcefully delivered at a 30 October seminar sponsored by Garment Partnership Indonesia (GPI) entitled “Facing the Global Economic Crisis Through Productivity Improvement in the Garment Industry,” held at the International Garment Training Center in Bogor. The main presenter was Mr. Tatsuro Araki, technical director of PT Dayani Garment Indonesia, a firm that has experienced impressive growth in productivity as a result of its strong dedication to staff training and continuous improvement.

GPI's goal in sponsoring the workshop was to broaden awareness within the industry of GPI initiatives and to encourage participation in its Executive Development Program (EDP). GPI is an organization of industry leaders, brought together with help from SENADA, that is committed to increasing industry competitiveness, creating business networks and improving access to global markets. GPI's EDP program, now entering its third round, is a series of six one-day workshops aimed at improving the skills, knowledge and competencies of high-level industry executives regarding key aspects of international best manufacturing practices.

The workshop attracted 75 participants representing 36 firms, including 10 companies that were taking part in an activity facilitated by SENADA for the first time.

SENADA is a four-year, USAID-financed project whose goal is to increase Indonesia's economic growth and employment by improving the competitiveness of major, labor-intensive light manufacturing industries.

To learn more about SENADA, visit <http://www.senada.or.id>.

## ACTIVITY UPDATE

### SENADA USES REGMAP TO STRENGTHEN BAPPENAS CAPACITY TO ANALYZE REGULATIONS



*“I believe the RegMAP tool has great potential to become the standard analytical tool used by BAPPENAS regulatory reviewers.”*

*—Drs. Purwa Malaysianto, MSi  
Deputy Director for Information  
on Laws and Regulations,  
BAPPENAS*

To learn more about SENADA, visit <http://www.senada.or.id>.

SENADA’s RegMAP tool is a cornerstone of the project’s efforts to assist Indonesian stakeholders in shaping a progressive business enabling environment. RegMAP provides a clearly defined series of steps that allows policy makers to create an inventory of regulations and quickly target those that should be priorities for reform.

At the heart of RegMAP is the application of three filters designed to narrow hundreds of regulations down to the critical top ten. Each filter applies questions that explore legality, economic impact, redundancy, regulatory objectives, and other essential characteristics.

While the creation of the RegMAP tool was an important achievement, the tool itself will have little impact unless Indonesian government officials embrace RegMAP over the long term, fully exploiting its potential by using it properly. For this reason, SENADA is working with BAPPENAS (Indonesia’s national development agency) to thoroughly train staff and give them hands-on experience at conducting regulatory analysis using RegMAP. Following up on work earlier in 2008 that was focused on Filter 1, from November 3 to 5 SENADA held three one-day workshops in Jakarta, Bandung, and Surabaya to give BAPPENAS officials practice at implementing Filter 2. This filter uses 10 detailed questions relating to regulatory objectives, alternatives, targeting, communication, compliance and impact.

In each workshop, participants used Filter 2 to analyze three regulations, chosen to illustrate different types of regulation. This was followed by discussion in which participants focused on weeding out subjectivity and ensuring that each regulation had been completely analyzed. The workshops were led by a team from the Center for Economic and Social Studies and SENADA, and attended by BAPPENAS staff from the Direktorat Analisa Peraturan Perundang-undangan, (Directorate for Regulatory Analysis). The workshops were notable for the enthusiastic discussion generated, as participants proposed and then adopted or discarded various ideas. They also expressed considerable eagerness to carry out similar exercises for Filter 3, a step planned for early 2009.

SENADA is a four-year, USAID-financed project whose goal is to increase Indonesia’s economic growth and employment by improving the competitiveness of major, labor-intensive light manufacturing industries.



## ACTIVITY UPDATE

### WORKSHOP GUIDES INDONESIAN GARMENT COMPANIES ON ACCESSING EUROPEAN MARKETS



*“Last year over 33,500 specialist buyers from 59 countries attended the Global Fashion Fair in Düsseldorf, suggesting that it will provide a great opportunity for Indonesian SMEs.”*

*–Eve Bachtold  
SIPPO Project Manager*

Despite the world economic downturn, Indonesia’s textile and garment industry still has untapped opportunities to access the European market. These can be exploited to help maintain and expand Indonesia’s export levels. During the second quarter of 2008, the value of textile and garment exports to Europe reached more than USD 5 billion, with the greatest growth occurring in the fashion garment and home textiles segments.

These facts were emphasized at the “SIPPO Kickoff Workshop: Strengthening Market Linkages,” sponsored by the SENADA-supported Garment Partnership Indonesia (GPI) on 6 November at the International Garment Training Center (IGTC) in Bogor. SIPPO (the Swiss Import Promotion Program) promotes imports from emerging countries to the European market. The event was conducted through the cooperative efforts of SENADA, SIPPO, GPI, IGTC, and the National Agency for Export Development (NAFED).

The purpose of the workshop was to recruit small and medium garment and home textile manufacturers to participate in the German trade fair next year that SIPPO is arranging. In 2009, SIPPO will facilitate six Indonesian SME garment and home textile manufacturers to take part in the trade fair, which will be held in both Frankfurt and Düsseldorf. SIPPO will provide manufacturers with technical assistance on trade fair preparations and strategies for accessing the European market.

Thirty participants representing 13 manufacturers attended the SIPPO workshop, which is part of GPI’s efforts to strengthen market access for Indonesian garment firms. GPI is a private-sector initiative facilitated by SENADA.

SENADA is a four-year, USAID-financed project whose goal is to increase Indonesia’s economic growth and employment by improving the competitiveness of major, labor-intensive light manufacturing industries.

To learn more about SENADA, visit <http://www.senada.or.id>.

## ACTIVITY UPDATE

### **iMULAI 2.0 COMPETITION ATTRACTS STRONG INTEREST FROM INDONESIA'S INNOVATORS**



*“We are committed to continuing the iMULAI program... Spectacular innovation must be accompanied by long-term business perspectives to produce positive impacts that move creative Indonesian industry forward.”*

*– Tony Chen  
President Director  
PT Microsoft Indonesia*

iMULAI 2.0 is more than a competition for Indonesia's software innovators. The launch event, held on 18 November 2008 at the Hotel InterContinental Jakarta Midplaza, was also an opportunity to reaffirm the commitment of partners SENADA, USAID and Microsoft Indonesia to fostering Indonesia's development as a competitive, knowledge-based economy, and to celebrate the success of the original iMULAI program that was launched a year earlier.

The iMULAI competition is nationwide and open to established businesses, start-ups, and NGOs with innovative business ideas for IT-based software that have the potential to succeed in the marketplace. As in the original competition, iMULAI 2.0 will select three winners. They will receive US \$25,000 in seed funding and Microsoft products, hardware and technology worth US \$10,500 so they can develop, maintain and market their ideas. All competitors are eligible to benefit from related iMULAI activities, including assistance in preparing business plans and proposals as well as membership in BizSpark. BizSpark is a Microsoft program that provides young companies access to Microsoft tools and technologies and production licensing for hosted solutions, along with access to technology and entrepreneurial experts.

Representatives from last year's iMULAI winners (PT Dycode Cominfotech Development, the Logistics Laboratory and Supply Chain Management at the Industrial Engineering Department of ITS, and PT Sentra Solusi Integrasi) were on hand at the launch to describe how last year's iMULAI program had enabled them to move forward successfully with their innovations.

This year's iMULAI competition accepted proposals until 5 December. Sixty-three proposals were submitted, a strong achievement in only three weeks of open competition. The iMULAI website ([www.imulai.com](http://www.imulai.com)) has attracted over 2,000 registrants who are participating in forums to discuss the iMULAI program. Technical assistance to applicants will continue through January 2009, when the iMULAI 2.0 competition winners will be announced.

SENADA is a four-year, USAID-financed project whose goal is to increase Indonesia's economic growth and employment by improving the competitiveness of major, labor-intensive light manufacturing industries.

To learn more about SENADA, visit <http://www.senada.or.id>.

## ACTIVITY UPDATE

### SENADA-SPONSORED EXPERT URGES PRIVATE SECTOR, RESEARCHERS AND GOVERNMENT TO COLLABORATE ON INNOVATION



*“It is time for Indonesia to take its rightful place along with Brazil, Russia, India, and China as a nation of global stature. This requires Indonesia to stop looking inwards and to chose a bold and compelling vision that will focus and organize their enterprises in specific directions to partner and compete globally.”*

*– Dr. Hitendra Patel  
Director, IXL Center*

At Indonesia’s recently concluded “National Innovation Week,” held from 10-16 November and sponsored by the Business Innovation Center (BIC), participants from universities, government and the private sector debated the best means for spurring investment in coordination with Indonesia’s strategies for national innovation development. BIC is a quasi-private organization that receives support from private companies and the Ministry of Research and Technology. Its mission is to promote business innovation in Indonesia by providing a bridge between technological innovators that are outside the business arena, such as universities, and the private sector.

SENADA sponsored the globally known innovation expert Dr. Hitendra Patel, executive director of the US-based IXL Center, to lend his prestige and expertise to Innovation Week activities. Dr. Patel led a series of high-level discussions with over 300 government, university and private sector stakeholders, including a private dinner with the Minister of Research and Technology. He also delivered a series of lectures, workshops and seminars to universities and private enterprises, including leading the two-day *Managing Innovation: Opportunities Strategies and Survival* seminar at Aryaduta Hotel in Jakarta.

Dr. Patel sounded a call to arms for three groups that have a vital role to play in encouraging innovation: the government, researchers, and firms. He outlined specific problems each group faces and recommended strategies designed to address them. For example, researchers lack incentives to create prototypes when they see that previous prototypes were never launched. A means to solve this problem is to link research teams with commercial partners from the outset. Another useful tactic is to document success stories that can be used as learning tools for future innovators.

Dr. Patel urged support for intermediaries such as the Business Innovation Center, observing that “organizations that support cross-collaboration between companies, universities, research institutes, government agencies, and local multinationals are critical in order for a national innovation strategy to succeed.”

SENADA is a four-year, USAID-financed project whose goal is to increase Indonesia's economic growth and employment by improving the competitiveness of major, labor-intensive light manufacturing industries.

To learn more about SENADA, visit <http://www.senada.or.id>.

# ACTIVITY UPDATE

## DISCUSSION OF PROBLEMS AND SOLUTIONS AT LINI 2 PORT OF TANJUNG PRIOK TOUCHES A NERVE WITH WORKSHOP PARTICIPANTS



*“Thanks are due to USAID, SENADA, and the Indonesian Importer and Exporter Association for bringing us together to seek promising solutions to the problem of re-releasing goods at Lini 2 in a transparent manner.”*

*– Jusman Syafii Djamal,  
Menteri Perhubungan RI*

Standing-room-only crowds attended a workshop on 4 December in Jakarta to address long-standing difficulties at the Lini 2 Port of Tanjung Priok. The large number of participants, and their enthusiastic participation in discussion, underscored both the importance of the problems at Lini 2 and the high level of interest in finding solutions.

The workshop, cosponsored by the Indonesian Importer and Exporter Association (IEI) and SENADA, zeroed in on how collusion and high costs undermine competitiveness at the port. LCL (Less than Container Load) fees received special attention.

SENADA Industry Advisor Sinta Aryani presented findings from SENADA’s recently issued report on port problems. The report identified three major issues: failure to comply with a price agreement for LCL import service tariffs, separate charges by port service providers that lead to unnecessary and overlapping costs, and the lack of transparency surrounding the process for the release of goods. Following the report overview, Amalia Achyar, the head of IEI, spoke on the topic of business practices now conducted at the port.

A range of stakeholders attended the workshop, including businesses, port officials, and representatives from the Directorate-General of Sea Transport at the Ministry of Transport. The varied audience prompted a lively Q and A session, with one importer wondering aloud why he could stay in a 5-star Jakarta hotel overnight for Rp 600,000, but had to spend over Rp 3 million to store two cubic meters of goods at an unsecure and dirty warehouse at the port.

Report recommendations that were discussed by participants center on the need to review and if necessary amend existing regulations and agreements governing LCL tariffs, as well action to address possible cartel-like practices.

SENADA is a four-year, USAID-financed project whose goal is to increase Indonesia's economic growth and employment by improving the competitiveness of major, labor-intensive light manufacturing industries.

To learn more about SENADA, visit <http://www.senada.or.id>.

# ACTIVITY UPDATE

## SENADA TRAINS NATIONAL LAW DEVELOPMENT AGENCY (BPHN) TO USE REGMAP FOR REGULATORY REFORM



*“We would like to consider the RegMAP tool as an alternative that enriches our existing methodology for conducting review and analysis of regulations.”*

*– H. Sadikin Sabirin, SH, MH  
Head of the Center for National  
Law Development Planning),  
Ministry of Law and Human  
Rights*

Within Indonesia’s National Law Development Agency (BPHN) at the Ministry of Law and Human Rights, the Center for National Law Development Planning (Kepala Pusat Perencanaan Pembangunan Hukum Nasional) is charged with conducting quality reviews of actual and proposed legislation at the central and local levels. Traditionally, reviewers have taken a legalistic approach focused on philosophical, juridical, and sociological aspects of the regulations. To offer new approaches that can enrich the evaluation process, SENADA presented a workshop to BPHN officials explaining how to use RegMAP, a tool designed to help Indonesian policy-makers quickly identify regulations that are most in need of reform.

The meeting was held at BPHN facilities on 25 November 2008 and attended by 25 participants from BPHN, along with representatives from BAPPENAS and the Center for Regulatory Research. The entire RegMAP process applies three progressively stricter filters, using series of questions based on the Regulatory Impact Assessment technique. SENADA tailored the BPHN presentation to the needs of the audience, focusing primarily on Filter 2, which explores regulatory objectives, alternatives, targeting, communication, compliance and impact.

Participants welcomed the new approaches and showed particular interest in learning how to employ RegMAP techniques to ensure impartial reviews. They also engaged in lively discussion about how to set priorities for reform, noting that changes to some regulations could have substantial positive impact but would be difficult to implement due to political considerations, whereas other regulations might face few political obstacles. SENADA’s RegMAP manager Efrulwan explained how the Multi Criteria Analysis built into RegMAP can help them to balance these issues.

SENADA is a four-year, USAID-financed project whose goal is to increase Indonesia's economic growth and employment by improving the competitiveness of major, labor-intensive light manufacturing industries.

To learn more about SENADA, visit <http://www.senada.or.id>.

# ACTIVITY UPDATE

## INDUSTRY ATTACHMENT PROGRAM ENABLES SMES TO BETTER UTILIZE INFORMATION AND COMMUNICATIONS TECHNOLOGY (ICT)



*“I learned so many things at the boot camp, especially how important it is for companies to have expertise in the IT sector, but this knowledge must be combined with an understanding of management and business processes in order to maximize competitiveness.”*

— Maria Tjahjadi  
Universitas Ciputra

SENADA’s ICT activities are designed to increase Indonesian competitiveness by strengthening the abilities of SMEs to utilize technology. Worldwide, Cisco operates its Network Academy to build the ICT skills of promising students. Recognizing the opportunity presented by these matching goals, SENADA and Cisco developed the Industry Attachment Program (IAP), targeted specifically to Indonesia’s needs. IAP exposes students to real-world business challenges while helping firms with limited in-house know-how to modernize their ICT capabilities.

IAP, launched in November 2008, is a major undertaking involving five universities, 100 students and 85 small firms. The role of the universities (University of Indonesia, University of Gajah Mada, Institute Teknologi Surabaya, Bina Nusantara University, and Universitas Ciputra) is to select qualified students, provide day-to-day oversight of internships, and coordinate the ongoing training provided by SENADA and Cisco.

Before beginning the internships, which will last until May 2009, students took part in the IAP “Boot Camp,” three days of intensive preparation in ICT skills and tools. Interns were then placed in SMEs to provide general ICT support and upgrading. It is hoped the interns will serve as ICT bridges by introducing SME managers to appropriate products and services that can enhance firm efficiency. During their internships, students have 24-hour access to the Cisco-sponsored IAP technical help desk to assist them with their technical needs.

SENADA and CISCO support IAP through regional workshops for students and firms. Sessions in December 2008 and January 2009 addressed business and ICT analysis and technical work plan development. During the workshops, expert trainers helped participants to understand firm ICT needs, establish technical goals, and plan activities to meet these goals. Students and firms reported a high level of enthusiasm and optimism for the work plans they created.

More information about IAP can be found at [www.iap-ict.com](http://www.iap-ict.com). SENADA is a four-year, USAID-financed project whose goal is to increase Indonesia’s economic growth and employment by improving the competitiveness of major, labor-intensive light manufacturing industries.

To learn more about SENADA,  
visit <http://www.senada.or.id>.

# ACTIVITY UPDATE

## INDONESIAN CIVIL SOCIETY REPRESENTATIVES LEARN TO APPLY INTERNATIONAL BEST PRACTICES TO REGULATORY IMPACT ANALYSES



*“RegMAP and RIA tools offer us considerable options for significant regulatory reform programs in Indonesia in the near future.”*

— *Budiman Soedarsono*  
*Deputy Director for the*  
*Analysis of Regulation*  
*BAPPENAS*

Regulatory reform is a complex topic that requires a thorough understanding of the local context. But local knowledge alone does not guarantee good results; a grounding in international best practices related to regulatory analysis will help reformers to ask the right questions and apply the correct analytic tools to obtain answers.

Support from a USAID-funded Academy for Educational Development (AED) program enabled 23 representatives of Indonesian civil society to gain this international perspective and practice using the right tools, through a series of related activities held in December 2008 and January 2009. The exercise began with orientation training in Jakarta, where participants, all of whom were already knowledgeable on how to use SENADA’s RegMAP tools to apply progressively stricter filters to identify regulations most in need of reform, learned how RegMAP fits within the broader scope of Regulatory Impact Analysis (RIA).

Participants then traveled to Washington, DC, where internationally recognized experts working with SENADA instructed them how to conduct RIA from December 8 to 12. Scott Jacobs of Jacobs and Associates, who has helped apply RIA concepts in dozens of countries, led the training. An economist from the Environmental Protection Agency and a former executive of the Office of Management and Budget also shared their insights into the RIA process.

The final component of the activity was an assignment, completed by each participant, to prepare a brief regulatory impact statement (RIS) on a selected set of regulations from the RegMAP shortlist. Each participant had until mid-January to complete their RIS, which was then given to SENADA for review and feedback. The timeliness of the submissions and the high quality of the work impressed SENADA reviewers.

The 23 participants are expected to use what they learned to support future regulatory reform initiatives in Indonesia. They represented a cross-section of Indonesian associations and NGOs, among them the employers’ association APINDO, the furniture and home accessories association ASMINDO, the watchdog organization KPPOD, the Bandung Institute of Technology, and PEPI (a national secretariat for export and investment enhancement).

AED is an NGO that promotes Human and Institutional Capacity Development by supporting studies for academic degrees and short-term technical training. SENADA is a four-year, USAID-financed project whose goal is to increase Indonesia’s economic growth and employment by improving the competitiveness of major, labor-intensive light manufacturing industries.

To learn more about SENADA,  
visit <http://www.senada.or.id>.



# ACTIVITY UPDATE

## SAE INTERNATIONAL OFFERS RECOMMENDATIONS TO AUTO PARTS MANUFACTURERS ON SURVIVING ECONOMIC CRISIS



*“QSEAL seems to be one of the best executed programs that companies can take advantage of, especially for the low cost involved. It is worth hundreds or thousands of times its cost in how it can help companies to compete. So congratulation to the team that created it, and I think it’s very important to Indonesia.”*

— Gary Schkade  
Director, Asia-Pacific Development  
SAE International

To explore the implications the global economic downturn may have for Indonesia’s domestic parts producers, SENADA sponsored a panel discussion in Jakarta on 12 February entitled “Indonesian Auto Parts Industry and the Global Economic Crisis: Strategies and Perspectives,” that focused on helping industry players to weather tough times and perhaps even to turn current economic conditions to their advantage.

The panel featured representatives from a range of automotive industry stakeholders, including IATO (the Automotive Engineers Association), GIAMM (the Indonesian Automotive Part and Components Industries Association), AISI (the Indonesian Motorcycle Industry Association), GAIKINDO (Indonesian Automotive Industry Association), the Ministry of Industry, and the Society of Automotive Engineers International (SAE).

Discussion focused on how to capitalize on QSEAL, a quality certification seal for non-original automotive components that was developed by industry stakeholders with assistance from SENADA. QSEAL is intended to help local producers to gain domestic market share over cheap, unbranded imports and expensive OEM (Original Equipment Manufacturer) products. Through QSEAL, local manufacturers are standardizing products and processes and implementing evaluation and certification systems that meet quality standards while they remain competitive on price.

QSEAL received an important boost during the event when Marketing Director Herman Slamet of PT Nipress Tbk (one of Indonesia’s largest producers of car batteries and the holder of a number of international certifications) explained that Nipress regards QSEAL as an important conduit for accessing local markets, as well as a means of ensuring continuous improvement. Gary Schkade, the Director of Asia-Pacific Development for SAE International, affirmed the importance of QSEAL and stressed the need to build the foundation for a long term, mutually beneficial relationship among private stakeholders to expand QSEAL’s impact.

SENADA is a four-year, USAID-financed project whose goal is to increase Indonesia's economic growth and employment by improving the competitiveness of major, labor-intensive light manufacturing industries.

To learn more about SENADA, visit <http://www.senada.or.id>.



## ACTIVITY UPDATE

### NEW TOOL PROVIDES FRAMEWORK TO REDUCE REGULATORY BURDEN ON INDONESIAN BUSINESS



*“This national regulatory mapping seminar addressing regulations that constrain the business climate is a first step toward determining alternatives to overcome the problems that hamper development.”*

*— Paskah Suzetta  
State Minister for  
National Development  
Planning/  
Chairman of Bappenas*

Inconsistent, overlapping, and onerous government regulations at both the national and local level sap the ability of Indonesian firms to compete effectively. Piecemeal improvements are not enough; rather, the nation’s regulators need a mechanism that allows them to quickly assess large numbers of regulations and set priorities for reform. They also require the capacity to employ such a mechanism effectively over the long term.

This is the rationale behind SENADA’s RegMAP program, which launched in mid-2008. RegMAP recently achieved an important milestone with the issuance of a summary report and a national seminar on 11 March to showcase and discuss the RegMAP analysis.

RegMAP is a tool developed by SENADA that is based on the principles of Regulatory Impact Assessment. It allows stakeholders to conduct a preliminary review of a large number of regulations in a relatively short period of time, leading to a short list of regulations targeted for further action. RegMAP works by applying three progressively stricter filters that ask a standardized set of questions about the key features of each regulation under review.

The summary report disseminated at the seminar gave an overview of RegMAP methodology and described key results obtained by the research groups that analyzed Indonesia’s business regulations using RegMAP. The report highlights problems common to many of the regulations reviewed (such as undue complexity and high levels of official discretion) and offers guidance for maximizing the effectiveness of future RegMAP analyses.

About 175 people attended the seminar, held at the facilities of Indonesia’s national development agency BAPPENAS. They represented relevant GOI departments dealing with commerce, industry, and labor; research organizations such as LIPI (Lembaga Ilmu Pengetahuan Indonesia), CSIS (the Center for Strategic and International Studies), LPEM-UI (the Economic and Social Research Institute at the University of Indonesia), and BPHN (Badan Pembinaan Hukum Nasional, the Department of Law and Human Rights), along with international donors such as the World Bank and International Finance Corporation.

SENADA is a four-year, USAID-financed project whose goal is to increase Indonesia’s economic growth and employment by improving the competitiveness of major, labor-intensive light manufacturing industries.

To learn more about SENADA, visit <http://www.senada.or.id>.

# ACTIVITY UPDATE

## AUTO PARTS MANUFACTURERS LEARN BEST PRACTICES IN PRODUCT DEVELOPMENT FROM GLOBAL AUTOMOTIVE INDUSTRY LEADER



*"The training gave us the whole picture of product development in a compact, easy to understand way."*

— *Triharsa Adicahya,*  
*PT Astra Otoparts Tbk*

*"The instructor was excellent and the training showed us how to leverage the capability to continuously improve product quality."*

— *Octavianus Hutadjulu*  
*PT Aisin Indonesia*

Indonesia's automotive parts industry is taking steps to reach its full potential by implementing QSEAL, an industry-supported seal of quality based on the achievement of established standards for product and process quality. In order to meet the standards that QSEAL imposes, many companies need training on international best practices. Thus, QSEAL teamed up with the global leader in automotive standards and training, the Society of Automotive Engineers (SAE International), to offer companies four world-class professional development courses in February.

Over 500 members and affiliates of IATO (the Indonesian Automotive Engineers Association), and GIAMM (the Indonesian Automotive Part and Components Industries Association), were given the opportunity to identify the coursework most urgently needed from a list of over 200 SAE course offerings. Based on the input they provided, international experts from SAE with 50 combined years of OEM (original equipment manufacturer) product development experience taught courses entitled *Managing Integrated Product Development*; *Design Reviews for Effective Product Development*; *Quality Function Deployment*; and *Failure Modes and Effects Analysis*.

The four professional development courses, which were paid for by participating firms, were fully booked a week in advance. Approximately 100 senior automotive engineers from top producers throughout Indonesia, along with 20 university representatives, attended the two weeks of classes.

Aside from the immediate benefits to trainees, an important goal of the training series was to introduce Indonesian auto parts manufacturers and associations and SAE International to each other, paving the way for SAE to offer more courses in the future. Plans are now underway for additional professional development courses tailored specifically to Indonesia's automotive industry.

SENADA is a four-year, USAID-financed project whose goal is to increase Indonesia's economic growth and employment by improving the competitiveness of major, labor-intensive light manufacturing industries.

To learn more about SENADA, visit <http://www.senada.or.id>.

# ACTIVITY UPDATE

## DEPARTMENT OF INDUSTRY OFFICIALS RESPOND ENTHUSIASTICALLY TO TRAINING ON ANALYZING REGULATIONS FOR REFORM



*“We urgently need a tool such as RegMAP to accelerate our mapping and review of business regulations and to prioritize reform efforts on those that reduce Indonesian competitiveness in both domestic and global markets.”*

— *Arif Christiono Soebroto*  
*Director,*  
*DAPP BAPPENAS*

Since launching RegMAP in late 2007, SENADA has maintained a strong focus on ensuring that Indonesian officials at the local and national level understand what RegMAP is and how they can use it to improve Indonesia’s regulatory climate. RegMAP is a set of tools based on Regulatory Impact Assessment. It uses three filters that allow policy-makers to quickly identify which regulations out of a large number should be priorities for reform. The filters ask questions that help policy makers to assess each regulation in terms of its legal basis, economical impact, redundancy, inconsistency, potential political barriers to reform, and other key considerations.

Recent training efforts with various local and national government entities have resulted in requests from additional government offices for technical workshops on how to employ RegMAP. To address such a request from the Department of Industry, SENADA facilitated a training session on 7 April in cooperation with the Directorate for Regulatory Analysis (DAPP) at BAPPENAS, Indonesia’s national development planning agency. The session was opened by the Director of DAPP BAPPENAS, Bapak Arif Christiono Soebroto. The Center for International Cooperation (PUSAKIN) at the Department of Industry conducted the training, which was led by Ibu Dyah W. Poedjiwati. Approximately 20 DAPP officials who work on business climate issues attended.

During the training session, officials received hands-on experience in implementing RegMAP, by taking actual Department of Industry regulations and using RegMAP worksheets to analyze them. Participants were actively engaged throughout, presenting the results of their analysis and conducting spirited discussion over different scores they gave to the same regulation.

As the follow up of the training, the Department of Industry now plans to create a working group consisting of permanent employees who have completed RegMAP training. These employees will be responsible for applying RegMAP tool to Department of Industry regulations immediately.

SENADA is a four-year, USAID-financed project whose goal is to increase Indonesia's economic growth and employment by improving the competitiveness of major, labor-intensive light manufacturing industries.

To learn more about SENADA, visit <http://www.senada.or.id>.