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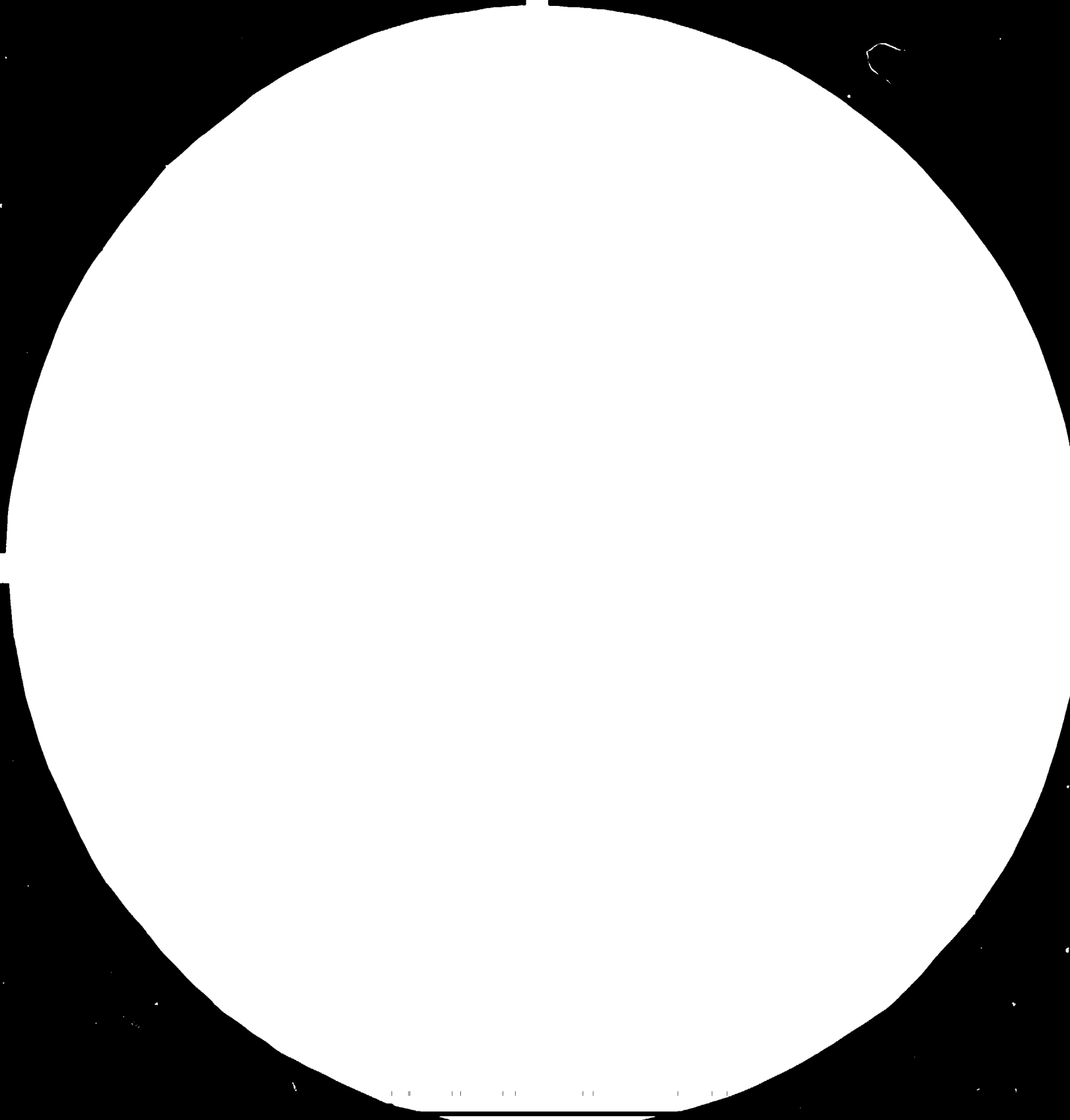
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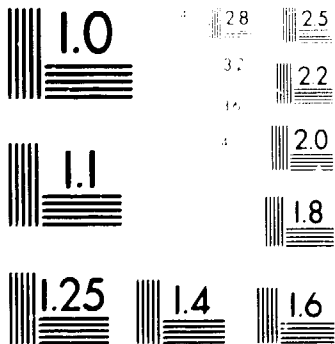
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ASSISTANCE TO THE DEVELOPMENT OF SMALL INDUSTRY
IN INDONESIA
(PROYEK DP/INS/78/078)



DEPARTEMEN PERINDUSTRIAN
DIREKTORAT JENDERAL INDUSTRI KECIL





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DP/INS/78/078

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REPUBLIC IV:

Indonesia. The Development of the Activities
For the Promotion of the Small
Scale Industry.

4th November 1971



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JAKARTA - SELATAN.

re.: Indonesian 4th 5 - year Development plan 1984 - 1989.

Repelita IV.

Small Industry & Handicrafts, Book II, Patterns.

Proposals to content of chapter 3:

" The Development of the Activities for the Promotion
 of the small scale industry "

Chapter 4: "Directing of the Promotion work to the different
 categories of industry"

and Chapter 5: " The Organization of the Promotion Bodies "

S. P. S. 10
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as well as the promotion chart:

" Promotion activities required to develop important
 growth parameters "

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I refer to

I refer to your request of 17th October 1983 for proposals to the content of these 2 chapters and later on for the chart. This we have outlined in this report as basis for further discussions.

We have not embarked on the following connected chapters:

- "Coordination of Collaborations with outside agencies"
- "Assistance to **Improve** the situation regarding location and buildings"

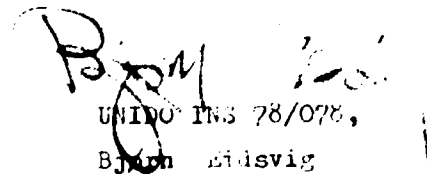
Elaboration of any of those subjects may be possible on request.

Further detailing of the proposals we have included in this report, together with a quantification of the promotion tasks, may possibly be elaborated further upon after further discussions.

The report has been completed under **pressure** of time. We have hence not had sufficient time to collect all the required information about the existing situation, especially when it comes to organizational **matters**. The report require discussions accordingly before any implementation can be recommended.

We hope you will find the report to be useful.

Sincerely yours


UNIDO INS 78/078,
Bjørn Eidsvig
Industrial Engineer.

REPELITA IV: SUBSECTOR OF SMALL SCALE INDUSTRY
and HANDICRAFTS.

BOOK II : General action plan, Part 4: Pattern
of guidance and development.

UNIDO Proposals for the Description of the Activities and
Services to be rendered.

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THE DEVELOPMENT OF THE ACTIVITIES FOR THE PROMOTION
OF THE SMALL SCALE INDUSTRY.

The Small Scale Industry is not always in a very competitive situation vis a vis foreign production and larger scale manufacture in quality and performance. The profits to enable growth, and the capability to give reasonable remunerations to the employees is limited. Many sectors of the industrial activities need to be improved and the government will through the DII try to assist the entrepreneurs in the development. Improved services and improved conditions for the people in the industry based on improved performances is considered to be as important as the increase in the number of employees.

In order to improve the situation, the services from the government will be expanded and made more efficient. The services will be brought out to more distant areas and the organization will be built out to a higher volume. Major emphasis will be placed on improving the quality of assistance and the productivity, as well as initiating new forms of assistance; more than involving in enlarging of the organizations.

1.1 THE PRODUCTION SECTOR.

1.1.1 Product Development.

Product development services to various sectors of industry and to individual industries will be started.

The products of the small scale industry are not always very competitive, especially in quality, with foreign products.

It is, dependent on the product design, also very possible to reduce further manufacturing costs and to increase the quality and functionality of the products.

Product development assistance is considered important to enable the entrepreneur to reduce the manufacturing cost and to improve the functionality and the quality of the products.

Services within the following sectors will therefore be extended on an increasing basis, starting in a pilot scale and with training of the personnel but expecting that most services will be rendered on a very regular basis in the course of the plan period.

The following services will be rendered:

1. Product Selection. Guidelines will be drawn up for the staff and the entrepreneurs for the purpose of product selection. That is to enable the marketing of products primarily required by the society and making use of naturally available resources.

Likewise a product information guide book will be made available pinpointing the product requirements of the provinces.

Active contact will be taken with the industry with potential entrepreneurs to spread this information.

2. Individual Assistance. The entrepreneurs will have the opportunity to seek assistance from the product development centres, generally not for development of new products but for assistance to improve the products they already have in production. Normally that will involve going through the different details of the product with the entrepreneur in the production environment of the manufacturer.

The entrepreneurs will, to the extent that development capacity will be built up within the centres, also be contacted by the centre staff with the same aim.

3. Adaption of new products. To a more limited degree will there be collected product models that are useful locally, manufactured in other countries. These models will be introduced to encourage start of production. When required, some limited modifications of the construction, to fit with local needs and a less sophisticated manufacturing technology, may be done.

4. Standardization and uninformaton. For certain products, especially where the community will be better served through getting similar and inter-changeable products from the different manufacturers will standardization be attempted. That will for the time being involve the proposal of standard measurements and data that will be distributed to the manufacturers with the recommendation of adaption.
It will also involve guidance of the entrepreneurs in taking quality control measures to keep the standards within acceptable tolerances.

5. Training of entrepreneurs. For entrepreneurs that will benefit greatly from being able to do rational product development themselves, will be conducted training programmes in cost, function, and quality conscious product development. The courses will be practically arranged and include development of their own products.

Development of new products will not be done, also not any major reconstruction of existing products. Some limited general advice may be given within these sectors. The entrepreneurs will for major development tasks be refered to R & D institutes, to private consultants, or to the possibly of making use of existing constructions from elsewhere.

3.1.2 Technology Advice and Selection.

Most small scale industry is based on a too low level of technology, resulting in low productivity and limited ability to pay reasonable wages.

Wise selection of more appropriate technologies and production equipment is normally not an easy task for the entrepreneurs. The following services will be rendered to enable a more reasonable economical and technical growth of the industry:

1. Methodology information. Information material will be made available guiding staff and entrepreneurs in the methodology of selecting more appropriate technologies. Adequate quantities can hence be manufactured at the lowest possible costs.
2. Process information. Information material specifying suitable machinery and methods within a range of the most widespread processes will be made available. Comparison of different categories of technology will be done to show how different systems and equipment can apply under different circumstances.
3. Training sessions will be held both for government staff and for entrepreneurs to enable the best possible planning of plant and operations.

3.1.3 Production Development.

Limitation in productivity and performance is frequently due to limited knowledge about and utilization of abilities and capacities of the machinery and equipment which the industries already process. Poor organization of work,

selection of inadequate methods, and uneconomical utilization of materials and manpower are also frequently serious constraints on the production.

The following steps will be taken to upgrade the plant performances:

1. Guidance in practical processing. The entrepreneurs will be taught and guided in the proper utilization of standard production machinery, materials and manpower. The guidance will be provided theoretically in the classroom, but more **emphasis** will be placed on advice in the workshops in the normal working situation of the entrepreneurs.
2. Horizontal collaboration. The forming and utilization of horizontal collaboration between likewise industries including the forming of worktrade organizations will be encouraged and stimulated. Similarly, increased **practical** contact between the entrepreneurs and the R & D institutions will be encouraged and stimulated. Special emphasis will be placed on the Machine industry development and also on wood work, but the services will to some extent be available within other trades.

3.1.4 Purchase Information Services.

The lack of information about adequate material selection, the purchase of materials from less beneficial sources, and the limited strength in obtaining favourable terms of purchase is retarding the competitiveness of the small scale industry. The following steps will be taken to improve the situation:

1. Advice to be given on request and within the industries about suppliers, materials, prices and purchase conditions that are possible to obtain from different sources of supply. This to be based on a continuously monitoring of changes in the market situation.
2. A bulletin with according information to be distributed from time to time to interested parties.
3. Training sessions to be held, enlighting the entrepreneurs about purchase investigations, negotiations contracting, order volume determination, purchase policy, contracting and the hand-ling of disputes.
4. Negotiating favourable conditions. Negotiations will be held with suppliers of major interest to small scale industry, attempting to obtain favourable purchase arrangements which the individual industries can make use of.

Material suppliers will also when required be requested to keep stocks, to spread information, and to make other arrangements suitable to the Small Scale Industry.

No government institution will however participate in any trade of raw materials, or directly involve in any negotiations or contracting between individual industries and material suppliers. Participating in the financing of specific material purchases will also not take place.

3.1.5 Manufacturing processing Services.

Already a range of common facilities centres (UPTs) are established, giving services to the Small Scale Industry within specific clusters. The services include special processing of the industrial products when the entrepreneur himself lack the required equipment or capacity.

It also partly includes maintenance services and advice on processing. These services are given by the UPT organizations within a number of industrial estates on a trial basis. Experiences for these services have now been gained, and improvement in the services and also some enlarging of the services will take place.

The following changes and improvements will take place:

1. Machine operation by the entrepreneurs. The UPTs will be opened for machine operation by the entrepreneurs under the guidance of trained instructors, and the principle of using government employed operators will be abolished.

Certain common machines, that are lowly utilized, easy to operate, and already present in the centras, will be made available to the entrepreneurs on short term hire basis, bringing them to their own workplace.

2. Exchange of equipment. Less required machinery present within the UPTs will be sold, and the UPTs will be sought equipped with machines that are extensively required by the entrepreneurs but can not be bought by themselves. Equipment that should be a regular part of the entrepreneur's plant will normally not be provided.

Continious efforts will be made to ensure that the UPTs develop in accordance with the local needs.

3. Steering Committee. The entrepreneurs of the estates will be invited to participate in a steering committee for the local UPT to ensure that the development matches as much as possible with their needs, and to encourage the entrepreneurs to make extended use of the facilities.

4. Further Services. Maintenance of the entrepreneurs own machinery, guidance in process utilization, material utilization etc. will be made available from the different UPTs according to needs and practical possibilities.

3.2 MARKETING.

Due to lack of sufficient sales, many entrepreneurs are not utilizing their full production capacity. Partly also they see themselves forced to embark on a variety of different products in order to keep a reasonable work load. Both lead to lower production and productivity than if one to a larger degree could manufacture a particular product at full capacity. At the same time, the potential of the market is not sufficiently utilized. It is therefore considered necessary to assist the entrepreneurs to increase the utilization of the potentials. The following Services will be rendered:

3.2.1 General Marketing Assistance.

Many entrepreneurs have inadequate sales because they are not sufficiently able to find the right customers, present their products in an efficient way, make use of the available market mechanisms or determine the right prices and conditions. To improve the situation the following steps will be taken:

1. General Information. General information will be provided in the form of making available, and partly spreading, written material about the different aspects of active marketing. Discussing marketing opportunities and personal guiding of the entrepreneurs will also take place.
All the different sides of marketing may be involved.
2. Enterprise situation related advice. That involves investigation of the specific market situation of the entrepreneur and specifying for him specific problem solutions and actions to be taken.

These services will slowly be built out after first establishing the services on a pilot scale and training of the required staff. Any area of marketing may be involved. These services will not be undertaken unless the entrepreneur shows utmost collaboration and provide himself the major information that is required. It is also a condition that he follows up the recommendations and executes the tasks that he has agreed to.

3. Tailoring of Improvement plans. Having determined bottlenecks in the marketing activities of an entrepreneur, further assistance may at times, when considered especially vital, be given. That may involve proposing the building up of a sales organization, selecting of trading system and trading links, sales planning and determining of sales approach, indicating possible improvements in product execution, proposing but not designing of sales material, price determination approach, contract arrangements etc. Again all assistance is dependant on maximum involvement and efforts from the entrepreneur.
4. Direct Sales assistance. Participation in discussion with customers may at times **take place for the sake of general guidance and information.** but no commitments will ever be entered into and never will one do any sales for the entrepreneurs or involve in any economical transactions.
5. Permitting product display. Entrepreneurs products will be displayed for sales in permanent exhibitions of the regional offices and through collective participating in occasional fairs. Information will be given to customers but for sales arrangements will always be referred to the entrepreneurs.

Extensively inferior products will not be displayed and unreliable manufacturers will **not** be permitted to participate.

6. Training. Classroom and field training will be established to enable the entrepreneurs to develop their own marketing activities. Separate marketing courses will be arranged, and sales training will also be included in larger programmes. Training will be given in sales technique, trade channeling, pricing, sales planning, product emphasising, advertising, sales negotiation and contracting, product adjustments and selecting of product varieties and also sales financing.

3.2.2 Import Substitution.

One of the most important fields of marketing is the field of import substitution. Import substitution creates saving of foreign currency more than export, the opportunities are easier and the control and steering possibilities are greater. Major emphasis will therefore be placed on promoting import substituting operations, especially when the use of foreign inputs are minimal.

The following steps will be taken to assist the existing enterprises and to encourage the establishment of new ones:

1. Duty protection. The rates of duty on imported commodities that one also manufacture locally will always receive special attention.

The duty rates will be judged, weighing the need for protection of the local production against the consequences of increased prices for important products.

That will normally mean that as long as local production can reasonably satisfy the requirements to quality and price and cater for a reasonable portion of the demand, the import duties on competing imported products will be sought increased.

On items yet to be manufactured locally will the duty protection prospects be sought clarified before project implementation.

2. Ban on Importation. Protection of local production against imported products competition will in general be sought through applying adequate rates of import duty on the different commodities.

The application of any ban on importation will under normal circumstances be avoided.

It is felt that the manufacturer, as long as he is reasonably protected, should also not relax a continuous struggle to become more competitive in quality and price. For him to develop export products, he must first of all be able to compete reasonably against imported products on the local market.

Only in very special situations should any ban on importation of specific commodities be requested.

3. Special protection of pilot projects. Entrepreneurs who want to start viable and recommendable projects within areas that presently are served only through importation, will always receive special attention and encouragement. The encouragement may, on judging the actual situation, take the form of assistance to planning, and to a running result evaluation, as well as participation in financing the project with high risk capital. It will also always be possible to consider direct subsidies to the project during its virgin phases.

It will also be possible to consider refund of special development expenses, as long as that is applied for in advance.

Any special duty protection can however not be expected to be considered until the sales reaches a reasonable share of the market.

3.2.3 Export Promotion.

Several sectors of Indonesian small scale Industry, including the manufacture of most garment products, have a capacity sufficient to cater for more than the local market and manufacture products of sufficient standards to be exported. It is considered important to support such industries in achieving increased export. The following steps will be taken to support efforts for increased export of already exported products and to initiate exportation of not yet exported products:

1. Export guidance. General guidance about export possibilities, export markets, exports problems, export assistance opportunities, and export financing will be given to a large number of entrepreneurs. The information will be given in the form of printed material, on request as orientation on special issues, and in the form of training courses, separate or in conjunction with other marketing training.
2. Export Sales Promotion. Direct promotion of export activities will be undertaken for selected prospective products and suppliers (preferably organizations of manufacturers). The promotion activities will normally include some or all of the following steps:

- Clarification of the market potentials of the exporter and his products.
- Investigations locally and possibly on one or more overseas markets about the potential for the required exportation.
- Discussing the further approach with the potential exporter.
- Approaching overseas organizations with samples and prices
- Informing the entrepreneur about the situation, and follow up his further activities.

Under no circumstances will any government body directly involve in the sales activities or in any form take any part in any contract or any direct commitments.

3. Support of Export Sales Organizations. Existing sales organization will be supported and the establishment of new export organizations will be encouraged. Preference will be given to cooperative establishments, to trade organizations and to other collaboration between manufacturers. Purely private establishments of different origin can also be supported after judging their situation and their aims. The support may, dependent on the situation, include formation assistance, guidance on operation and activities of the institution. In special cases may also direct economical support involving a certain percentage of the expenses be considered after receiving applications with specified working plans, accounts and detailed budgets.

possible economical support must always show a reasonable ratio between the government contribution and the expected export volume as well as the benefits for the small scale manufacturers.

4. Export financing. Exportation of Small Scale Industry products will be promoted through export financing. When the arrangement has been fully implemented, it is expected that the exporter after inspection and dispatchment can transfer the claim to the bank and receive the major part of the payment against reasonable interests.

5. Export Incentives. Export incentives do already exist in the form of refund of duty paid on imported raw materials.

A different system of export incentive calculation will be promoted. I.e. the percentage of incentive to be paid back to the exporter will not be determined by duty refund considerations alone, but more dependent on the usefulness of, and the need for incentives. Hence incentives may become different for different commodities but be independent on the origin of the raw materials. Export of products highly recommended for export and products that are more difficult to export will receive higher incentives than products still needed to be imported and products that more easily find export markets.

6. Financing of promotion activities. A fund will be established for financing of export promotion investigations and other export promotion activities.

Industries and exporters will be able to apply to the fund for part financing of their own market investigations and special pioneer market approaches, including sending of samples and monitoring the results of the attempts.

The conditions will be that a complete results report possible to publish will be submitted to the fund. Financing of unsuccessful attempts may be written off after receiving an acceptable report, while investigations resulting in reasonable business will be expected paid back on reasonable conditions.

7. Export Dispatchment Terms. Most export from Indonesia is done on F.O.B. basis. That leaves the foreign importer to negotiate freight and insurance, and when he requires, to give instructions for dispatchment accordingly.

The matter is a nuisance and an extra burden for the foreign importer, a factor to disfavour supplies from Indonesia. For Indonesia it means decreased insurance business, and decreased opportunities to favour local shipping companies. Efforts will be done to help the small scale industries to accept dispatchment on C & F and C.I.F. conditions.

8. Strengthening the Manufacturers position. The small scale manufacturer will in most cases have to export his products through established exporters. He will normally have the possibility to negotiate with several exporters and to select the contacts that offers him the best prospects.

This is one of the reasons for why establishing of further export businesses will be encouraged. Cases where it may be felt that the small scale manufacturer will not be given fair treatment or reasonable conditions, will be looked into. The SSI may receive assistance in negotiating the matter with the exporter. If that at occasions will not be sufficient, establishment of further export-businesses in the trade may be encouraged.

3.2.4 Subcontracting Assistance.

A number of assembly industries exist, mainly within the metal product sector. A range of components that could be locally manufactured for these industries are still imported. Such components may be made through subcontracting, in general between a bigger assembly company and a number of small scale part manufacturing subcontractors. But also other sub contracting possibilities exist both on a permanent and an ad Hoc basis. Sub contracting will be promoted through the following steps to be taken:

1. A subcontracting central. A subcontracting central will be established. The tasks of the central will be the following:
 - Registration of components and processes possible to sub - contract.
 - Registration of abilities of potential sub - contractors.
 - Advice and encourage suppliers and consumers about subcontracting opportunities.

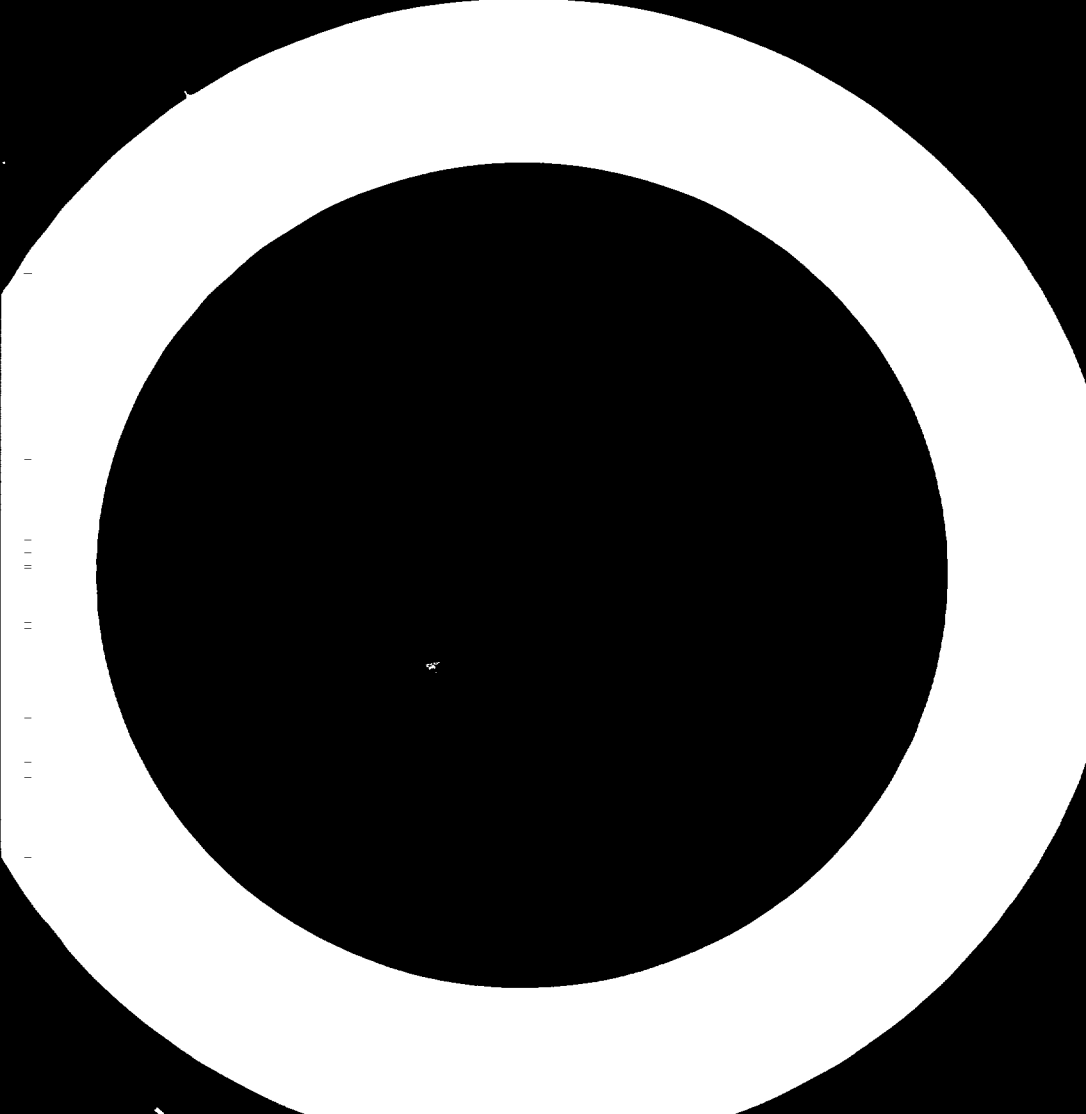
- Establish contact between suppliers and consumers, and assisting in establishing general contract relations and specific orders for supply.
- Follow up supplies and assisting both parties in solving problems.

The central will be organized on a permanent basis initially as a pilot project, but later with offices within several locations. The central will be a purely promotion organization and not take any part in any transactions or commitments.

2. Control of Importation. Companies making use of imported components and also companies importing completely assembled machinery will be requested to submit plans for how they over a 5 - year period or shorter will be able to make increasing use of locally made components. (**The Deletion Programme**) When submitting good plans they will be requested and encouraged to follow them (whether based on sub contracting or not).

In cases when reasonable plans are not forthcoming they will be requested to discuss the matter in detail within the government to enable finding out to which extent any local subcontracting will be practically possible and to arrive at a common solution.

3. Duty protection and Import ban. It is expected that the above mentioned 2 measures will be sufficient to reach an acceptable degree of local manufacture, and that the possibility of forcing the use of locally made component through special import regulations may not be made use of.



3. Information about opportunities and abilities. The purchasing bodies will be requested to submit a list of their yearly requirements. That will be incorporated in an overall requirement list which will be available for Small Scale Industry suppliers. It will also be made known to the purchasing bodies which of the required commodities they will find available from the Small Scale Industry.

3.2.6 Product Reservation.

The small scale industry is regularly from different reasons the weaker part in the competition about the market. It has to a certain extent been seen that commodities that beneficially could be manufactured by Small Scale Industry have been dominated by larger scale industry. It has therefore appeared necessary to reserve certain products for the Small Scale Industry. Presently 119 different specified commodities are reserved.

In the continuation one will try to improve the regulations as much as possible, on the one side to protect the Small Scale Industry, and on the other side to ensure that the market will be properly served and that the bigger industry already manufacturing products to be reserved will not suffer. The following steps will be taken:

1. Updating of the reservation list. As it becomes evident that certain commodities can most beneficially be manufactured by the Small Scale Industry and that the Small Scale Industry will be capable of catering for the market demand, further items will be added on list of reserved items.

Likewise when it may^{be} discovered that the Small Scale Industry can not to a reasonable extent cope with the demands to certain products, the products may either be removed from the list, or the specifications in the list may be adjusted.

2. Limitation of the reservation. Common sense will always be used in enforcing the reservation regulations so that no one will come to suffer unduly. Larger scale manufacturers already in production will not be forced to cease production but any increase in the production should not take place, not either any reinvestment in new equipment. Manufacturing for export will also be fully permitted by anybody at any stage. Larger scale manufacturing will **also** be permitted at times or at places where the small scale industry can clearly not cope with the demands. Also small scale industry should not need to worry for being restricted due to their expansion and growth, they will still be allowed to continue.

3.3 MANAGEMENT DEVELOPMENT.

As at present the output for the household industry is in average Rp 260.000 per employee, and Rp 700.000 for the small scale industry, while the larger scale industry sells averagely for Rp 5.000.000 per employee. This gap will during the plan period be sought narrowed both through improved technology and through marketing efforts. That alone is however not enough to bridge the gap and upgrading of the technics themselves also require more advanced management.

In general, the overall development of the Small Scale Industry is dependant on improved management. Increased emphasis will therefore be placed both on selecting and approving only the best possible and most industrious management for new projects, and on upgrading of existing project management.

The following areas will be vigorously developed:

3.3.1 Industries Management Selection.

The success and growth of the industries and their ability to provide employment for needy people is to a major degree dependant on the selection of capable management.

Whether it is for new projects, for project rehabilitations, or when change in management for a project is required, the highest possible care will be taken to secure the most capable management. Management employment will not be approved on the basis of people's need, but on basis of their abilities.

The major evaluation criteria are the following:

- Practical understanding of the required technology and management

- Ability to invest the required equity into the project and reasons to become devoted to the project
- The available initiative, drive, common sense, and industriousness to create growth and development.

The following steps will be taken to secure the best possible selection of new management of Small Scale Industry projects during Repelita IV:

1. Encouraging of potential entrepreneurs. The opportunities of starting industry in general, and also specific potential projects will be communicated to the public, centrally and from the regional offices. A range of different communication media will be made use of, including radio, T.V., newspapers, own periodicals, special pamphlets, community meetings, etc. Potential industrialists will be requested to apply.
2. Project priority ranking. Not all project applications can be handled simultaneously and a priority ranking will have to be done. Priority ranking will be done in accordance with project importance and project prospects including management ability. New technology projects carrying high value demonstration effects will be favoured. Collaboration with the applicants will start as early as possible to enable proper trying and judging of their abilities.
3. Procedure for entrepreneur/management selection. A working procedure to do a best possible selection of entrepreneurs will be worked out and submitted to the regions for use. The above mentioned criteria will apply.

The approaches for best possible ways of attracting entrepreneurial interest and the screening of interested parties will be further researched into and discussions to improve the efforts will be held with the officers in the field.

3.5.2 Enterprise Situation Analysis.

The operation and growth of the individual small business enterprise will always be limited by one or more obstacles. The nature of the limitations to their activities will always be different from one industry to another, and their ability to overcome and reduce the hindrances will always be different and dependant on resources and management ability. The development of the enterprise is first of all dependent on the ability of the management to see which obstacles represents the bottlenecks, and to take the most appropriate measures to improve the situation. This is both the most difficult and most important managerial task, and will also in bigger companies call for outside assistance. These are some of the most common weaknesses that require analysing and planning of improvements:

- Too complicated and cost consuming product construction
- Ineconomical material dispositions
- Limited utilization of processing capabilities and capacities, irrational processing methods
- Irrational use of working space
- Unsatisfactory marketing strategies and efforts
- Unproductive binding of capital.

One will take the consequences of this and do the following efforts to assist in the development:

1. Training of extension officers. Extension officers are presently not trained for enterprises analyzing. Initially staff training will take place. Candidates must be well qualified people with industrial experience and the training involves both theoretical learning and practical guided exercising in the industry. The training capacity will initially be limited.

2. Situation Analysis. As staff will be trained, analyzing services will become available to the small scale industry.
The analysis will always conclude with a brief plan for the major improvement tasks that must be undertaken by the industry themselves. The services will start with the bigger, more progressive industries that have sufficient management resources to make use of the advices and improve their situation.

3. Industries improvement follow up: Industries that request for assistance and receive analysis and improvement plans will be requested to report improvement actions and progress.
The reporting, the improvements and the progress will be followed up and monitored. Corrective measures will be undertaken as required.

These services will initially be undertaken only in a pilot scale. The results of the programme will be studied before possibly implementing any country-wide services.

3.3.3 Management Training of Entrepreneurs.

Day to day management of the industries can only be undertaken by the industries themselves.

Their abilities are limited and providing them with better management knowledge and understanding is considered to be fruitful. Therefore management training has been provided in the past and will be provided in the future.

The major concentration so far has been on the topics AMT (Achievement Motivation Training) and BIMBULU. The AMT is intended at motivating the entrepreneur towards a continuous struggle to improve his business, while the BIMBULU training gives the Entrepreneur the basic knowledge of the government functions, and the usefulness of these related to his situation, together with the most important understanding of business relations.

These efforts have shown good results in the form of remarkable progress for the participating entrepreneurs. These services will therefore continue.

In the Repelita IV period however, increasing weight will be put on the providing of further managerial technical skills. The following topics are considered among the most important ones and a programme to step up the training will be started:

- General improved small scale industrial management
- Working methods, equipment, and works organization (specifically for the individual working sectors)
- Practical product development and cost reduction
- Marketing organizing and sales technique.
- Working capital utilization and financing
- Book keeping, cost calculation, and cost control.

The following steps will be undertaken:

1. Make and test course programmes. Before starting any larger scale training programme, the courses will be tailored and run a few times for selected officers and entrepreneurs. After these test runs the participants will be examined and interviewed, to check to which extent the learning has been understood, being practiced and being useful in their working situation. The programmes will be improved until the major requirements will be covered and the degree of learning becomes reasonable.
2. Training of Trainers. Weight will also be put on giving sufficient training and background information to the trainers to be used. Their training will include a range of corrected test performances before they start operating.
3. Training activities. Dependent on the topic, the training may be given to the entrepreneur or to any of his key staff. Initially the opportunities will be offered to the more progressive and larger small scale industry within the Sentra, but the services will gradually be built out geographically and volumewise.
4. Result analysis. The results of the training will be closely monitored, not so much concerning the degree of learning as related to changes in the operation of the industries. To the extent that teaching will not be reflected in improved operations, the teaching will always be sought improved.

3.3.4 General Management Advisory Service.

Training and other services will not reach out to everybody, and still for those provided with training etc. will there always remain important problems in managing their business that are difficult to solve in the best possible manner. The type of problems that occurs and require specific assistance are many and distributed over the whole field of management.

The advise personnel will therefore as far as possible be specialized in different fields, divided as follows:

- Production technology divided into 6 groups: food - garments - leather - wood - metal - plastic and other products.
- General technical matters
- Purchase and sales
- General economy and financing
- Personnel matters and personal relations
- Legal matters.

The following services will be built out to be rendered:

1. Advice on request. Any entrepreneur will after the establishment of this organization be entitled to receive **available** information and advice related to his problem situation.

To make the information available, will normally be dependant on him personally approaching the service office and providing necessary information about his situation. The information services may dependant on the work load be limited to what is readily available.

2. Investigations and preparatory work. The advisory services will also in special cases include investigations to be done by the consultant and preparation of completed or semi completed solutions. Such jobs may be undertaken for entrepreneurs that show sufficient cooperation, provides required inputs and can be expected to implement the solutions. Such jobs will only be undertaken to the extent that there are reasonable relations between the efforts and the development impact of the work. It will also be depend nt on the capacity of the office.

3. Further activities of the advisers. Time not used by the advisers for consultancy work will be devoted to general information activities towards the small scale industry. The information will partly involve orientation about the services of the office, and partly information in questions that the office is frequently requested for and see the need to inform the entrepreneurs about in a more universal manner. Such information may be sprēd as printed leaflets, be a part of other publications or presented through meetings, newspapers, magazines, T.V. or radio.

3.3.5 Library and General Information Services.

There will always exist a need for the entrepreneurs, for his employees as well as for the government promotion staff, to further study on their own about all kinds of prospects and possibilities within small scale industrial development. For that purpose there will on a central level, on Provincial level, and partly also on Kabupaten level be built out libraries. The establishing of a few libraries has already started, but they are yet to be well equipped and they are also not sufficiently advertised

among the prospective users.

The following steps to improve the situation will be taken:

1. Establishing. The libraries will slowly be installed and equipped with the most relevant information material, first of all including information about the following:
 - Indonesian and overseas industrial and trade activities and establishments.
 - Indonesian resources are raw materials generally. Construction components
 - Market information for industrial products, locally and overseas.
 - Technology, processing and machinery information
 - General background information on technical matters, economy and marketing.
 - Ongoing and planned industrial and trade establishments
 - Indonesian development statistics.

The libraries will also register relevant information material available within other libraries and information centres in Indonesia.

2. Services. The libraries will permit public study within their facilities and will seek to provide required information on request. Books will generally not be permitted lent out, but important information material on project possibilities, technology etc. will be available for sale as well as copy facilities.

3. General Information. The libraries will in different ways spread information about themselves and the services they provide. They will also monitor the volume and type of the service requirements they settle. Further building out and maintaining will always be judged on basis of past activities.

3.3.6 Foster father programme.

The foster father programme involves an intimate collaboration between a larger stronger company and one or several small scale industries.

There will most often exist a commercial interlinkage between the parent company and the small scale collaborator but not necessarily. The most normal relationship is subcontracting of manufacture, or processing with supplies from the small scale industry to the parent unit.

Other possible interlinkages include :

- Any of the parties supplying raw materials to the other
- The parent unit selling products from the small scale industry.
- The parent unit financing the small scale industry.
- The small scale industry providing services to the parent unit.

Direct benefits of the programme include, except of the mutual commercial transaction between the 2 companies; exchange of know how and experiences, gain of possible incentives to be established, and financial assistance, together with the social satisfaction, pride and goodwill that follows.

A contract to be based on a standard BIPIK form involve, in addition to the basic commercial services, whatever is agreed of the following assistance from the parent company:

- Advice on technology and general management
- Monitoring of the situation and assisting in development planning
- Financing of raw materials and supplies
- Product sales
- Product design
- Supply of raw materials
- Providing of tools or production equipment.

The foster father programme has already been in operation for some years but the amount of contracts is limited, and the mutual bindings ^{are} in most cases weak without drawing on many of the possible advantages.

For Repelita IV the following efforts will be initiated:

1. Request for collaboration. Both small scale industry and potential parent companies, to the extent that they do not establish interrelations on their own, will be encouraged to forward their specific request for collaboration to the regional BIPIK officies who will try to assist them going into collaborations according to the standard contract, but only based on very voluntary joining into the programme.

2. Monitoring. BIPIK will also register the existing collaborations and from year to year receive information from the collaborators about the situation and the development. Possible weaknesses will receive attention attempting improvement of the system. The usefulness of the system will be evaluated.
3. Follow up. BIPIK will also receive information about possible specific collaboration difficulties and when required assist in solving problems between the parties.
4. Incentives. The possibilities of establishing special incentives to the collaborators will be started out. That may include exemption of sales tax between the parties, establishing of special favourable financing arrangements etc.

3.4 ESTABLISHMENT OF NEW INDUSTRIES.

The weight of the government promotion activities has in the past been directed towards the promotion of an assistance of existing established industries. That is important and will as specified above be intensified during Repelita IV. Considerably efforts will however also be directed towards the promotion of establishment of new projects. A range of products are yet to be manufactured in Indonesia, and within the established trades are great need of embarking on more cost saving and productivity increasing new technologies. It appears that the necessary development will not progress with the necessary speed unless the government tries to aid with stimulating measures. Therefore, the following services will be intensified during Repelita IV:

3.4.1 Project opportunity information.

When new projects are initiated, there is always tendency of copying existing activities. In spite of that a range of new industries and technologies are required, new projects are more often established equal to the former existing ones where the competition is already too high and the profit margins limited.

There is therefore a great need to inform about new project opportunities.

The following actions will be undertaken:

1. Opportunity Investigations. A list of project opportunities that should be encouraged for closer investigation will be maintained, published and distributed to interested parties on a yearly basis.

The list will contain brief but important information about the project, the process and other important project parameters.

It will also try to indicate the degree of usefulness of the different projects based on different locations, but all information will be subject to further studying.

2. Project Profiles. For the most extensively required projects will be worked out more detailed general project profiles, normally for unspecified locations. The profiles will contain information about product, raw materials, processing and manufacturing equipment, market, prices, investments, capacities, cost estimates, and requirements to the entrepreneur, the production building and to the environment. Such profiles are also presently available from BIPIK, but to a some a larger degree related to more traditional products and processes.

3. Encouragement. Potentials will actively be encouraged to start industrial activities. Their attention will be led towards the opportunity list and the available profiles as a background for selecting a project, for further study. Sundry opportunities to inform the public about these opportunities will be utilized, involving information through pamphlets, the massmedia etc.

3.4.2 Project Information Centre.

When preparing feasibility studies for new projects is it important to get as much information as possible about

market, technology, requirements etc. and especially about possible earlier projects of the same nature, whether they failed or not, whether they were finally implemented or not.

When one during preparing new feasibility studies can make use of feasibility studies that have been made for similar projects before as background material, obviously one stand a much better chance of making better projects and making them quicker, than when lacking this information.

Such background material may also include possible test reports, implementation reports, inspection reports, reports about success and failure, about investments, costs and consumptions, about practical difficulties.

It is also hoped that the material may make it possible to see the developments, and talk to the promoters.

In most cases information of this nature could be available from the several institutions that prepare projects, but the project promotor is rarely aware of it and can not make use of it, because he does not know. Therefore a project information centre will be sought established and the following steps will be taken:

1. A Pilot Centre. Information will be collected from different organizations and institutions about project feasibility studies, profiles, and reports of different categories for projects that have been investigated. The material should include successful studies, and also those with negative conclusions, projects on the planning stage and implemented projects should likewise be included.

Available project reports or at least project data will be collected.

Anybody intending to plan new projects can refer to the central for information, and it is expected that these services will make future project preparation quicker and more reliable.

2. Extension to the Provinces. After successful trial operations, the central would get branch offices on provincial level, with the tasks of both spreading and collecting information in conjunction with the centrally located office.

3.4.3 Project Preparation Services.

The smallest industries not requiring much financing or very special local planning considerations etc., may at times be established on the background of the general project profiles without making any full feasibility study. (That goes as far as ^a general profile has been worked out for the particular project). Most projects will still require a special and specific project preparation, a feasibility study. Services have also earlier been given on this sector, but mainly as preparation for an investigating bank making the final study.

The intentions are now to serve the community with a more complete planning, hoping that ^{that} will create better projects, more adapted to appropriate technologies and practical situations.

The project preparation services will include the following steps:

- Receive the project application with full information about the applicant (for a specific project of his own ideas, an open available project, or a general

- interest for any project)
- Register applicants and make priority ranking for project preparations (applicants or own project proposals)
- Collect project information and prepare feasibility study (also activating the applicants in the investigations)
- Approve the project, allocate to an applicant, and organize financing.
- Assist during implementation, do later follow up and monitor the progress.

The following steps to initiate the services will be taken:

1. Project preparation department. A project preparation department under BIPIK will be organized with project engineers and economists. The department will follow the projects from application to regular production. The head of department will together with the local heads of BIPIK and Kanwil after consultations approve the projects.
2. Staff Training. Further training in project preparation for members of the staff for the department is required and will be provided. The department will not be built out faster than training will be provided. Pilot operations will start in one selected province.

3. Formalized approach. Standard formats will be laid down for project preparation, specifying on 3 investment levels the degree of indepth investigations and considerations that are required, with the more thorough procedure for the higher investments. Formalized procedures will be followed all the way from applicant registration to correction of production mistakes.
4. Announcement. The existence and the work of the department, the possibilities to apply for projects, and the requirements to the applicants will be thoroughly announced. It is hence expected that potential suited entrepreneurs will come to know about the opportunities and apply for project allocations.

3.4.4 Foreign Participation.

Traditional small scale industry where Indonesia has sufficient know-how and experience, and where many manufacturing industries are already established do not require any foreign participation.

The promotion of such operations will be reserved for the indogenous people.

New technology, new products and areas where the local knowledge is limited and very few manufacturing units are established, may require foreign participation in order to develop well, and to provide the required know how. The possibility of allowing limited foreign participation in such projects will be sorted out.

Foreign part taking will under all circumstances be controlled, with a maximum period of participation and a limitation in the control of the company.

3.5 FINANCING.

Lack of capital is generally one of the most serious constraints for the small scale industry, limiting the volume and the development of the activities and forcing the entrepreneurs to select less economical solutions and methods.

3-5.1 Financial Situation Analysis.

Inadequate available capital resources may in general becaused by 3 different factors:

- a) Draining of the earlier available capital
- b) Irrational capital binding
- c) Insufficient financing.

Re.(a): Capital drain is caused either by too extravagant spendings, by unluckly transactions or circumstances, or by unprofitable operations.

Re.(b): Irrational capital binding occurs to some extent in most companies and includes premature purchase of capital goods, too large stocks, too liberal purchase payment conditions and or too large outstandings.

Both the above factors will for an operating industry require clarification and rectification before any refinancing should take place. The following services will be sought provided in the future:

1. Finance disposition investigation. Extension services to small scale industry will on request go through the financial status with the entrepreneur before possibly forwarding an application to a bank for financial

assistance. The services will include advice or a plan for the required dispositions.

2. Situation Rectification. On request the extension officer may also be available to advice and guide the entrepreneur on the necessary steps to be taken to improve the situation. A situation report with recommendations may be available to the bank that will be approached for financing.

3.5.2 Lending Rate.

There has earlier been a lending limitation for the small scale industry of maximum Rp 500.000 in investment per employee. It has shown that this is no longer a wise limitation. Inflation and devaluation has rendered the amount too low. To enable increase in wages and standard of living is it necessary to apply the most appropriate technologies. The amount of investment must be determined to facilitate the lowest possible total manufacturing costs for the right quality products. Any other financing policy will render the small scale industry out of a stable competition situation vis a vis foreign products. The appropriate level of investment will be extensively different from trade to trade and an individual judgement and balancing must always take place. No new project should be approved however, unless making sure that the right level of technology and financing has been selected. That principle will be sought followed in the future.

3.5.3 Feasibility Loan.

Feasibility loans provided on the basis of a feasibility study for the required projects, will also in the continuation remain the most important financial source for new

small scale industry.

Feasibility loans have been channelled from the government through the banks, presently at 10,5 % interest (For working capital 13,5 %) with a maximum loan of Rp 75 million against a maximum project financing of 100 million and a equity contribution of minimum 10 %.

The following changes will be requested for:

1. Extended loans frame. The lending facilities will be sought maintained as at the present except that the loans frame will be sought increased to Rp 200 million.
2. Lending limitations. To prevent straining the fund resources and to limit the arrears occurrence, may it become necessary to accept an increase in the equity contribution to 20 % for the part of the loan that is over and above Rp 100 million.

3.5.4 KIK and KMPK loans.

Also the KIK and KMPK loans have been available for a number of years for financing of small loans without any through feasibility study. These loans are therefore for the greater part utilized for project expansions and refinancing. The loans are ment for financing of machinery and fixed investments (KIK) and working capital (KMPK) at respectively 10,5 and 12 % interest.

In principle these loans are given without any independent security and without requiring additional equity. Only about 10 % of the loans go for industrial purposes and the maximum loan is Rp 15 million respectively for KIK and KMPK.

The following changes will be sought implemented:

1. The loans frame: Because of the inflation, the loans amount that is possible to borrow without any through feasibility study has become fairly limited and will be tried rised, at least for industrial purposes, to Rp 30 million. Dependent on the rate of inflation, the loans frame will be sought adjusted annually in the future.

That should not create any large constraint on the fund disbursement budget since the majority of the loans still are within the lower bracket of the lending frame.

2. The loans conditions. The amount of arrears in the loan repayment is fairly high, something that calls for more through investigations before lending, and better follow up of the progress. That will be tried taken care of with the planned efforts that are specified above. Also a higher personal commitment seems to be required and an equity requirement of 20 % will be sought for the part of the lending amount exceeding Rp 10 million.

3.5.5 Crash Programme Loans.

Crash programme loans are given from limited government funds for financing of acute working capital requirements with an individual lending limit of Rp 500.000. The loans are given with 3 months of grace, 1 years repayment and 10 % interest p.a. Security for the loans is given the form of collective guarantee from the estate or cooperative that the loanee belongs to. No study is required for this form of a loan, and the loans can be disbursed on very short notice.

The following changes in the programme will be attempted:

1. Arrears collection. The arrears situation for these loans seems less promising than for other forms of financing. As a condition for recommending increased lending is an improved arrears situation. More aggressive actions for collection of bad debts will be initiated and the collective guarantee will be drawn upon for extensively overdue repayments.
2. Increased allocation of funds. The funds available for this programme will be sought increased so that the scheme can be utilized without serious budget constraints attempting a situation similar to the above mentioned forms of lending.
3. Increased loans frame. Only to the extent that sufficient funds will become available will the lending frame be considered increased to a maximum of one (1) million Rp.

Any more liberal lending policy will not be attempted, and a serious situation evaluation will always be carried out before approving any loan to ensure that all disbursements are really required, and is best way of solving the acute problem of the particular industry.

3.5.6 Bank Invoice Debt Collection System.

Many small scale industries come into a serious financial situation because of extensively delayed payment of large orders.

A new financial system "Bank Invoice debt collection", will therefore be sought implemented.

The financing will require that the purchasing organ confirms the debt on a special bank formula connected to the delivery invoice. On the form will be specified terms of payment and who is responsible for interests and financing expenses. The small scale supplier can discount the invoice in the bank, who later will cash the invoice from the customer.

The following actions will be attempted:

1. System Initiation. The system will be worked out with bank relations whereafter it will be tried in a pilot scale between one commercial bank and a number of small scale industries.
2. System operation. After a trial period of 1 - 2 years will the system, the benefits and the constraints be evaluated before it may be decided implemented in a wider scale.

3.5.7 Private financing and project participation.

Commercial lending to the small scale industry from Banks and others, on an individual basis, with or without safe security, is a very expensive and risky matter for the small scale industry, and the arrangements do not leave much to be desired. Still it is often the only available solution for the entrepreneur. A better control with these transactions seems required at the same time as possibilities to find a system where a 3rd party can take part in a part of the business on basis of sharing profits and risks should be investigated. The following actions will be undertaken:

1. Private lending. The existing practises will be investigated, for if possible to establish more common and formalized practises with limitation of risks and expenses.

2. Project participation. Likewise will be sought worked out and tried a formalized system where the financor can invest in particular activities or in a business in general for shorter or longer time, sharing profits and risks.

3.6. INTERGOVERNMENTAL ASSISTANCE AND FISCAL INCENTIVES.

The small scale industry is less formally organised, has a more limited contact surface and more limited contact with foreign countries and bodies than the larger industry. Small scale industry can therefore to a much lower extent make use of incentives as duty reliefs on importation, export financing, export incentives, and general financing than the larger industry.

Facilities as the PMDN and PMA programmes, more intimate contact with the state banks, etc., are also not readily available to the small scale industry.

Both in order to level out a bit of the unevenness in the competition situation, in order to increase the export potential, and improve the general working situation, will some of the incentives be sought improved and some burdens be eased.

The following matters will be investigated further before any final decision can be taken and rates be determined:

3.6.1 Licensing and Registration.

Home and cottage industries (with less than 5 employees) will also in the continuation not require licensing.

However, it will be possible for them to register their businesses and acquire an operating license.

A license makes it easier to obtain financing and obtain other benefits. It will ^{be} tried to find a less cumbersome registration licensing system for these small units.

3.6.2 Investment Incentives.

Small scale industry normally buy their production equipment locally and the exemption from import duty on initial investments will therefore benefit them least.

To compensate for this, to encourage increased investment in production equipment, and to ease the start of the enterprise, will it be tried that possible to grant an investment incentive. The incentive may be given to approved small scale industrial projects for relevant production machinery and installations. The investments must be approved for incentive before purchase, and be refunded in the form of deduction in due sales tax or other government fees. On any limit that different rates may apply for different equipment and installations, dependant on the importance of the equipment.

3.6.3 Location Incentives.

There is always a tendency of lumping together the development activities in the concentrated urban areas where communications are easier, the market larger and the infrastructure is better. That increases the problem of increased urbanisation and makes services and equipment less available in the rural areas. It will therefore be considered to favourize industries establishing themselves in specific rural areas, especially outside Java.

3.6.4 Tax limitation and initial license charges.

To enable a well funded establishment of new small scale industry may it become possible to postpone the payment of trading licenses, corporate tax and personal income tax for the 2 first years of operation of small scale industry for a period of 3 years. Interest payments may be calculated for the deferred payments.

3.6.5 Raw Material Subsidies.

Small scale industry purchases its raw materials locally (whether of local or foreign origin). Any exemption from or reduction in duties is therefore difficult to obtain.

It will therefore be investigated further whether, and possibly to which extent, any subsidy on the local purchase of raw materials should be granted (possibly as a refund of earlier paid duties on commodities purchased during the initial operations of the enterprise).

3.6.6 Export Incentives.

Export incentives are presently given as reimbursement of duty paid on imported raw materials. To strengthen the competitiveness of small scale industry and to assist the industry in introducing certain products on the world market, will it be necessary to allow some independent export incentive, especially for products with a high local value added. It may be desirable to allow different level of incentive on different commodities, dependant on local requirements, available production capacity, and the price situation on the world market.

4. DIRECTING THE PROMOTION WORK TO THE DIFFERENT CATEGORIES OF INDUSTRY.

4.1 Categorizing of industries.

All Services will in principle be available to all Small Scale Industry. Some industries have however better potential for development and growth than others and can yield better growth and development from promotional assistance. It will therefore create increased development when the more ambitious and responding industries receive a larger portion of the available active assistance.

Hence the small scale industry will be divided into 3 categories, the ones with the higher growth potential, and the ones easier to reach, receiving a more active attention than the others.

The categories will be the following:

Industries located within the growth centra:

- A) The Industries with the highest growth potential
- B) Industries with limited growth potential
- C) Industries with low potential for growth.

Industries located separately, outside the growth centra:

- D) Modern dynamic small scale industry
- E) Traditional industry with limited prospects.

There can not easily be any clear distinction between these categories. Several factors that are not easily measured are involved, and a portion of judgement will always be required.

To determine the categorizing, the following factors are involved:

1. The Management/Ownership: Personal knowledge, understanding, motivation and initiative, industriousness, sense of economy and proportions.
2. The Plant: Its capabilities and capacities, level of technology and unexhausted possibilities
3. The Economy: The level of incurred costs, available and accessible capital
4. The product: The quality and the market potential. Prospects for improvements.
5. The Location: Suitability and prospects for expansion and improvements

The categorizing will be done so that a limited number of industries that can be vigorously promoted will be placed in category A dan D with the highest numbers receiving the less active attention will be left in category C and E.

The categorizing will involve listing of the industries in A, B, and D category while those in the C and E categories will not be registered. It will always also be possible for the industries themselves, upon showing initiative, to request for consideration in a higher category. The categorizing will be done on the provincial level, where also the major promotion activities will be directed from.

The amount of industries within the different categories will be selected so that the departments will get reasonable capacity to deal with the tasks for the different categories. In general a distribution as follows may be attempted:

Category A:	3 - 6 %	of the centre enterprises
- " - B:	15 - 25 %	" " " "
- " - C:	70 - 80 %	" " " "
- " - D:	5 - 10 %	" " off estate enterprises.
- " - E:	90 - 95 %	" " " " "

4.2 Specification of the assistance to the different categories.

As a general guideline, the assistance of different type as specified above under chapter 3 will be tried distributed to the different categories of Industry as indicated in the table as follows:

Field of Assistance	Industry Located in Clusters			Outside Cluster Industry	
	A. High growth potential Industry	B. Limited growth potential Industry	C. Low growth potential Industry	D. Modern Industry	E. Traditional Industry
THE PRODUCTION SECTOR					
1.1 Product development:					
1. Product Selection advice	Individual contact. Provided with guide book and advice.	Informed by Circular. Advice on request	Informed through mass media. Advice from office on request.	As B	As C
2. Product development	Individual contact, giving proposals. Further assistance on request	They may request for visit and Advice	They may request for advice	As A	As C
3. New product proposals	May be offered product opportunities	May request for proposals	—	As A	—
4. Standardisation	Proposals may be discussed, specifications will be given.	Specifications may be given	Specifications available on request	As A	As C
5. Product development	May be offered training opportunities	May request for training	—	As A	—
1.2 Technology Advice					
1. Technology selection methodology.	Information material distributed and advice available	—	—	As A	—
2. Information about Suitable machinery and processes.	- " -	Information material and advice available on request.	Information material available on request	As A	As C

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Field of Assistance	A.	B.	C.	D.	E.
3. Technology training	Some entrepreneurs may at occasion be invited for training	—	—	As A	—
1.3 <u>Production Development</u>	To visit industries judge and give guidance when required. Classroom training to consider.	May be visited and possibly assisted on request	To be advised on request	As B	As C
1.4 <u>Purchase Information Services.</u>					
1. Advice on request	Available	Available from office	As B	As B	As B
2. An information bulletin	To be circulated	To be sent on request	May be collected	As A	As C
3. Purchase training	May be offered	May be considered on request	—	As A	—
4. Negotiation assistance	Considered on request.	—	—	As A	—
1.5 <u>Machine processing Services</u>	Machine use in UPT and own-workshop. Advice on visiting			Machine use in UPT Advice in UPT.	
MARKETING SECTOR					
2.1 <u>General Assistance</u>					
1. Printed information material	Will be distributed	Available on request	As B	As A	As B
2. Situation Related advice	Will be visited and discussed	Available on request	Available from office on request	As A	As C
3. Tailoring Improvement plans	Available on special request	Available in office	Available in office on request	As A	—
4. Direct Sales Assistance	On special request	—	—	As A	—
5. Product display	For special high quality products	As A	As A	As A	As A
6. Training	May be invited	On special request	—	As A	—

Field of Assistance	A.	B.	C.	D.	E.					
2.2 <u>Import Substitution</u>	Adjustment of duty protection may be requested after situation judgement									
2.3 <u>Export Promotion</u>										
1. Printed Information	Will be distributed on special request	Available on request.	Available from office on request	As A	As C					
2. Sales Promotion	on special request	—	—	As A	—					
3. Sales organization building	E q u a l l y a v a i l a b l e t o a l l									
4. Export financing										
5. Export Incentives										
7. Export terms improvements										
6. Export promotion financing	May be applied for	—	—	As A	—					
2.4 <u>Subcontracting Assistance.</u>	Will be contacted to determine need and abilities.	May take contact for registration and assistance								
2.5 <u>Market Reservation</u>	List of requirements may be distributed centrally to the clusters for equal display for everybody			List of requirements displayed at central offices						
2.6 <u>Product reservation Scheme.</u>	E q u a l S e r v i c e s t o a l l									
<u>MANAGEMENT DEVELOPMENT</u>										
3.1 <u>Management Selection</u>	E q u a l S e r v i c e s t o a l l									
3.2 <u>Enterprise Situation Analysis.</u>	The biggest industries expected to have the best prospects for improvement will be given priority.	—	—	As A + B	—					
3.3 <u>Management training</u>	Primarily selected for training	May request for training	—	As A	—					

Field of Assistance	A	B	C	D	E
3.4 <u>Management Advisory Service</u>					
1. Advice on request	Available	Available	Available from office	As A	As C
2. Specific Investigations	Available upon showing the required devotion			—	As A + B
3. General Information	Equal information to all through the cluster centre			Information through BIPIK.	
3.5 <u>Library Services</u>	E q u a l S e r v i c e s t o a l l				
3.6 <u>Foster Father Programme.</u>	Preference target group		Consideration on special request	As A + B	As C
4. NEW ESTABLISHMENT PROMOTION	Services preferably given to potentials not yet running any industry. Information available to everybody.				
5. FINANCING	E q u a l S e r v i c e s t o a l l				
6. INTER GOVERNMENTAL ASSISTANCE AND FISCAL INCENTIVES	E q u a l S e r v i c e s t o a l l				

5. ORGANIZATION DEVELOPMENT.

5.1 GENERAL

The organization that is required to perform the tasks as outlined above is specified in the continuation.

For a number of the tasks are indicated personnel requirements. These refer to executive staff, and hence has no purely administrative staff, clerical assistants, or other assisting personnel been mentioned.

There has also been made no distinguishing between large and small provinces, or more or less industrial active provinces. The differences between the provinces are so great that the requirements to staff in one Kabupaten in one province are greater than for a whole province elsewhere.

Personnel requirements on the Kabupaten level in one province, fits better on the provincial level in another. For details is referred to specifications elsewhere.

The number of proposed staff, will for the most industrialized areas also not be sufficient to cope with the volume of the requirements. Rather than for a start to employ sufficient number of staff to be able to cope with all requirements for the industry, is it better to start in a modest scale, and as experience grows, to built out the services.

Recording of services. It is considered important that records of the performances will be kept, both as regards the job inputs from the organizations, and also the results in the form of industrial development. Each sector leader will therefore continuously record the department activities, and by the end of the year record the changes within the industries one has worked for, within the particular are a of assistance.

A yearly report from each UPIK and PPIK will hence clearly show the relationship between the efforts from the government and the costs of the efforts on the one side, and the development within the industrial enterprises on the other. It should hence be possible year by year to adjust the efforts in relation with results and demand.

Calculation of Service fees. Further in order to stimulate the staff to increased efforts, and the entrepreneurs to concentrate the requests to the most important tasks, will some modest, standardized fees be charged for major services to the entrepreneurs.

Fees will for the time being be charged for Services as follows:

- Working assistance within product development, technology advice, production development, marketing assistance, sub contracting, management advice, library services, project preparation, financial assistance etc:
 - Up to a maximum of one day or 8 hours; No charge
 - For additional working hours within the same tasks:
Per person (executive personnel only);
Rp 500 per hour
or (which ever is the lowest) Rp 3.000 " day
 - For additional working time within the same task exceeding 6 days Rp 2.000 " "
- For use of machine facilities an hour rate corresponding to 0,20 permill of machine value + consumption of tools and electricity.

Fees for project preparation are payable 50 % at project allocation and the rest when getting finance approval.

Other charges are payable at presentation.

5.2 THE PRODUCTION SECTOR

The Assistance on the production sector to small scale industries has so far been undertaken by the technology and product development sector of the PPIKs + the machine technical services available from the UPTs.

The services on the production sector, that will be sought rendered in the future, as specified under chapter 3.1 above, involves intensified and specialized assistance within a number of areas as follows:

- Product development (3.1.1)
- Technology advice and technology selection (3.1.2)
- Production development (3.1.3)
- Purchase information services (3.1.4)
- Manufacturing/processing Services (3.1.5)

The Product Development Centre.

The product development centre will assist the entrepreneurs individually with product selection, improvement and simplification of existing products, and partly also adaption of product constructions available from outside. The assistance will initially be limited to the sector of metall products. Any industry will be free to seek advice from the centre, and additional available time for the centre will be used for direct contact of A - category industries.

The centre will be established on a provincial level sorting under the PPIK organization and will when in full operation be tried to be staffed according to demand.

Initially the centre will be implemented in a pilot scale with a limited number of staff, max 3 persons, and be limited to

the existing 9 PPIKs.

It will hence not be able to cope with the amount of work requirements. The Centra however will be built out as one gain experience for the progress, first for the metall industry and later for other branches of the industry. Training of entrepreneurs will also be referred to a 2nd stage after an initial operation period of 1 - 2 years.

Technology Advice and Technology selection.

The technology services involve selection of the suitable processes for the different industrial branches on one side, and submitting this information and implementation of actions within the industry on the other. Most technology selections can be used and utilized within a long range of industries. The tasks will therefore most practically be divided into two;

1. Central investigation and determination of opportunities and solutions spreading the information to the local offices.
2. Decentralized collaboration with the entrepreneurs on the local level, making use of, and adapting the information that has been made available centrally.

The organization will therefore have a central office under DJIK, Jakarta doing investigations, collaborations with R & D institutes and machine suppliers, etc. The central organization will make comparative economy studies for different levels of technology and have these distributed to the local offices. The central organization will be staffed with executive engineers within these fields:

- metall work
- wood work
- garment, leather, and textile

- building materials, concrete, etc.
- food industry
- plastics, chemical industry, and other technologies
- sundry other industries, printing, paper industry, packaging.

On the local level will the tasks in general be allocated to one person on the Kabupaten level, organized under the UPIK Kabupaten office. As the demand for the services increase, a further building out of the capacity may be done. The work will in that case be specialized to servicing people within different branches.

Production Development.

The work involves guidance in practical processing and establishing of practical assistance to the industries from R & D institutions etc.

For a start will not be established any separate organization for these services. They will be undertaken by the TPLs who will perform the services in conjunction with the local Technology adviser. After further developments, may it be found required to employ specific staff which also will be backed by the same above mentioned central technology team.

Purchase Information Services.

The task is divided in two;

The central job of doing; general investigations on the raw material market, collecting the information material in a periodical bulletin spreading this to local representatives and to selected industries, together with providing further backing to the local representatives.

A central team in Jakarta with 3 members sorting under DJIK will be allocated this tasks.

The job on the Kabupaten level, involves spreading information to , and assisting the industries in solving their specific raw material problems. One person under the UPIK Kabupaten office will be assigned to this task.

Processing Services.

A number of UPT units are built out within industrial clusters to serve the industries first of all with machine processing services. Further UPTs may be built out within sundry very specific clusters where the need for special processes, which the industries themselves are unable to invest in, is particularly high.

The UPTs will only be equipped with the most essential machinery that are extensively required, and can not be bought by any of the individual industries. To the extent that this presently is not the case, machinery will be exchanged.

The UPTs will in the future not have any employed operators, only 1 - 2 operation instructors to guide the entrepreneurs who themselves will operate the machines.

The UPTs may additionally in certain cases have further personnel for assistance within machine maintenance, processing and business procedures.

The UPTs will charge modest fees for machine hire and for the more involved tasks.

The UPTs will be administered by the Kabupaten UPIK office, but will be guided by a local steering committee with members from the entrepreneurs of the cluster.

5.3

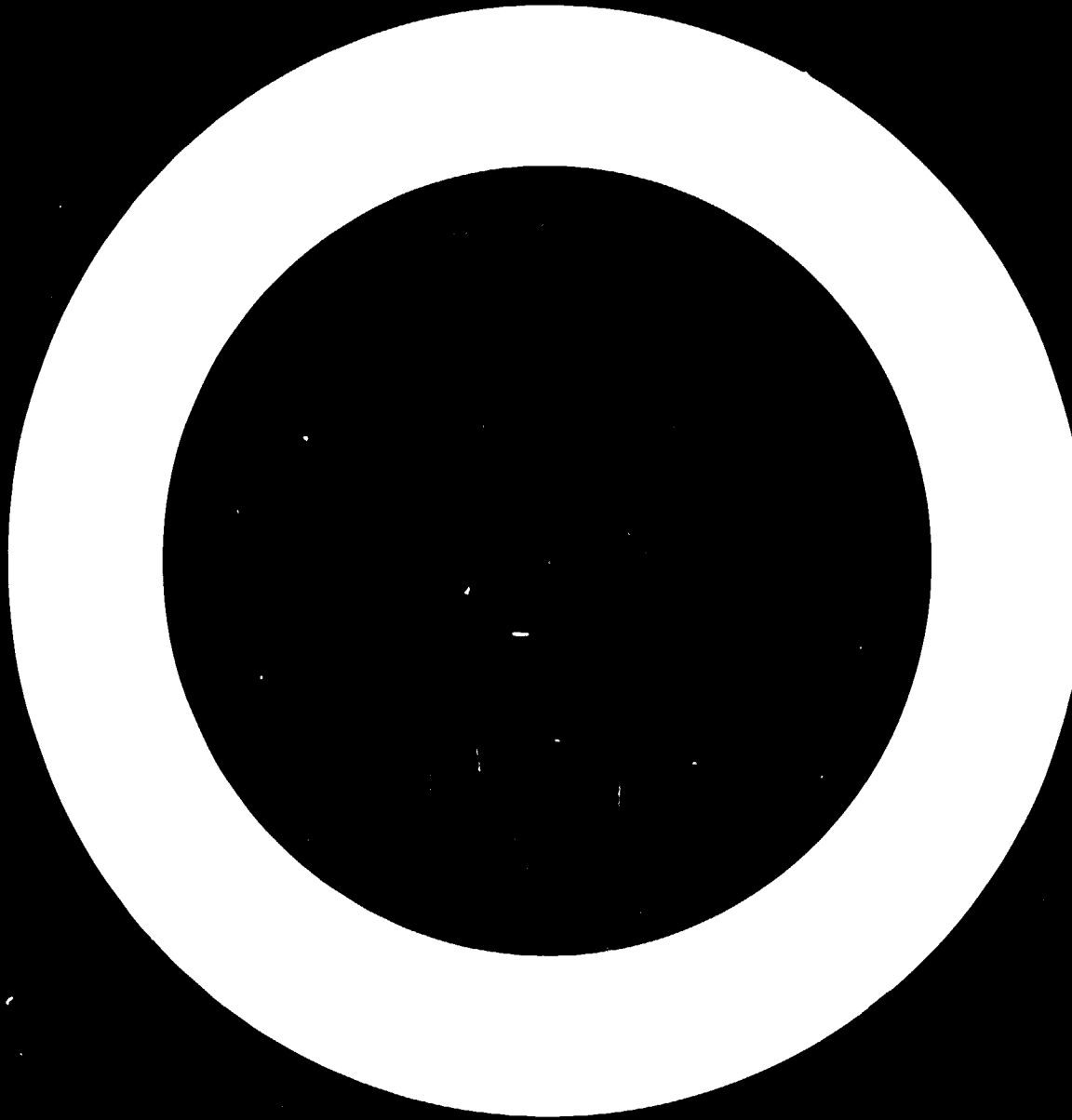
THE MARKETING ASSISTANCE SECTION.

The marketing assistance section will in the future be divided on 3 levels:

- A central team under DJIK, Jakarta on a national level doing investigations, ground preparations, spreading countrywide information, and giving information to Sub organizations, doing backing of training.
- A provincial office guiding the Kabupaten field officers and entrepreneurs.
- Marketing officers on Kabupaten level giving advice and assistance to the entrepreneurs and making contacts between the entrepreneurs and the market.

The central National Marketing office will initially have the following executive staff:

- A general market information officer, investigating, negotiating, and spreading information about marketing approach possibilities, concerning the different actions and activities for the entrepreneurs
- A branch market information officer for each of the 7 branches as specified under technology advice, doing investigation^s/negotiations and spreading information to the market promotion officers.
- A team of 2 marketing planning officers making market approach plans related to specific problem situations and opportunities, distributing recommendations to the market promotion officers



- Collaboration with other sectors of the government responsible for the deletion programme and for import regulations.

Initially, until gaining some further experience, the central will be established only ⁱⁿ 2 - 3 provinces, with the aim of later on building further out.

The office will be sorting under the Provincial PPIK organization and will be staffed by 1 - 2 executive officers, preferably one engineer and one with marketing background. Marketing officers on the Kabupaten level may refer to this office for assistance.

The sub contracting central will also have the tasks of encouraging the larger industry to establish foster father arrangements. They will also assist the small scale industry who require it, to find a suitable foster father and to assist in the establishing of collaborations and forming of an collaboration agreement between the companies.

5.4

MANAGEMENT DEVELOPMENT SECTION.

Management and advisory services, situation analysis and training.

The management services include assistance to the small scale enterprises within the following fields:

- advice on request within specific problems
- to do further investigations and plan particular improvements within the enterprises.
- situation analysis with progress planning and follow up
- general information on management for the entrepreneurs in common
- management training for the entrepreneurs
- training of staff and development of methods and approaches.

These tasks will be shared between personnel on the national, the provincial and the Kabupaten levels.

In the principle, staff as follows may be established:

On the Kabupaten level: 1 - 3 management advisers, supported by TPL staff working with advice within the enterprises, doing acute problem solving, spreading general information and doing situation analysis with follow up.

The advisers may preferably be economists with different background. They will expect partly to be approached by the entrepreneurs after agitating about their services. Partly will they also do systematic approach to the A-category enterprises.

On the Provincial level: Dependant on the direction of the requirements, up to a maximum of one specialist within each of the following disciplines to be allocated:

general technical matters - purchase and sales -
general economy - personnel - legal matters.

According to the demand on the Kabupaten level, the officers will individually be called for assistance in finding solutions for the enterprises.

Additionally they will assist in providing training within their individual disciplines and when possible visit the industries, observe problems and find solutions to them both on a specific basis for the entrepreneur and on a general basis for general information to the concerned group of entrepreneurs.

On the National level: A maximum of 3 persons may be allocated to the tasks of

- Coordinating between information from the provincials officers and activities in between them
- Develop and provide systems, procedures, and directions on a general basis.
- Organize training

The organization will be built out step by step, starting with only few people within 1 - 2 provinces and a couple of the more active Kabupatens.

Library Services.

Libraries will slowly be built out on a provincial level in

all provinces. They will in general be controlled by one librarian working under the provincial PPIK.

Project information services and other specified information services may be coordinated together with the libraries, controlled by specially allocated personnel.

Such services may include:

- The project information services
- The subcontracting/foster father services,
- Specific required information for the industries
- Spreading of general information
- Sales of special reports and profiles.

5.5 ESTABLISHMENT OF NEW INDUSTRIES.

The major concern in the establishment of new industries are the following:

- Creating of general project profiles that may apply for equal projects with different locations
- Planning of industry, making feasibility studies for specific locations and entrepreneurs
- Assistance to the entrepreneurs during project implementation, installation and production start

Additional services include:

- The information about project opportunities
- The information about other projects and project preparations
- The encouragement, registration and selection of potential entrepreneurs and project management.

These tasks ^{can} most rationally be undertaken partly on the Kabupaten level, partly on the provincial level and partly on the national level.

On the Kabupaten level, the prime contact with the potential entrepreneur will take place. The work includes to inform him about opportunities, encourage him, collaborate with him, and to help him to solve his different problems. The job also includes collecting the project information that is required from the local sources, and giving the direct assistance that is required to the entrepreneur during implementation and production start.

On the Provincial level will normally the specifically required feasibility studies and major plans be made and be followed up in general terms.

On the National Level will the information about the situation regarding development within the different trades be collected, kept and distributed from. General guide lines will be worked out for project preparation and implementation. Contact will be held with the project officers on other levels to ensure the best possible progress and coordination.

The following personnel may be required:

Kabupaten : 1 - 2 persons. 2 engineers, or an engineer and an economist.

Province : One economist + 2 - 3 engineers specialized in preparing projects and specialized within major trades of the province e.g. metall, wood, food etc.

D J I K : An economist and a few engineers each with background within the different major disciplines as metall, wood, garment textile and leather, building materials, plastics, printing and packaging etc. would be required for investigations, preparations and guidance. Further 1 - 2 clerical staff for establishing and maintaining of the project information central are required.

5.6

FINANCIAL ASSISTANCE SECTOR.

The assistance on the financial sector involves the following services:

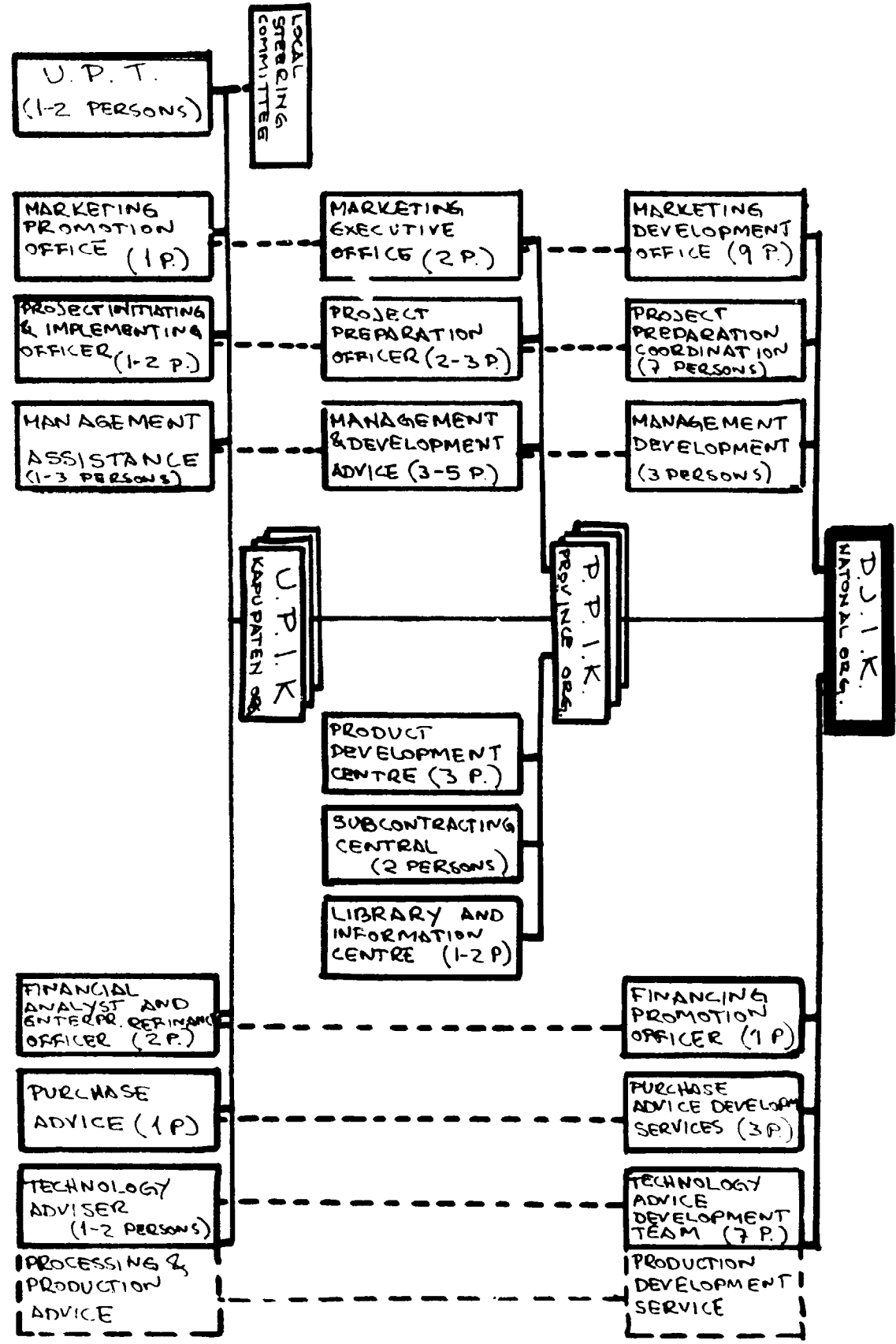
- Financial situation analysis and assistance to reallocate the enterprise capital
- Assistance to obtain financing from available funds, lending institutions etc.,
- Interactions with the government, financial institutions and foreign financial sources, aiming at improving financing arrangements for small scale industry in general.

The two first mentioned tasks will be executed on the Kabupaten level where an enterprise financial analyst and a financing officer will be working.

The last mentioned task will be pursued on the national level by a financial promotion officer also keeping the financing officers in the districts informed.

The organization of fiscal incentives will also be handled by the same people. Dependant on the extent that fiscal incentive systems will be further built out, further staff may become required.

ST SIMPLIFIED ORGANISATION CHART FOR SERVICE FUNCTIONS



SECTION 1

PROMOTION ACTIVITIES REQUIRED TO DEVELOP IMPORTANT GROWTH PARAMETERS
 SCHEDULE I: FACTORS FOR SPECIFIED GROWTHS

GROWTH PARAMETER	DEFINITION & PRESENT SITUATION	MAJOR BENEFITS CREATE BY THE IMPROVEMENTS	DEGREE OF IMPROVEMENT	FACTORS FOR PROMOTION	FACTORS THAT EACH MAY CREATE GROWTH WHEN IMPROVED UPON (INDIVIDUALS) OR TOGETHER (SITUATION DEPENDANT)
1 CAPACITY EXPANSION	MANY INDUSTRIES HAVE IDLE MACHINERY PART OF THE TIME. SOME HAVE COMPLETELY IDLE MACHINES FEW UTILIZE THE POSSIBILITIES OF WORKING SHIFTS	* INCREASED PRODUCTION * INCREASED EMPLOYMENT * DECREASED COSTS * INCREASED PROFITS & WAGES	++ ++ + +	11 25 5 21	1 INCREASE SALES 2 IMPROVE WORKING CAPITAL 3 IMBALANCE IN LOADS OF THE DIFFERENT MACHINES 4 IMPROVE MANAGEMENT MOTIVATION
2 CAPACITY INCREASE	SOME INDUSTRIES ARE ABLE TO SELL MORE THAN WHAT THEY HAVE CAPACITY TO MANUFACTURE AND SHOULD LOOK INTO THE POSSIBILITY OF INCREASING THE MANUFACTURING CAPACITY	* INCREASED PRODUCTION * INCREASED EMPLOYMENT	++ ++	7 25 29 11	1 IMPROVE SITUATION CONCERNING LACK OF MACHINERY 2 IMPROVE WORKING CAPITAL 3 IMPROVE WORKING SPACE 4 INCREASE SALES
3 PRODUCTIVITY & EFFICIENCY INCREASE	MOST INDUSTRIES COULD HAVE A MUCH HIGHER PRODUCTIVITY AND WORK MORE EFFICIENTLY, I.E. GET A HIGHER OUTPUT PER WORKER OR PER MACHINE UNIT. THE REASONS FOR DEFICIENCY ARE GENERALLY NAT. LAZINESS, UNWILLINGNESS OR INABILITY AMONG THE WORKERS, BUT INAPPROPRIATE TECHNOLOGY AND DIFFERENT KINDS OF INSUFFICIENT WORKS ORGANISATION	* INCREASED PRODUCTION * IMPROVED WAGES	++ ++	6 2 13 4 3 27 1 29 15 17	1 IMPROVED TECHNOLOGY AND MACHINERY 2 IMPROVED WORKING METHODS 3 IMPROVED WORKS ORGANISATION 4 IMPROVED MACHINERY POSITIONING 5 IMPROVED INTERNAL MOVEMENTS 6 IMPROVED WORKING PLACES 7 IMPROVED PRODUCT CONSTRUCTION 8 INCREASED SPACE 9 LARGER PRODUCTION SERIES 10 SPECIALISATION
4 MATERIAL SELECTION & UTILIZATION IMPROVEMENT	RAW MATERIAL REQUIREMENTS THE HIGHEST COST OR THE INDUSTRY SELECTION OF MORE SUITABLE MATERIALS AND IMPROVING THE PRODUCT CONSTRUCTION MAY REDUCE THE CONSUMPTION AND THE COSTS. TOO MUCH WASTES ARE CAUSED BY INADEQUATE METHODS AND THE WASTES COULD ALSO BE UTILIZED BETTER.	* DECREASED COSTS * IMPROVED PRODUCTS * SAVING RESOURCES	++ + +	8 2 9 28 14	1 IMPROVED MATERIAL SELECTION 2 IMPROVED PRODUCT COMPOSITION 3 IMPROVED WORKING METHODS 4 UP TO DATE MARKET KNOWLEDGE 5 IMPROVED STORAGE FACILITIES 6 OPTIMIZED PURCHASE QUANTITIES
5 PRODUCT QUALITY AND DESIGN IMPROVEMENT	MOST PRODUCTS CAN BE EXTENSIVELY IMPROVED. NOT ONLY MECHANICAL PRODUCTS, DESIGNS ARE GENERALLY FOUND TO BE BOTH ECONOMICAL AND COMPLICATED WHICH LOWERS THE QUALITY AND THE USEFULNESS. SELF DEVELOPED PRODUCTS ARE NOT SUFFICIENTLY WORKS DEVELOPED PRODUCTS COMED FROM OUTSIDE HAVE NOT BEEN DEVELOPED FURTHER.	* IMPROVED PRODUCTS * DECREASED COSTS * INCREASED SALES * INCREASED CAPACITY	+++ +++ ++ ++	1 17 18 20 19	1 IMPROVE PRODUCT CONSTRUCTION
6 PRODUCTIVITY & EFFICIENCY IMPROVEMENT	THE QUALITY OF THE WORK, THE WORKMANSHIP AS HERE SPECIFIED, ALSO THE WORKMANSHIP REQUIRE IMPROVEMENT	* INCREASED PRODUCT VALUE * INCREASED SALES	++ +	19 6 2	1 WORKMANSHIP 2 STANDARDIZATION 3 IMPROVED TECHNOLOGY 4 IMPROVED WORKING METHODS
7 STANDARDIZATION	THERE ARE TWO TYPES OF STANDARDIZATION: ENTERPRISE INTERNAL STANDARDIZATION AND NATIONAL STANDARDIZATION. THE FIRST IS CREATED BY THE INDUSTRY ITSELF TO MAKE THE PRODUCTION EASIER AND MORE UNIFORM. THE SECOND IS DONE ON A CONTINENT WIDE BASE TO MAKE BOTH EASIER PRODUCTION AND EASIER BUYING AND THE EXTENSION INCREASED IN	* REDUCTION OF COST * DECREASED TOOLS REQUIREMENT * DECREASED NO. OF RAW MATERIAL VARIETIES & STOCK * EASIER EXPORT	++ ++ +	19 20	1 ENTER PRICE INTERNAL STANDARDIZATION 2 NATIONAL STANDARDIZATION

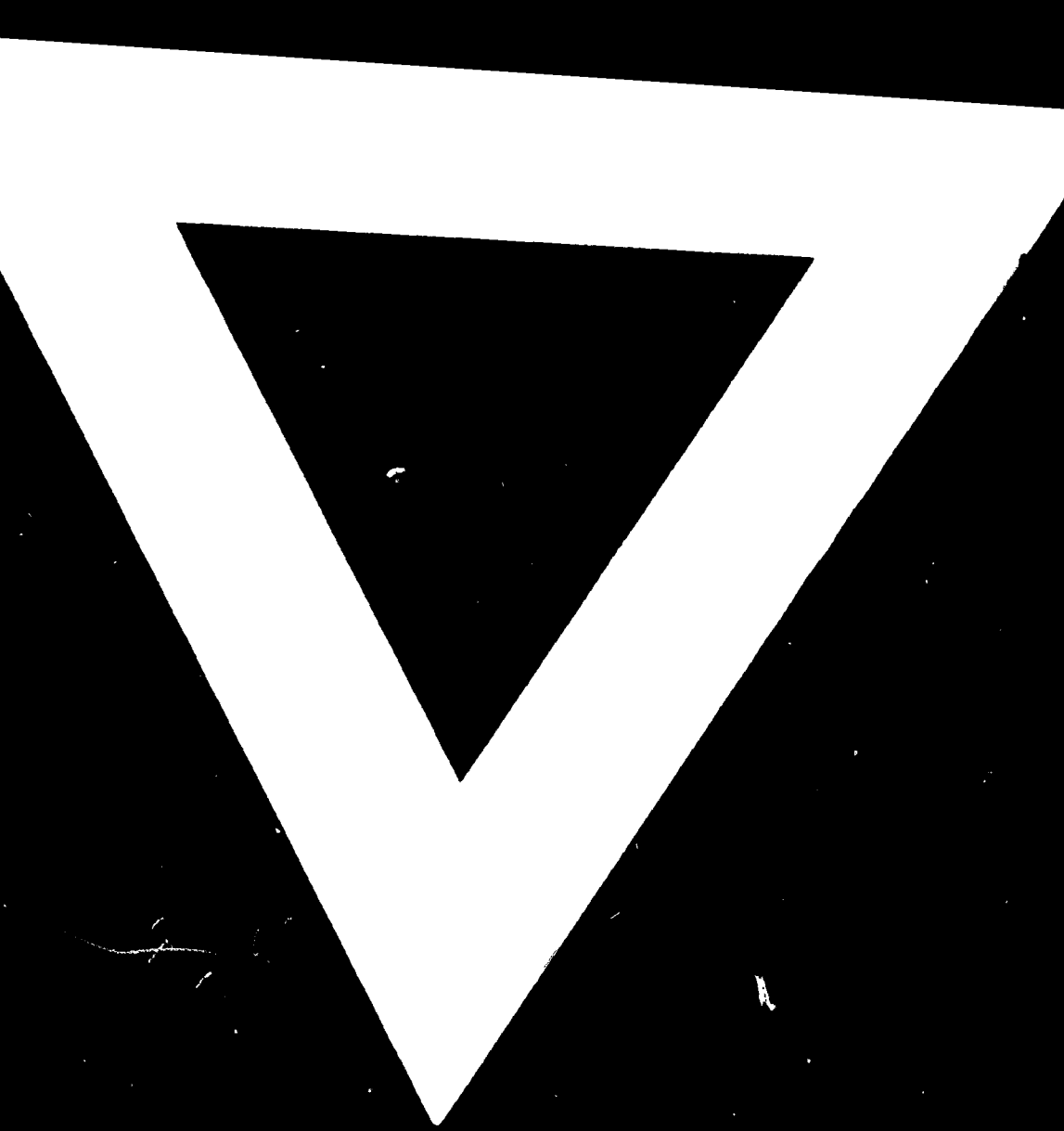
3	<p>SAVING COSTS BY IMPROVING EFFICIENCY OF MANUFACTURING AND SHOULD LOOK INTO THE POSSIBILITY OF INCREASING THE MANUFACTURING CAPACITY</p> <p>MOST INDUSTRIES COULD HAVE A MUCH HIGHER PRODUCTIVITY AND WORK MORE EFFICIENTLY. WE GET A HIGHER OUTPUT PER WORKER OR PER MACHINE UNIT</p> <p>THE REASONS FOR DEFICIENCY ARE GENERALLY NOT LAZINESS, UNWILLINGNESS OR INABILITY AMONG THE WORKERS, BUT INAPPROPRIATE TECHNOLOGY AND DIFFERENT KINDS OF INSUBSEQUENT WORKS ORGANISATION</p>	<p>↑ INCREASED PRODUCTION</p> <p>↑ INCREASED EMPLOYMENT</p>	<p>↑↑</p> <p>↑↑</p>	<p>1. IMPROVE WORKING CAPITAL</p> <p>2. IMPROVE WORKING SPACE</p> <p>3. INCREASE SALES</p> <p>4. IMPROVED TECHNOLOGY AND WORK METHODS</p> <p>5. IMPROVED WORKS ORGANISATION</p> <p>6. IMPROVED MACHINERY PARTS ON HIGH</p> <p>7. IMPROVED INTERNAL MOVEMENTS</p> <p>8. IMPROVED WORKING PLACES</p> <p>9. IMPROVED PRODUCT CONSTRUCTION</p> <p>10. INCREASED SPACE</p> <p>11. LARGER PRODUCTION SERIES</p> <p>12. SPECIALISATION</p>
4	<p>NATIONAL SELECTION</p> <p>IMPROVING THE PRODUCT COMPOSITION MAY REDUCE THE CONSUMPTION AND THE COSTS</p> <p>TOO MUCH WASTES ARE CAUSED BY INADEQUATE METHODS AND THE WASTES COULD ALSO BE UTILIZED BETTER</p>	<p>↓ DECREASED COSTS</p> <p>↑ IMPROVED PRODUCTS</p> <p>↑ SAVING RESOURCES</p>	<p>↑↑</p> <p>↑</p>	<p>8. IMPROVED MATERIAL SELECTION</p> <p>9. IMPROVED PRODUCT COMPOSITION</p> <p>10. IMPROVED WORKING METHODS</p> <p>11. UP TO DATE MARKET KNOWLEDGE</p> <p>12. IMPROVED STORAGE FACILITIES</p> <p>13. OPTIMIZED PURCHASE QUANTITIES</p>
5	<p>PRODUCT SELECTION AND DESIGN</p> <p>IMPROVE THE DESIGN</p> <p>MOST PRODUCTS CAN BE EXTENSIVELY IMPROVED NOT ONLY MECHANICAL PRODUCTS DESIGNS ARE GENERALLY FOUND TO BE BOTH ECONOMICAL AND COMPLACENT WHICH LOWERS THE QUALITY AND THE USEFULNESS</p> <p>NEW DEVELOPED PRODUCTS ARE NOT SUFFICIENTLY COMPLETED AND PRODUCTS COPIED FROM OUTSIDE HAVE NOT BEEN DEVELOPED FURTHER</p>	<p>↑ IMPROVED PRODUCTS</p> <p>↓ DECREASED COSTS</p> <p>↑ INCREASED SALES</p> <p>↑ INCREASED CAPACITY</p>	<p>+++</p> <p>+++</p> <p>++</p>	<p>1. IMPROVE PRODUCT CONSTRUCTION</p>
6	<p>TECHNOLOGY</p> <p>IMPROVEMENT</p> <p>TECHNOLOGY</p> <p>IMPROVEMENT</p> <p>TECHNOLOGY</p> <p>IMPROVEMENT</p>	<p>↑ IMPROVED PRODUCTS</p> <p>↓ DECREASED COSTS</p> <p>↑ INCREASED SALES</p> <p>↑ INCREASED CAPACITY</p>	<p>+++</p> <p>+++</p> <p>++</p>	<p>1. IMPROVE PRODUCT CONSTRUCTION</p>
7	<p>STANDARDISATION</p> <p>ENTERPRISE STANDARDISATION AND NATIONAL STANDARDISATION</p> <p>THE FIRST IS CREATED BY THE INDUSTRY ITSELF TO MAKE THE PRODUCTION EASIER AND MORE UNIFORM</p> <p>THE SECOND IS DONE ON A COUNTRYWIDE BASE TO ENABLE BOTH EASIER PRODUCTION AND EASIER USE</p> <p>BOTH TYPES CAN BE EXTENSIVELY INCREASED IN INDONESIA</p>	<p>↓ REDUCTION OF COST</p> <p>↓ DECREASED TOOLS REQUIREMENT</p> <p>↑ INCREASED NO. OF RAW MATERIAL VARIETIES & STOCK</p> <p>↑ EASIER EXPORT</p> <p>↑ EASIER REPAIR</p>	<p>++</p> <p>++</p>	<p>19. ENTERPRISE STANDARDISATION</p> <p>20. NATIONAL STANDARDISATION</p>
8	<p>EXPORT</p> <p>IMPORT</p> <p>EXPORT</p> <p>IMPORT</p> <p>EXPORT</p> <p>IMPORT</p> <p>EXPORT</p> <p>IMPORT</p>	<p>↑ FOREIGN EXCHANGE EARNING OR SAVING</p> <p>↑ INCREASED LOCAL CONTENT FOR EXPORT</p> <p>↑ INCREASED PRODUCTION AND DECREASED LOCAL COMPETITION</p>	<p>++</p> <p>++</p>	<p>12. EXPORT SALES ORGANISATION</p> <p>1. IMPROVED PRODUCT CONSTRUCTION</p> <p>16. IMPROVED QUALITY</p> <p>19. STANDARDISATION</p> <p>19. IMPORT NEGOTIATION</p>
9	<p>NEW INDUSTRIAL PROJECTS MUST BE PREPARED FOR NEW ENTREPRENEURS</p> <p>NEW PROJECTS ARE PRELIMINARY REQUIRED FOR PRODUCTS THAT ARE STILL IMPORTED AND PRODUCTS USING MORE APPROPRIATE TECHNOLOGIES TO ENABLE MORE RATIONAL PRODUCTION BASED ON BETTER WAGES TO THE EMPLOYEES</p>	<p>↑ INCREASED EMPLOYMENT</p> <p>↑ INCREASED WAGES</p> <p>↑ INCREASED PRODUCT AVAILABILITY</p> <p>↑ FOREIGN CAPITAL SAVING</p>	<p>+++</p> <p>+++</p> <p>++</p> <p>++</p>	<p>23. INCREASED AND IMPROVED OBJECT PREPARATION</p> <p>22. SELECTION OF PROGRESSIVE PRODUCTS</p> <p>6. APPLYING APPROPRIATE TECHNOLOGY</p> <p>26. IMPROVED FINANCING POSSIBILITIES</p> <p>24. INCREASE ENTERPRENEURIAL INTEREST AND ABILITY</p>

TECHNOLOGICAL ACTIVITIES REQUIRED TO DEVELOP IMPORTANT GROWTH PARAMETERS

Factor	Factor that require improvement	Methodes to improve the factor	Importance	Importance	Available services available to promote the industrial development	Services available
1	Improve product composition (design)	Design development improved material selection standardisation	+++	++	PERSONAL DESIGN ADVICE PERSONAL PROCESSING ADVICE MATERIAL INFORMATION SERVICES NATIONAL STANDARDISATION PRODUCT DEVELOPMENT TRAINING STANDARDISATION ASSISTANCE (INTERNAL)	13-1 13-2 13-3 14-1 14-4 14-5 14-6
2	Improve working methods	GET INFORMATION ABOUT BETTER METHODS ESTABLISHING HOW TO DO PRACTICAL PROCESSING DRAW ON THE FOSTER FATHER DISCUSSION WITH OTHERS HAVING SIMILAR PROBLEMS USE OTHERS SPECIALISED MACHINERY WHEN REQUIRED	++	+	METHODE SELECTING INFORMATION PRACTICAL WORK GUIDE ASSIST COLLABORATION WITH R&D AND OTHER INDUSTRY PROVIDE UPT MACHINERY USE FACILITIES FOSTER FATHER PROGRAMME INFORMATION	13-1 13-2 13-3
3	Improve internal transportation	PLAN OPERATIONS AND MOVEMENTS MEANS JERAMING STORAGE PLACES AND USE TRAMPOLET BOXES PALLETS, CONTAINERS, TRAILERS POSITION EQUIPMENT RATIONALLY	+	+	MANAGEMENT TRAINING MANAGEMENT ADVICE SITUATION ANALYSIS PRODUCTION ARRANGEMENT ADVICE	3-2 3-3 3-4 3-5
4	Improve machine positioning	ADD NEW PRODUCTS TO PROGRAMME, OR EXCHANGE TO BETTER FIT PRODUCTS DO SUB CONTRACTING ON IDLE MACHINES SELL IDLE EQUIPMENT / WORK SHIFT PARTIALLY	+	++	PRODUCT SELECTION ADVICE NEW PRODUCT PROPOSALS PROCESSING DEVELOPMENT AND TRAINING SUB CONTRACTING CENTRAL SERVICES	11-3 11-5 12 24
5	Imbalance in loading of the different machines	UTILISE EXISTING MACHINERY'S POSSIBILITIES REPAIR OR IMPROVE EXISTING MACHINERY BUY OR EXCHANGE MACHINES MAKE BETTER TOOLS JIGS ETC REARRANGE WORKING METHODS	+++	++	MACHINERY MAINTENANCE SERVICES TECHNOLOGY SELECTION METHODOLOGY INFORMATION INFORMATION ABOUT SUITABLE MACHINERY PROPOSALS TECHNOLOGY DEVELOPMENT TRAINING FINANCING OF NEW MACHINERY	15 12-1 12-2 12-3 5
6	Improve machinery technology	SUB CONTRACTING TO OTHERS USE OF UPT MACHINERY CAPACITY MAKE USE OF MANUAL METHODS OR IMPROVE EXISTING EQUIPMENT EQUIP THE WORKSHOP WITH NEW OR SECONDHAND MACHINERY WORK SHIFT	++	++	SUB CONTRACTING SERVICES CENTRAL UPT MACHINE FACILITY AVAILABILITY AVAILABLE INFORMATION ON TECHNOLOGICAL ALTERNATIVES TECHNOLOGY SELECTION SERVICES FINANCING ASSISTANCE	24 15 12-1 12-2 12-3 5-1
7	Lack of machinery	CHANGE THE CONSTRUCTION TO DECREASE OR INCREASE MATERIAL DEMAND IMPROVE THE QUANTITY/QUALITY RELATIONSHIP SELECT BETTER SOURCES OF MATERIAL USE LOCAL MATERIALS	++	++	PRODUCT DEVELOPMENT TRAINING FURCHASE INFORMATION SERVICES MATERIAL AVAILABILITY BULLETIN PURCHASE TRAINING AND NEGOTIATING ASSISTANCE	14-2 14-3 14-4 14-5 14-6 14-7 14-8
8	Improved material selection	KEEPING CONTACT AND NEGOTIATING WITH EXISTING SUPPLIERS ARRANGE FOR COMMON PURCHASES WITHIN THE ESTATE USE STATISTICAL INFORMATION MAKE USE OF LIBRARY SERVICES INFORMATION FROM FOSTER FATHER OR OTHER CALLABOR	+	++	PURCHASE ADVICE BULLETIN TRAINING & NEGOTIATING ASSISTANCE COLLABORATION INITIATING ASSISTANCE LIBRARY SERVICES GUIDE BOOK ON PRODUCT REQUIREMENT AND PRODUCT SELECTION	14 6 3-5 11-1
9	Update material market knowledge	PRODUCT IMPROVEMENT AND COST REDUCTION SUBSPECIATION OF THE PRODUCT RANGE FURTHER ESTABLISHED SALES ORGANISATION INTERMEDIATE SALES, ADVERTISING, SALES PROMOTION SALES TO A WIDER GEOGRAPHICAL MARKET SALES FINANCING PRODUCT RESERVATION AND MARKET RESERVATION EXPORT SALES	+	++	PRODUCT DEVELOPMENT ASSISTANCE SALES ORGANISATION IMPROVEMENT ASSISTANCE SALES PROMOTION ASSISTANCE MARKETING TRAINING BANK MOVABLE DEBIT COLLECTION SYSTEM PROMOTION EXPORT PROMOTION MARKET RESERVATION SCHEME PRODUCT RESERVATION SCHEME	11 21-3 22-1 21-4 21-5 21-6 21-7 21-8 21-9 21-10 21-11
10	Import information	PRODUCT IMPROVEMENT AND STANDARDISATION ESTABLISHING COLLABORATION WITH EXPORT ORGANISATION OBTAIN EXPORT LICENSE AND EXPORT FINANCING	++	++	PRODUCT DEVELOPMENT AND STANDARDISATION ASSISTANCE EXPORT INFORMATION MATERIAL ASSISTANCE EXPORT SALES PROMOTION ASSISTANCE EXPORT FINANCING ARRANGEMENT ASSISTANCE FINANCING OF EXPORT PROMOTION ASSISTANCE EXPORT INCENTIVES ARRANGEMENTS	11-4 23-1 23-2 23-3 23-4 23-5 23-6 23-7 23-8 23-9
11	Increased sales	IMPROVE WORKING AND WORKING ORDER MAKE CLEAR JOB INSTRUCTIONS AND JOB SPECIFICATION PROVIDE JOB TRAINING ORGANISE MATERIAL SUPPLY/AVAILABILITY & TAKE OFF ORGANISE WORKING CAPITAL DISPOSITIONS	++	+	PRINTED GENERAL MANAGEMENT INFORMATION MANAGEMENT ADVISORY SERVICE MANAGEMENT TRAINING ENTERPRISE SITUATION ANALYSIS WORKING CAPITAL FINANCING ASSISTANCE	34-3 34-1 33 32 5
12	Export sales organization	PURCHASE THE QUANTITIES THAT ARE ECONOMICAL FROM ADEQUATE SOURCES OBTAIN FAVORABLE PAYMENT TERMS OR RAW MATERIAL FINANCING OBTAIN RAW MATERIALS FROM FOSTER FATHER	+	+	INFORMATION AND ADVICE ON PURCHASE PURCHASE NEGOTIATION ASSISTANCE	14-1 14-4
13	Improve works organization	DETERMINE ECONOMICAL SERIAL SIZES ORGANISE SALES ACTIVITIES WITH PLANNED DELIVERY TIMES MAKE AVAILABLE SUITABLE WORKING CAPITAL	+	+	PRODUCTION DEVELOPMENT ADVICE WORKING CAPITAL FINANCING ASSISTANCE	13 5
14	Optimized purchase quantities	IMPROVE PRODUCT DESIGN AND MATERIAL SELECTION EXERCISE PROPER QUALITY CONTROL ESTABLISH ENTERPRISE INTERNAL STANDARDISATION MAINTAIN PRODUCTION EQUIPMENT AND USE ADEQUATE TOOLS JOB TRAINING	++	++	PRODUCT DEVELOPMENT ADVICE INTERNAL STANDARDISATION & QUALITY CONTROL ADVICE PROCESS INFORMATION UPT MAINTENANCE SERVICES TECHNOLOGY TRAINING PROGRAMMES	11-2 11-4 12-2 15 12-3
15	Optimize production serial sizes	INTENSIFIED SALES OF SELECTED PRODUCTS SEARCH FOR PRODUCTS WITH SMALLER MATERIALS PROCESSING AND MARKET	+	+	ASSISTANCE TO TAILOR IMPROVED SALES PRODUCT SELECTION ADVICE	21-3 11-1
16	Improve quality					
17	Specialisation					

SECTION 1

12	EXPORT SALES ORGANISATION	++	ESTABLISHING CONTACTS WITH EXPORT ORGANIZATION AND EXPORT IMPORTED OBTAIN EXPORT LICENSE AND EXPORT PERMITS	++	EXPORT PROMOTION ASSISTANCE EXPORT FINANCING ARRANGEMENTS EXPORT PROJECTS EXPORT INCENTIVES ARRANGEMENTS	2-1 2-2 2-3 2-4 2-5
13	OPTIMIZED PURCHASE QUANTITIES	+	IMPROVE WORKING AND WORKING PLACES TO INCREASE PRODUCTION AND EXPORT IMPORTED OBTAIN EXPORT LICENSE AND EXPORT PERMITS	+	INFORMATION AND ADVICE ON PURCHASE PURCHASE NEGOTIATION ASSISTANCE	11-4
14	OPTIMIZED PRODUCTION SERIAL SIZES	+	PURCHASE THE QUANTITIES THAT ARE ECONOMICAL FROM ACHIEVE PRODUCTION AND EXPORT IMPORTED OBTAIN EXPORT LICENSE AND EXPORT PERMITS	+	PRODUCTION DEVELOPMENT ADVICE WORKING CAPITAL FINANCING ASSISTANCE	5
15	IMPROVE QUALITY	+++	IMPROVE PRODUCT DESIGN AND MATERIAL SELECTION IMPROVE PRODUCTION QUALITY CONTROL ESTABLISH ENTERPRISE INTERNAL STANDARDISATION MAINTAIN PRODUCTION EQUIPMENT AND USE ADEQUATE TOOLS	+++	PRODUCT DEVELOPMENT ADVICE INTEGRAL STANDARDISATION & QUALITY CONTROL ADVICE PROCESS INFORMATION SERVICES UPT MAINTENANCE TECHNOLOGY TRAINING PROGRAMMES	11-2 11-4 12-2 15 17-3
16	SPECIALISATION	+	IDENTIFIED SALES OF SELECTED PRODUCTS SEARCH FOR PRODUCTS WITH SIMILAR MATERIALS, PROCESSING AND MARKET CAPABILITIES	+	ASSISTANCE TO TAILOR IMPROVED SALES ASSISTANCE TO TAILOR IMPROVED SALES	21-3 11-1
17	DIVERSIFICATION	+	SEARCH FOR PRODUCTS THAT CAN UTILISE CAPABILITIES	+	PRODUCT SELECTION ADVICE MARKET EVALUATION ASSISTANCE	21-2 11-1
18	ENTREPRISE INTERNAL STANDARDISATION	+	SEARCH FOR PRODUCTS THAT CAN UTILISE CAPABILITIES	+	MARKET EVALUATION ASSISTANCE	11-4
19	NATIONAL STANDARDISATION	+	SEARCH FOR PRODUCTS THAT CAN UTILISE CAPABILITIES	+	MARKET EVALUATION ASSISTANCE	11-4
20	IMPROVE MOTIVATION	+	SEARCH FOR PRODUCTS THAT CAN UTILISE CAPABILITIES	+	MARKET EVALUATION ASSISTANCE	11-4
21	IMPROVED PRODUCT SELECTION	+++	SEARCH FOR PRODUCTS THAT CAN UTILISE CAPABILITIES	+++	MARKET EVALUATION ASSISTANCE	11-4
22	INCREASE AND IMPROVE PROJECT PREPARATION	+++	SEARCH FOR PRODUCTS THAT CAN UTILISE CAPABILITIES	+++	MARKET EVALUATION ASSISTANCE	11-4
23	INCREASE INTEREST/ABILITY TO START NEW PROJECTS	+++	SEARCH FOR PRODUCTS THAT CAN UTILISE CAPABILITIES	+++	MARKET EVALUATION ASSISTANCE	11-4
24	IMPROVED WORKING CAPITAL	+++	SEARCH FOR PRODUCTS THAT CAN UTILISE CAPABILITIES	+++	MARKET EVALUATION ASSISTANCE	11-4
25	IMPROVED FINANCING	+++	SEARCH FOR PRODUCTS THAT CAN UTILISE CAPABILITIES	+++	MARKET EVALUATION ASSISTANCE	11-4
26	IMPROVED WORKING PLACES	+++	SEARCH FOR PRODUCTS THAT CAN UTILISE CAPABILITIES	+++	MARKET EVALUATION ASSISTANCE	11-4
27	IMPROVED FACILITIES	+++	SEARCH FOR PRODUCTS THAT CAN UTILISE CAPABILITIES	+++	MARKET EVALUATION ASSISTANCE	11-4
28	INCREASE SPACE	+++	SEARCH FOR PRODUCTS THAT CAN UTILISE CAPABILITIES	+++	MARKET EVALUATION ASSISTANCE	11-4
29	INCREASE SPACE	+++	SEARCH FOR PRODUCTS THAT CAN UTILISE CAPABILITIES	+++	MARKET EVALUATION ASSISTANCE	11-4



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