

AID-FOR-TRADE: CASE STORY

INDONESIA

TRADE SUPPORT PROGRAMME

Date of Submission :	January 31, 2011
Type :	Trade Support Programme-1
Author :	The Government of the Republic of Indonesia
Contact Details :	1. Directorate of Multilateral Cooperation Directorate General of International Trade Cooperation Ministry of Trade Jl. M.I. Ridwan Rais No. 5 Jakarta Pusat, Indonesia Phone: +62-21-3840139 Fax: +62-21-3847273 2. Directorate of Trade, Industry , Investment and Intellectual Property Rights Directorate General of Multilateral Affairs Ministry of Foreign Affairs Jl. Taman Pejambon No. 6 Jakarta Pusat, Indonesia Phone: +62-21-3812133 Fax: +62-21-3519593

TABLE OF CONTENTS

Executive Summary

1. Issues Addressed
2. Objectives Pursued
3. Design and Implementation
4. Problems Encountered
5. Factors for Success/Failure
6. Results Achieved
7. Lessons Learned and Recommendations
8. Conclusion

EXECUTIVE SUMMARY

The EU-RI Trade Support Programme-1 (TSP-1) was a programme initiated by the European Union which aimed to upgrade the technical aspects of the bilateral EU-Indonesia import/export process and facilitate Indonesia's more extensive integration into the international trading system.

The programme was comprised of five core components, each of which covered specific areas of operation. Four of the components were implemented in various ministries and national institutions and one focused on overall programme management.

The Trade Research and Development Agency (TREDA)-Ministry of Trade (Mol) was appointed as the institution in charge of all programme management (Component 0), while Component 1 (WTO Capacity Building) was given to the Director-General of International Trade Cooperation (ITC) with the aim of increasing capacity and levels of WTO -related knowledge of government officials and other relevant parties.

Component 2 (Standard Harmonization with EU Practices) was implemented within the National Standardization Body so as to improve the Standardization Information System and to align Standards Development with EU and international standard practices.

Component 3 (Research & Development Institutes) aimed to improve the access of Indonesian companies to services enabling technical conformity data updates and to recognized testing certificates in selected industrial sectors. This was implemented in six Research and Development Institutes (RDI) under the Ministry of Industry. These dedicated Institutes provide the Indonesian industrial sector with information, training, testing and calibration laboratories, product and system certification bodies, consultancy and applied research centers.

Component 4 (Fisheries Laboratories) was implemented by the Ministry of Marine Affairs and Fisheries with the objective of improving the food safety control system and ensuring better access to the EU market for Indonesian companies

The overall programme was implemented between February 2006 and April 2008. The positive results generated by these programme activities included, inter alia, an improvement in WTO knowledge, a more dynamic website for standards-related information, enhanced capabilities and better quality of lab management.

The implementation of the programme can generally be considered as a success story. The overall programme design was highly relevant to the needs of Indonesia. However, improvements in some areas were still very much needed. The monitoring and evaluation of the programme showed that both donors and recipients encountered a number of difficulties. Recommendations were therefore made so as to make similar aid programmes much more effective in the future.

Issues Addressed

As one of Indonesia’s major trading partners and one of the main destination markets for Indonesia’s non-oil and gas products, the European Union (EU) initiated the Trade Support Programme 1 (TSP-1). This programme aimed to improve the flow of trade between Indonesia and the EU by upgrading the technical aspects of the bilateral EU-Indonesia import/export process and thus facilitating Indonesia’s more extensive integration into the international trading system.

The programme was comprised of five core components, each of which covered specific areas of operation.

Objectives Pursued

	Objectives
The TSP 1 (in general)	The programme aimed to have a positive impact on the economic and social recovery of Indonesia, stimulating growth and contributing to the alleviation of poverty.
Component 1	To increase the knowledge and capacity of Indonesian government officials and other relevant parties and enable them to participate in multilateral trade negotiations and disseminate WTO information among local stakeholders.
Component 2	To provide technical assistance and thus improve the standardization information system and align the standards development with EU and international standard practices.
Component 3	To improve the access of Indonesian companies to services enabling technical conformity data updates and to recognized testing certificates in selected industrial sectors via a select number of Research and Development Institutes.
Component 4	To ensure improved access to the EU market for Indonesian companies dealing in frozen fish and shrimp by improving the official food safety control system.

Design and implementation

	Direct Beneficiaries	Duration of Implementation	Activities
Component 0	Ministry of Trade – Trade Research and Development Agency	February 2006 – April 2008	Devoted to the overall programme management.
Component 1	Ministry of Trade - DG ITC	February 2006 – July 2007	Organized in 2 (two) sub-projects: 1. Training (workshops, in-house training and seminars, and research study tour). 2. Information, dissemination and socialization (public seminars and in-depth research papers).
Component 2	National Standardization Body	February 2006 – April 2008	Implemented in 5 (five) sub-projects: 1. Technical Assistance (TA) for Standardization Information Systems. 2. TA for Standards Development in line with EU and international practices. 3. TA for improving capacities in WTO-TBT Agreement (Notification). 4. TA for the implementation of a business management system. 5. TA for the introduction of a competency based training programme.
Component 3	Ministry of Industry - R&D Centres	February 2006 – April 2008	<ul style="list-style-type: none"> • Training on EU laboratory management practices (Visit to EU institutions and Strategic Management Planning). • Training on ISO 17025 and Quality Assurance. • Training on conformity assessment for selected commodities. • Twinning programme with EU lab's • Dissemination with seminars and workshops.
Component 4	Ministry of Marine Affairs and Fisheries - Fisheries Labs	February 2006 – December 2007	<ul style="list-style-type: none"> • Training of trainers (review and assessment of lab. Capacity and performance, funding for equipment, and training). • Orientation programme for SME's (workshops and study tour). • Review of relevant regulatory/legal framework. • Dissemination to industry (seminars and workshops).

Problems Encountered

- The late start of the program led to the compression of some the activities and to an overall slowing down of the programme. Thus the expected results of implemented activities may not come to fruition.
- The duration of those activities which were compressed (i.e. rushed for delivery) undermined quality and cost effectiveness.
- The lack of harmonization between the Indonesian and EC budgets and financial regulations impacted on the whole of TSP-1.
- Guidance on financial regulations applicable for the use of EC grants by TSP-1 components was insufficient. For some components, disbursement procedures for international travel contracts was unclear and disrupted the implementation of planned TSP-1 international travel activities.
- The auditing and evaluation by independent parties were conducted late resulting in further activities/programmes being delayed until the relevant audit and evaluation could be completed.
- Management risk was high. The coordinating of the activities, combined with financial and budgetary issues, proved complex and challenging. The Program Management had to be responsible for the project planning, reporting, coordinating inter-agency issues, while agencies based in many different locations had separate budgets for TSP-1 activities.
- There was no incentive mechanism for the PD and IM.

Factors for Success/Failure

a) Factors for success

- All components were highly relevant to the needs of Indonesia;
- A systematic approach (e.g. training, diagnostic assessment, information system, TOT, study visits, twinning programme, competent authority, etc), contributed to: institutional capacity building (equipment, training/coaching/skills development which can lead to institutional and human capacity building);
- The dedication and efforts of key experts was highly regarded.

b) Factors for failure

- The initial objectives were too ambitious.
- The duration of the programme (1.5 years to 2.5 years) was not long enough to build up national capacities -particularly in highly technical areas.

- Such technical assistance projects require a long-term commitment and more time for the planning and delivery of each activity.
- The allocation of the budget for each of the four components was not balanced.
- There was a structural collide between the EU and RI budgeting rules.
- The TSP 1 required the approval of the National Budget Document for use of EU funds and also required the allocation of Indonesia's contribution.
- The late submission of the National Budget Document slowed down the process and increased the costs.

Results Achieved

- **Component 1**
 - Improved WTO knowledge & skills development.
 - Enhanced capacity of the ITC-MoT.
 - Wider dissemination of information to increase public awareness and to provide useful research on WTO issues concerned by Indonesia.
- **Component 2**
 - The much improved, bi-lingual, website reflects the success of this component. Many business people rely on the website to search for standards-related information.
 - Better understanding on the TBT notification & inquiry point.
 - Strengthened Standardization Information System.
- **Component 3**
 - Increased capacities and improved operations; more understanding and recognition of problems, ability to become more market-oriented and thus serve the business community.
 - Training of young technicians led to the improvement of institutional capacities.
 - Laid down a good foundation for future institutional collaboration between the RI centres and EU labs.
 - Greater networking between EU labs and RI centres.
- **Component 4**
 - Strengthened labs on quality management.
 - Created new legal framework and inspection procedures.

- Strengthened the capability of the competent authorities and created quality manager position.
- Purchased and installed equipments for fisheries labs.
- Reduced trade barriers and improved trade flows to EU (short term impact: rapid alerts reduced from 70 in 2004 to 11 in 2010).
- Improved market access, approval for fisheries exports to the EU to increase continually (in 2007: 109 fisheries exporters and in January 2011: 176 fisheries exporters).

Lessons Learned and Recommendations

a. Lessons Learned

1) Programme Design

- It takes time to buildup trade-related capacities in developing countries, often up to 2-3 years before results can be seen.
- A trade-related needs assessment should be carefully undertaken and gaps properly identified.
- All four components (1-4) applied a systematic approach to building national capacities.

2) Budgeting System

- The Budget Document system should be respected; the TSP-1 should not be tied up too tightly with the decentralized system.
- A lack of flexibility in relation to the execution of EU projects (i.e. a many rules but most unclear clear); this led to to difficulties in planning and implementation.
 - a) not transferable from one component to other,
 - b) the program was practically implemented within two years .
- Tendering rules and procedures, although necessary, are costly and time consuming and compromise efficiency.

3) Implementation

- Ownership and institutional building: PD, IM, & in-house experts do not have incentives to work on TSP 1; how can we create incentives and long-term benefits? This is a challenging issue.
- Cross-cutting issues, weak linkages with the issue of poverty reduction - which is the ultimate goal of development assistance. Environment, gender equality and good governance are all also important issues to be factored in.

Recommendations

- Capacity building is an important and complicated area in which many developing countries such as Indonesia are lacking expertise and experience, especially in terms of process and procedures. Therefore, the duration of the project should be longer, perhaps 4-5 years with the possibility of extending.
- Adequate and balanced funding should be provided to address any outstanding needs or gaps.
- There should be flexibility and room for implementation when it comes to the budgeting system.
- Future programmes should pay more attention to cross cutting issues, as outlined earlier.
- The EC rules and procedures are very complicated and strict. There should be some flexibility when it comes to designing projects to ensure new and emerging needs can be addressed and that project beneficiaries can make adjustments.

Conclusion (applicability to other programs)

The EU-RI Trade Support Programme-1 (TSP-1) was a programme initiated by the European Union which aimed to upgrade the technical aspects of the bilateral EU-Indonesia import/export process and facilitate Indonesia's more extensive integration into the international trading system. The programme was organized in 5 (five) components each addressing specific areas of operation and were carried out in different Ministries or Institutions. The overall programme design was relevant to the needs of Indonesia and some positive results were achieved.

A good deal has been learned from the set-up and implementation of the TSP-1.

However, in some areas or components, a number of problems made the programme less effective. It is essential that issues surrounding the current budgeting system and the period of implementation are addressed and revised so as to make the programme more flexible and effective for the ongoing TSP-2 and similar aid programmes in the future.

Annexes and/or Reference

COMPONENT 1			
NO	SUB PROJECT	ACTIVITY	PARTICIPANTS
1.	Training	Workshops on WTO-MTS and other relevant trade issues	◆ 210 participants (157 employees of Ministry of Trade (MoT) (70%) mainly from Indonesia Trade Centre (ITC) and Trade Research and Development Agency (TREDA), 19% from the private sector, and 11% from different types of civil society organizations)
		In-house training and seminars	226 MoT officials
		Research study tour to Geneva and Brussels	11 people
2.	Information dissemination and socialization	Public seminars for disseminating result of research papers	450 registered participants (58% from the public sectors in the provinces, mainly local authorities, 22% from the private sectors and 20% from civil society)
		In-depth research papers on WTO issues relevant to Indonesia, competitiveness, market access and several key aspects of trade policy, drafted by project experts with the support of several staff members from MoT associated with focus groups of active participants in the training programme.	

COMPONENT 2			
	Technical Assistance for Improving Capacities in WTO-TBT Agreement (Notification)	On the job training	<ul style="list-style-type: none"> ◆ 11 trainers trained at central staff to undertake the training of stakeholders ◆ 13 road shows and 5 seminars organized to disseminate information to relevant stakeholders
		In-depth training	
COMPONENT 3			
	Training in EU Laboratory management practices	◆ Managers visit EU institution	12 managers visited several European Laboratories that work in comparable fields of testing & certification and may serve as potential partners for twinning.
		◆ Strategic management planning	◆ 30 (thirty) top managers of 6 centers were trained on Strategic Management Planning with EFQM in a-2 day workshop and gained practical experience in Strategic Management Planning in several coaching system
		◆ Training on ISO 17025 and Quality Assurance	◆ A total of 35 participants from all 6 centers have been trained on the general requirement for the competence of testing and calibration laboratories to ISO 17025:2005
	Training in EU conformity assessment procedures		<ul style="list-style-type: none"> ◆ A total of 24 technicians from 6 centers were trained on conformity assessment in selected areas in EU laboratories. ◆ A total of 75 technicians in 3 centers (BBK, BBPK, B4T) were trained in Indonesia
	Twinning program with EU Lab's		◆ A total of 30 international short term expert days have been used for this activity

	Dissemination with seminars and workshops		<ul style="list-style-type: none"> ◆ A total of 32 participants from all 6 centers were trained on marketing strategies in a 4 day workshop. ◆ 11 dissemination seminars and one joint workshop with a total of more than 1200 participants were conducted to specific target groups of the 6 centers, consisting of producers, business associations and institutions from the particular fields represented by 6 (six) centers. ◆ A total of 26 participants from all 6 centers were trained in a 4-day workshop on website design, set up and maintenance
COMPONENT 4			
	Training and dissemination to processing industry		<ul style="list-style-type: none"> ◆ A total of 44 participants from the processing industries/freezer vessels joined the workshops and additionally 2-4 staff members from competent authority and/or training institutions in the field participated in each training session.
	Orientation program for Fish Products SME's		<ul style="list-style-type: none"> ◆ 5 companies (6 participants) and 3 participants from MMAF received support for travel in the 3rd step of the orientation programme, including participation in the European Seafood Exhibition April 2007 and a study visit to major buyers and market in Spain