

## APEC High Level Meeting on Driving SMEs' Growth to Promote Local Development

Chinese Taipei, 31 March – 1 April 2008

# Session 2 Better Local Governance for SME Growth

### THE EMPOWERMENT OF MICRO, SMALL MEDIUM ENTERPRISE AT JEMBRANA REGENCY-BALI-INDONESIA



By Prof Dr drg I GEDE WINASA THE REGENT OF JEMBRANA

#### GENERAL DESCRIPTION

Jembrana lies at the west tip of Bali Island, relies on Agriculture, Animal Husbandary and Fishery as the resources of regional inc

Width Area: 841,80 KM2 or 84.180 Hectares = 14,94 % width o Population in 2007: 260.791 with population density 309 lives/

Pupulation Number per Doctor : 3300 Population Number per Midwife : 2.519 Number of Student per Teacher : 15

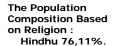
**Number of Farmer** And Fisherman Groups: 568

Coorperative 102 Administration Territory Disribution:

5 Subdistricts.

42 Villages, 9 Political District Administration. 209 Cluster of Villages, 35 environtment

64 Oldcustoms and Tradition Village, 261 Oldcustums and Tradition Subvillage.

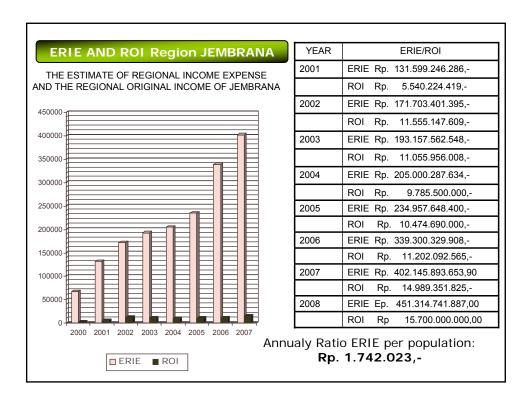


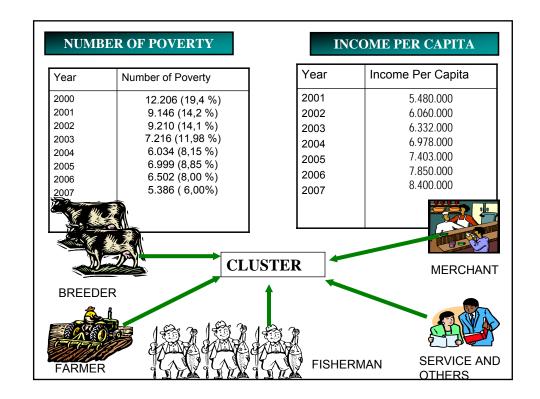
Moeslem 17,35 %. The Area Utilizing : Protestant 2,93 %. Catholic 2,77 %. Buddhist 0,85 %.

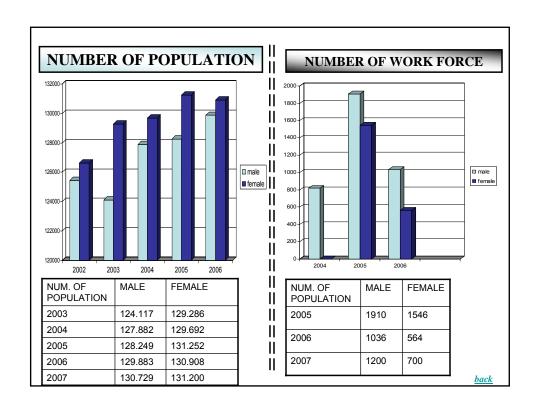
7,79 % Ricefields 92,11 % Dry Soil 0,09 % Others.

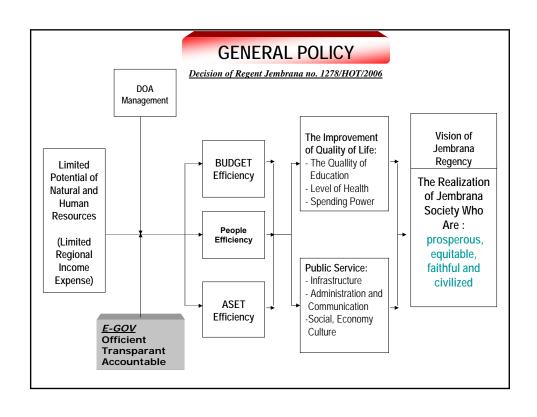












#### THE IMPROVEMENT OF SPENDING POWER

#### INDICATORS:

- 1. Income Per Capita
- 2. Poverty Number.

#### STRATEGIES:

- 1. Increasing Income.
- 2. Broadening Working Opportunity.
- 3. Decreasing Family Borden.



#### **PROGRAMS**

#### The Improvement Of Income

- 1. The Enpowerment of Community Group.
- 2. The Enpowerment of Cooperative.
- 3. The Enpowerment of Family Member.







#### Technical Aid:

- -Production.
- -Marketing.
- -Capital.
- -Management

#### Financial Capital Assistance:

"Loan is Given with fund moving form and line of monitoring".



#### WORKING OPPORTUNITY PROGRAME FOR THE SOCIETY

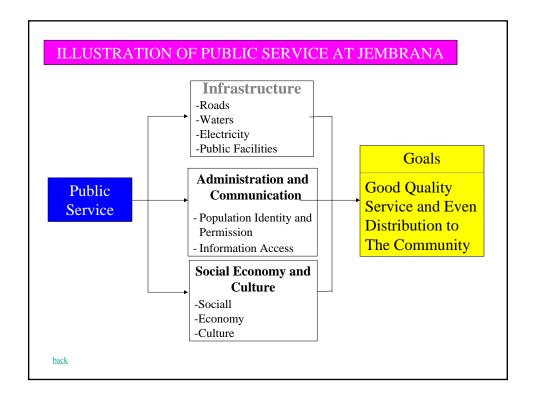
#### Create and Open Working Opportunity

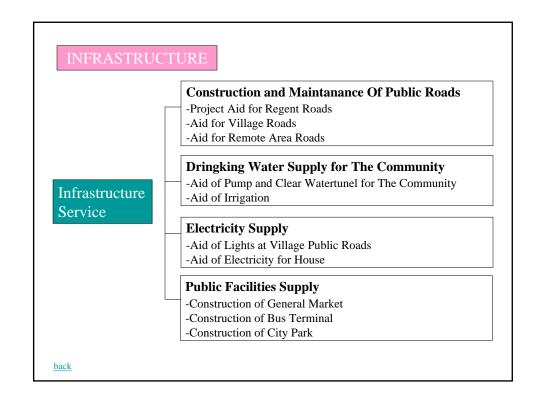
#### a. Domestic

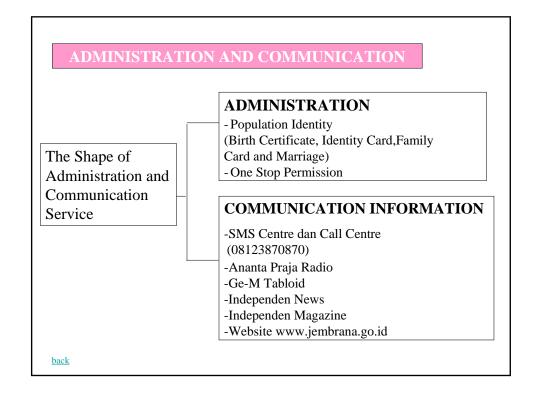
To Enpowerment The Community Group, To Establish PROFFESIONAL COOVERATIF

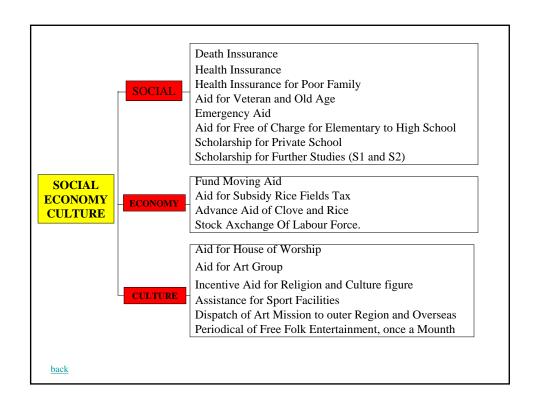
#### b. Overseas

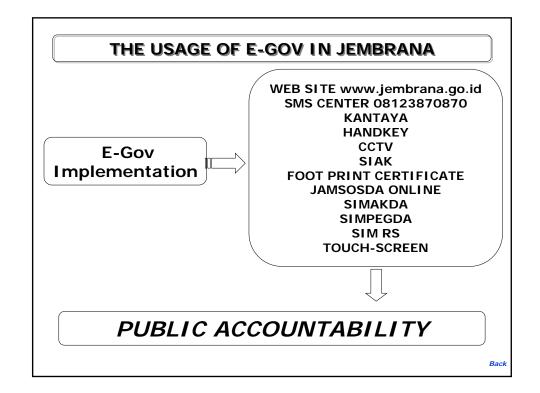
To Facilitate to Work For Cruises and Apprentice to Japan

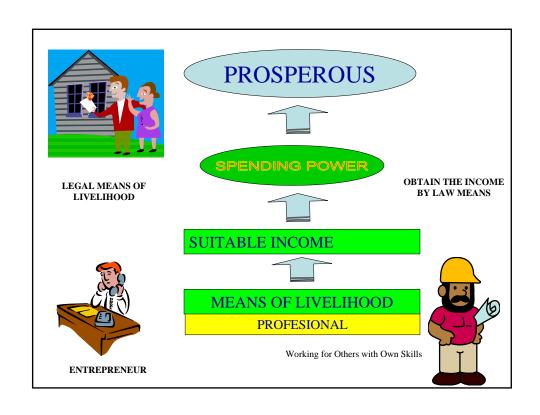


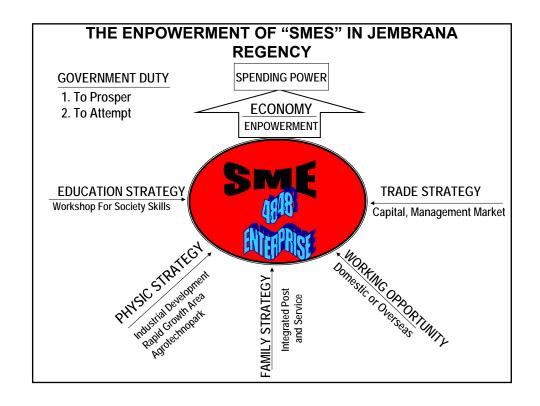












## PATTERNS WHICH ARE DEVELOPED TO GROW "SME" IS BY DEVELOPING TRADE WEBS IN CLUSTERING SISTEM

- Geographic edequacy, commodity movement and sectoral movement
- Local movement industrial sector unit and commodity movement
- · Similarity commodity covers the activity of regional movement
- 1. Market Enlargement
- 2. Capital Improvement
- 3. The Increasing of Community Investment
- 4. The Improvement of Working Opportunity
- 5. The Improvement of People Income Even Distribution

## TRADE DEVELOPMENT

- Pengambengan Industrial Region
- Western Part of Bali Rapid Growth Region
- Agrotechnopark (Melaya)
- Handicraft Centre spread at five sub district
- Home Industry

## OPPORTUNITIES FOR EMPLOYMENT PROGRAME FOR THE SOCIETY

#### Create and open opportunities for employment

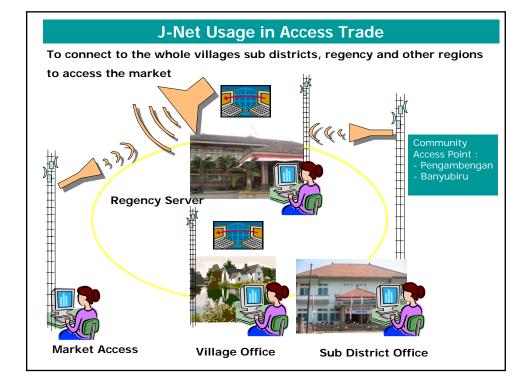
#### a. Domestic

To enforcement the community groups, To setup professional cooperative

#### b. Overseas

To facilitate to work for cruises and apprentice in Japan (Decision Of Regent No. 770/DTKCK/2005)

<u>bacı</u>





### THANK YOU

#### The Government of Jembrana Regency

Jalan. Surapati No.1, Negara, Bali Tel. 0365-41210 Fax. 0365-41010 http://www.jembrana.go.id

#### BIODATA

Name: Drs. I Gusti Putu Sudhiarsa, MM

Place and Date of Birth: Pergung, 11 February 1955

#### Education:

- 1. Elementary School, Tegalcangkring, Jembrana (1967)
- 2. Yunior High School, Penyaringan, Jembrana (1970).
- 3. Senior High School, Negara, Jembrana (1973).
- 4. Three Year Undergraduate Programme Degree in Social and Politic Faculty, Marhaen University, Denpasar (1982)
- 5. Bachelor Degree in Social and Politic Faculty, Marhaen University, Denpasar (1984).
- 6. Postgraduate-work Degree in Management Program , Udayana University, Denpasar (2005).

#### Employment:

- 1. Start to be Propince Bali Employement (1982)
- 2. Social Politik Supervisor Propince Bali (1984)
- 3. Development Supervisor Province Bali(1987)
- 4. Supervisor at Education culture and religion sector Province Bali (1992)
- 5. Subdistrict Head at South Denpasar Municipality (1994)
- 6. Village Government Supervisor, Denpasar (1999)
- 7. The Chief of Regional Development Planning Board at Jembrana Regency ( 2000 2003 )
- 8. The Chief of Information and Communication Official at Jembrana Regency ( 2003 -2006 )
- 9. The Chief of Local Supervisor Board at Jembrana Regency ( 2006 up to now)

Spouse:

I Gusti Ayu Anom Aryani,SH, MM

Children:

I Gusti Ayu Kristya Dewi Rusmianti I Gusti Ngurah Khrisna Artha Sadewa

Email: ngurah\_sudhi@yahoo.com

### **Better Local Governance for SME Growth:**

Strategic Planning, Local Economic Development, and the Role of Local Government

Gerrit J. McGowan – Senior Associate EcoPlan International, Inc. Vancouver, British Columbia, Canada



APEC High Level Meeting on Driving SME's Growth to Promote Local Development

March 31 - April 1, 2008



### Who We Are

**EcoPlan International (EPI)** is a multidisciplinary firm of planners, economists and decision analysts with global experience in:

- Strategic planning and decision support
- Local economic development
- SME development and feasibility
- Community and regional planning
- Resource & environmental planning
- Tourism and ecotourism.

Our innovative approach incorporates structured decision-making, participatory planning, facilitation and negotiation, and has been successfully applied in over 150 communities across the globe.





## **Award-Winning Approach to LED**

- Promoting Local Economic
   Development through
   Strategic Planning: A Resource
   Guide
- Partnership between UN-Habitat and EcoPlan
- 2007 Canadian Institute of Planners Award for Innovation in Economic Development







## **Strategic Planning for LED**

Local economic development (LED) is a participatory process in which local people from all sectors (public, private, civil society) work together stimulate local commercial activity, resulting in a resilient and sustainable economy. It is a way to help create decent jobs and improve the quality of life for everyone, including the poor and marginalized.







## **Strategic Planning for LED**

"If you don't know where you're going, any road will take there"







## A Brief History of LED

- Local economic development is not new
- What is new?
  - Intentional, holistic, local economic activities that are bottom-up and based on local values
  - Participatory and people-driven/centred
  - Capacity building of local officials and staffnot expert driven





## A Brief History of LED

- Traditionally, economic development is top-down and driven by national policy
  - Local economies dependant on state controlled companies
  - In western democracies, largely dependant on direction from higher level governments
  - Government driven; involving few actors
  - Early strategies limited to:
    - Promotion
    - Infrastructure development
    - Attraction of outside investment
    - Retention of existing businesses





## A Brief History of LED

- In Western democracies in the 1960's and 70's:
  - Capital becoming highly mobile
  - Many local economies in decline
  - Many communities left out of national strategies
  - Still government initiated, few actors
  - Evolving (from infrastructure, promotion, investment) to more local strategies (business retention, local business support services, training)
  - Still government initiated, few actors
  - Growing activist movements with Community Economic Development and environmentalism





## **Brief History of LED**

#### □ Global Trends 1980's to 90's:

- Cold war ending + Free markets growing =
  - **Economic Development**
- Economic +Social + Environmental =
- Sustainable DevelopmentSustainable Development + Institutional Capacity =
  - **Good Governance**
- Decentralization + Globalization + Poverty reduction =
   Local Economic Development
- Recognition Today =

#### local problems need local solutions



(World Bank; ILO; UN-HABITAT all have recent LED programs)



## **Concept of Good Governance**

- □ **Governance** is not government.
- **Governance** recognizes power both inside and outside the formal authority and institutions of government.
- **Governance** is the ability to coordinate and promote policies, projects and programs that credibly represent a broad range of interests (e.g. government, private sector, civil society).
- Governance includes the institutional capacity in management and administration, and the role of politics in development





## **Issues of Governance**

- Public involvement
- Institutional development
- Transparency of decision-making procedures
- Interest representation
- Conflict resolution
- Limits of authority
- Leadership accountability





### **Roles of Local Government in LED**

- A democratically elected local government is accountable to its citizens and can therefore add legitimacy to the LED process
- Local government is involved in developing complementary and competing plans for local development, and is well-positioned to integrate these plans, including social and environmental objectives.
- Local government is already deeply involved in local business activity as suppliers of infrastructure, tax collectors, and regulators of land, buildings, and activities. With an increasing move toward decentralization and the devolution of service delivery to local authorities, the roles and responsibilities of local governments continue to increase.





## **Local Development and Decentralization**

■ Today it is widely recognized that supporting local economic development must accompany the process of decentralization to strengthen local democracy.

#### Examples:

Philippines: Local Government Code

Indonesia: Law 22/1999

Paraguay: Law of Departmental Decentralization

Bosnia: The Dayton Accord

Uganda: Decentralization Policy of 1993

Zambia: Decentralization Implementation Plan of 2005Canada: Alberta Metis Settlements Accord Legislation





## **Local Government and SME Support**

- Local governments should plan for creating linkages and networks among the local agencies concerned with different components of small and medium enterprise.
- Local governments role in SME development planning should strive to build sustainable partnerships among stakeholders to ensure continuing support for enterprises to grow, sustain and expand their businesses.
- **Local Governments** should strive to create an enabling business environment for SME growth and development.





## **Creating an Enabling Business Environment**

- Combine Governance with Culture
- Clear Decision Rules and Procedures
- ✓ Safe Political Environment
- Ease of Business Entry and Efficient Regulation Enforcement





## **Creating an Enabling Business Environment**

- Combine Governance with Culture
- Having cultural foundations for institutions means that the local government is less likely to be a source of conflict and a vehicle for personal gain. In addition, local government is more likely to gain respect, legitimacy, and acceptance from local citizens.





## **Creating an Enabling Business Environment**

#### Clear Decision Rules and Procedures

- Includes effective business codes and land-use zones that promote long-term plans rather than politically expedient, short-term decisions
- Should be pro-market, not pro-business or favoring a particular firm





## **Creating an Enabling Business Environment**

#### Safe Political Environment

- Local government should establish a political environment in which investors and businesses feel secure
- Consistency, predictability, and clarity of government policies and regulations are critical
- Risks and production costs are affected when:
  - Investment opportunities and key government posts are given to unqualified friends and relatives of the political party in power
  - Bribes are extorted from businesses and entrepreneurs, holding them hostage to politicians
  - Tax rates or regulations are uncertain and change with each new administration





## **Creating an Enabling Business Environment**

#### Ease of Entry/Efficient Regulation Enforcement

- Heavy regulation and weak enforcement =
  - higher rates of corruption
  - larger informal economy
  - more likely to be poor

#### For an entrepreneur to get a licence to operate,

- Mozambique it takes 19 procedures, 149 business days, and US\$256
  - Italy it takes 16 procedures, 62 business days, and US\$3946
  - Canada it takes 2 procedures, 2 days, and US\$280

#### To enforce a contract in

- -Tunisia requires 7 days
- -Guatemala this takes 4+ years





## **Creating an Enabling Business Environment**

#### Local Governments need to:

- Simplify Bureaucratic procedures
- Create regulatory certainty (including property rights)
- Encourage local business networks
- Support training to meet market demands
- Support linkages with the informal economy
- Pursue broadly supported actions
- Take a value-focused, context specific approach

**Local governments** should focus the use of public resources & interventions (e.g. public spending, regulation, access to services) on improving the business environment in a way that reaches all levels of society rather than supporting individual companies.



#### Common Approaches

- Policy and Regulation
- Marketing and Promotion
- Incubators
- Skills Training Centres
- Small Business Development Centres
- Physical Infrastructure Investment
- Business Area Upgrading
- Local Procurement





## **Approaches for Supporting SME Growth**

#### **Policy and Regulation**

- Land and Property
  - Land Title; Property rights enforcement; Property registration; zoning; expropriation
- Planning and Development Control / Permitting
  - Real estate development permits; Building plans (new and improvements)
- Taxes, User Fees, and Collection
  - Property taxes; Infrastructure
- Infrastructure Provision and Maintenance
  - Transportation (roads, rail, ports); Electricity; Water and sewer; Garbage collection
- Regulations and licensing
  - Business; Health and safety (environmental standards, occupational health)
- Services
  - Policing; Fire and emergency





#### **Marketing and Promotion**

#### Possible Marketing Actions:

- Developing an inventory of land and buildings available for expansion
- "Buy local" campaigns
- Producing packages and publications sent to potential investors
- Internet marketing
- Community branding
- Market linking

#### Possible Promotion Actions:

- Radio and television advertising
- Signs, posters, and banners
- Festivals and community events
- Exhibits at regional fairs and conferences
- Logos and slogans





## **Approaches for Supporting SME Growth**

#### Incubators

#### Making incubators work:

- Ensure qualified managerial support
- Provide access to financing and seed capital
- Accept only firms with good business plans
- Draw upon graduated businesses' knowledge to assist new businesses
- Monitor the incubator





#### **Skills Training Centres**

- Making Skills Training Centres Work:
  - Identify training needs and develop an appropriate plan
  - Identify partners and take community context into account
  - Monitor and evaluate the Centre's success
  - Link skills training to job placement





## **Approaches for Supporting SME Growth**

#### **Small Business Development Centres**

- Making Small Business Development Centres work:
  - Develop equitable service fees
  - Ensure accessibility
  - Match programs with local business needs





#### **Physical Infrastructure Investment**

#### Typical projects and programs include:

- Building or improving key access roads
- Improving or expanding telecommunications systems
- Improving railway for passenger and goods services
- Developing, improving, expanding the local airport
- Developing, improving, expanding the local sea port
- Developing, improving, expanding industrial and commercial sites and buildings
- Increasing the availability of industrial and potable water
- Improving and/or expanding the sewage disposal system
- Improving and/or expanding energy systems
- Environmental enhancements





## **Approaches for Supporting SME Growth**

#### **Business Area Upgrading**

#### Making Business Area Upgrading work:

- Understand triggering events
- Identify all stakeholders
- Incremental enhancement
- Create local employment





#### **Local Procurement**

- Making Local Procurement work:
  - Develop a transparent tendering process
  - Maintain expectations
  - Upgrade skills
  - Promote local products





## What is it all about?

Making Smart Choices



"When you come to a fork in the road, take it."

Yogi Berra





## **Thank You**

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## "SMEs and Local Development in Chile"



Background Chile Economical Context Social Context Situation of the SMEs Chile Emprende

## **Background Chile**

- Chile is located in the margin of southwest of South America
- ♦ Its surface is over 2 millions km2. Its has territories in the American, Oceanic and the Antarctic continents. Its coast is over 8.000 km long
- ♦16,5 millions inhabitant
- ♦ It has a remarkable landscape: from the driest desert in the North to the rainy thick vegetation in the cold South. The central zone has a Mediterranean climate
- ♦ It is a unitary State, divided into 15 regions two of them recently created- and 345 communes (municipalities)

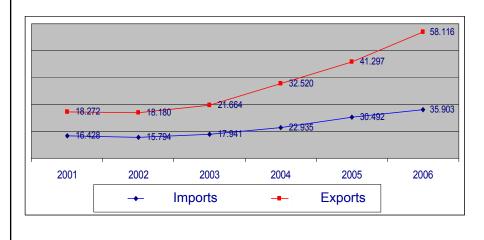
## An open economy

- ◆Chile GDP (2006) 146 billons of US\$
- ◆ Chile is a small economy that agreed to be opened to the world. The restoration of the democracy boosted this measures
- ◆Nowadays, Chile has Free Tra de Agre ement (FTA) with 60 countries, some of them with the largest economies of the world. It represents a potential universe of 3 thousand millions consumers, nearly half of the world population
- ♦ In the year 2006, the exports represent 44.4% of the GDP. The copper represents 56.6% of the total exported value
- ◆Three quarters of the Chilean foreign trade is under FTA
- ◆After three years of the agreements, the exports with USA raised 42.2%, and after four years, the exports with Europe raised 65.7%





(MMUS\$)



## **Social Context** (Poverty)

- ◆ Poverty reduction: from 38,6 to 13,7 % between 1990 and 2006
- ◆ In the same period of time, the extreme poverty or indigence, was reduced from 12,9 to 3,2 %
- ◆ Improvement in the infrastructure coverage
- Improvement in the educational sco pe, altho ugh still lack information and communications te chnology covera ge. An improvement in educational quality is needed.

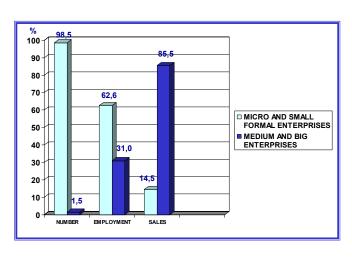
## **Enterprise Distribution by Size**

(by Net Sales in US \$ )

MICRO	From 1 to 110.000
SMALL	From 110.001 to 1.160.000
MEDIUM	From 1.161.000 to 4.600.000
BIG	Over 4.601.000

## **Enterprise Distribution**

by size, number, sales and employment (In %)



## **Advance to equity**

- Policies to re move inequality, sust aining high g rowth rates and decreasing poverty.
- Change in the publics policies and programs support of small enterprises and their territorial environment: design, governance and management.
- ◆ In this context emerge "Chile Emprende"

## What is Chile Emprende?

- Chile Emprende is a governmental initiative to boost business opportunities development for Micro and Small ente rprises within a well defined territories.
- The program consider as territories:
  - Council groups (municipalities) with ba sic elements for a common identity,
  - They should have a relative geographic, social, cultural and a productive coherence that let them have a common and complementary set of opportunities.
  - •They have a critical mass of private & publics actors and municipalities, willing to work and invest to capture and take advantage of development opportunities.

## **Participants**

#### National

Solidarity and Social Investment Fund(FOSIS)
Agricultural Development Institute (INDAP)
Training and Employment National Service(SENCE)
Technical Corporation Service (SERCOTEC)
Chilean Development Agency (CORFO)
Under Secretary for Regional and Administrative Development

#### Regional

Regional Governments, Public Services Regional Directions

#### Territories

Municipalities, Entrepreneurs

## The Program's Actions

- Promote coope ration amon g ent repreneurs and thei r relationships with ma rkets, ba sed on a public-private management.
- This management is expressed through territorial working groups denominated Consejo Público Privado (Public-Private Council) in which ent repreneurs, municipal deleg ates, and managers of regional promotion productive services make decisions on priorities, projects and budgets.
- Through these councils, a shared development project is built and conducted: The Territorial Plan.
- The Plan works around development opportunities in which small enterprises can be inserted, based on the territory's potentialities and its entrepreneurial base.
- The Government supports the development of instruments to help enterprises to achieve the required standards to compete in the global markets.

## Some results

- Presently, 39 territories participate in Chile Emprende, which gather 176 municipalities or councils, where live a third part of the Chilean population, nearly 6 millions people.
- In some territories where the program is operated, there have been some advances:
  - ♦ Overcoming the poverty conditions of some hundreds of families, and increase de sales and the incomes of the Micro and Small entrepreneurs.
  - ◆Productive and commercial links between SMEs and bigger enterprises and integration of SME entrepreneurs in chains for exports.
  - ◆Creation and development of new tourist destinies and new innovative products to reach highly competitive markets,
  - ◆ Creation of favourable new environment for the development of entrepreneurs .

## **Evolution of the Program**

- It started as a experim ental experien ce in 2001, b oosted by four services - INDAP, FOSIS, SENCE y SERCOTEC-, which were looking for the development of public policy options to go forward equity.
- It institutionalizes at the end of 2004. Considering the initial results and the evaluations, the Government decided to change the experimental initiative to an ample public policy.
- In 2005 it expands from 10 to 24 territories.
- In 2006 operate in 27 territories and it has its own item in the national budget law.
- In 2 007, Pre sident Bache let de cided to exte nd it to 15 new territories.
- In 2008 operate in 39 territories.

## **Debate and proposal**

- To a successful insertion to the global market, the smaller enterprises have to increase their competitiveness and to introduce Innovation in products and process.
- To make this possible, it is needed cooperative relationships among the small enterprises, public institutions and academic centres of research and training
- In this framework, to establish a territorial institutionality, which boost these relationships to use well their specifics potentials in a productive local structure, is fundamental.
- ◆ It is not enough to have just groups of sectorial enterprises. It is necessary provide the territory with an environment which facilitate the innovation, opening the access to the knowledge, the technology and the continuing learning process, as well as to the market and the financing system.
- Therefore, it is necessary to integrate the elements of local identity as well as the cultural, social and political- institutional aspects.

## Dialogue about opportunities

- In each territory where Chile Empre nde operates, what guide the relationship among participant actors and therefore their agreement and duties, are the development op portunities of the Micro and Small enterprises.
- In this relation with the markets, it has become aware of the requirements that enterprises have to achieve to reach de quality standards and difference needed to a successful commercial insertion.
- The path to overcome the difference is the working plan of entrepreneurs, councils and sectorial, regional and national publics services. In this context a public - private cooperation is necessary.

## Effects of the territorial agreement

- Decentralization and transparency in the allotment of publics resources.
- ◆The direct participants assume the follow up of the agreements.
- ◆Shared responsibility: The enterprises are co responsible with the public sector in being careful to perform the agreement achieved.
- ◆The public technocracy is lossing the monopoly of the decision about what is good and not good to the local enterprises .

## Chile Emprende Method`s work

Systemic Approach



Coordination among different size of enterprises; within the public Institutions; and among publics and private entities.

A network approach

Building a common space, to facilitate a "face to face" dialogue

The territory as a resource

Definition of shared objectives : considering private interest, identify common ground opportunities.

A development project



Creating institutional conditions for the public and private agreements and the management "from the bottom up"



The territorial institutionality

## **Key Points**

### **Inclusion, innovation y competitiveness**

- ◆Change of mentality
  - ◆Look for opportunities vs. rutine experiences
  - Achieve agreements by consensus vs. outside decisions
  - ◆Territory as center of innovation and devel opment vs. sectors approach
- ◆Convoke all the involv e actors: publ ic, private and local representatives
- Associate private interest with common good
- ◆Incorporate technology and capture new investments
- ◆Human resources development at territorial level
- ◆Identify and promote be st practices on SMEs and local development

### Santiago City

Thanks for your attention



