





Capacity Building Program for Green Transition of Indonesian SMEs (1year/420,000USD)

Republic of Indonesia

Project Concept Paper

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Applicant Informati	on
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PROJECT CONCEPT PAPER (PCP)

SECTION 1. BASIC PROJECT INFORMATION				
1.1	Country	Republic of Indonesia		
1.2	Title	"Capacity Building Program for Green Transition of Indonesian SMEs"		
1.3	Location(s)	Indonesia, Republic of Korea (ROK)		
1.4	Duration	1year (2023)		
1.5	Budget (total)	US\$ 420,000		
1.6	Objectives	Support 'Green Transition'* of SMEs in Indonesia by introducing eco-innovation technologies and management strategies and promoting technological cooperation between SMEs of the Republic of Korea and the Republic of Indonesia. *Definition of 'Green Transition': Strengthen national economic competitiveness by fostering sustainable and green transition and enabling green technological and industrial development (e.g. reducing the use of fossil fuels) *Reference: "Framework Act on Low Carbon, Green Growth" (ROK Law)Article 22 (Basic Principles for Fostering Green Economy and Green Industries)		
1.7	Beneficiary	 Selected SMEs of Indonesia (Executives/CEOs and technical professionals) Government officials in Indonesia involved in making green transition policies and/or supporting SMEs (e.g.Ministry of Cooperatives and SME, the Bureau of Law and Cooperation etc.) 		
1.8	Implementing organization	Ministry of Cooperatives and SME, Republic of Indonesia		

SECTION 2. PROJECT RATIONALE

SITUATION ANALYSIS:Please provide a brief introduction to the current social and economic situation related to the Project (geographic region and beneficiaries, etc.)

Pleasedescribe the problem or critical issue that the project seeks to resolve, how the problem was identified, and how will the Project address the problem. If relevant, analysis on gender equality needs to be described.

2.1

 Indonesia has led a rapid economic growth centered on labor-intensive and resource-dependent industries benefitting from cheap labor and abundant resources. However, Indonesia's social and environmental development has been lagging behind, caused by rapid industrialization, urbanization and big infrastructure development projects. According to the World Resources Institute (WRI), Indonesia is recorded as the fifth largest green-house gas(GHG) emission country. The qualitative economic growth has been stagnant due to the lack of support to developing the manufacturing industry through green technological and management innovation and a higher value-added business development to be competitive under the fourth industrial revolution age. For Indonesia's sustainable economic growth, it is critical to enhance the competitiveness of SMEs, which take a pivotal role in the national economy(60% of GDP, 99% of all enterprises, and 97% of employment). The key areas for SMEs development involve transition towards green economy and green industry by accelerating innovation for effective technology and management practices and increased access to global and regional value supply chains.

- The effort to develop SME are implemented on 6 (Six) National Strategic
 Program of MSME Development as follows:
 - 1. Market Access enhancement for Products and Services improvement
 - 2. Competitiveness of Products & Services
 - 3. Finance & Investment Acceleration
 - 4. Capacity development of human resource management
 - 5. Opportunity and Ease of doing business
 - 6. Cross Sectoral Coordination (One Gate Policy)
- In relations with human resources, there are some problems that needs to be tackled, as follows:
 - 1. The lack of knowledge of SMEs entrepreneurs about good business management, so they only focus on producing goods without thinking about their business expansion strategy.
 - 2. In general, SMEs in Indonesia do not have a business mentor, causing SMEs to face difficulty in developing their business.

COUNTRY DEVELOPMENT STRATEGIES AND POLICIES: Please describe how the Project relates to other relevant national development strategies and policies, and provide the ongoing status of their implementation, results, and effects if any.

- One of the top five economic policy goals stipulated in the Indonesia's National Long-Term Development Plan 2005-2025 (RPJPN, Rencana Pembangunan Jangka Panjang Nasional) is to enhance national industrial competitiveness and foster small and medium-sized enterprises (SMEs).
- As the five-year national development plan based on the RPJPN, the RPJMN 2020-2024 (RPJMN, Rencana Pembangunan Jangka Menengah Nasional) entails establishing and strengthening policies and systems to support SMEs development, including various technology support programs (start-up incubators, small and medium enterprise innovation centers, etc.).
- Chapter 7 of the RPJMN corresponds with the Resource Efficient and Cleaner Production (RECP) policy, which is aligned to the SDG 8. Decent Work and Economic Growth, SDG 9. Industry, Innovation and Infrastructure, and SDG 12. Responsible Consumption and Production. It indicates the required efforts for

- climate change mitigation/adaptation, environmental resilience, and disaster prevention.
- To develop the human resources in relations with entrepreneurship, a policy direction is needed in the context of increasing economic value added in 2020-2024 through Strengthening Entrepreneurship, Micro, Small and Medium Enterprises (MSMEs) and Cooperatives which are implemented with the strategy:
 - 1. Increasing business partnerships between Micro, Small and Medium Enterprises;
 - 2. Increasing business capacity and access to financing for Entrepreneurs;
 - 3. Increasing the capacity, reach, and innovation of Cooperatives;
 - 4. Increasing the creation of business opportunities and start-ups; as well as increase the added value of social enterprises.
- In order to increase the creation of business opportunities and start-ups; as well as increase the added value of social enterprises, Ministry of Cooperatives and SMEs has the department of entrepreneurship focusing on increasing national ratio of entrepreneurship. This idea is implemented to endorse the growth of productive entrepreneurs by implementing business incubation that provides business consulting, mentoring, and training services. "Capacity Building Program for Green Transition of Indonesian SMEs" becomes one of the programs for facilitating incubation of SMEs.

JUSTIFICATION FOR INTERVENTION: Please describe how the need for the Project was determined, and what the rationale/justification for the Project is (why the Project is considered to be the most effective way the problem is resolved.).

- It is one of the national development priorities to raise awareness of SMEs' ecofriendly innovation in the manufacturing sector and strengthen their capabilities in terms of technology and business management. It is critical to provide a timely support to technology development adapted to the specific local situation beneficial to national economic development.
- ASEM SMEs Eco-Innovation Center (ASEIC), as a foundation for SMEs eco-innovation via enhanced international cooperation between Asia-Europe Meeting (ASEM) member countries, runs the Green Business Center (GBC) in Jakarta, Indonesia, which was co-established in 2011based on the MOU signed between the two governments of the Republic of Korea and the Republic of Indonesia. In August 2021,the ASEIC-GBC organized one day online seminar on capacity building for green transition of SMEs in Indonesia. The survey results of the seminar participants indicated the need to receive a full-fledged capacity building support in this area. Besides, ASEIC takes the lead in facilitating SDGs and ESG related innovative business model and strategy development and providing various capacity building advisory and consulting services to the SMEs in ASEAN Member States as the main target beneficiaries. Based on the mandate and experience sand supported by the Ministry of SMEs

- and startups of the Republic of Korea (MSS), ASEIC is best positioned to organize this capacity building program for green transition of SMEs in Indonesia through facilitating technological and business managerial innovation.
- The implementation of this project could support the National Strategy of Ministry of Cooperatives and SMEs to address the human resources issues, which are: (1) The lack of knowledge of SMEs entrepreneurs about good business management; and (2) The lack of business mentor for SMEs to elevate their capacity. By implementing this project, one of Indonesian National Strategy in Strengthening Entrepreneurship of SMEs could be achieved.

LESSONS LEARNED: Please describe what lessons Partner Country has drawn on (from Partner Country's own and others' past experience) in designing this Project.

- Since 1993, the Indonesian government has considered policies related to the Resource Efficient and Cleaner Production (RECP), and in 1995 the government declared 'the National Commission to Cleaner Production' as a key mechanism for sustainable industrial development.
- In cooperation with UNIDO and UNEP in 2009, the Indonesian government established the RECP development plan. The UN's independent office of evaluation and internal oversight has evaluated the RECP projects.
- The evaluation result indicated the two factors to increase effectiveness of the RECP projects and be considered for future project design.
 - The first factor is the limited incentive for the RECP projects, which includes low level of natural resource costs, lack of compliance with the environmental regulations(with weak enforcement mechanisms in place), and the market structure not compensating for those who comply with the environmental regulations.
 - The second factor is the high transaction costs on the RECP applications, including insufficient access to RECP information and services, inappropriate RECP technology not meeting company needs, low return profit on RECP, and limited access to financial support system.

SECTION3. PROJECT DESCRIPTION

Objective/Outcome/Output: Please outline the objectives, the expected outcomes, and outputs of the Project.

2.4

Project objective:

Support 'Green Transition' of SMEs in Indonesia by introducing eco-innovation technologies and management strategies and promoting technological cooperation between SMEs of the Republic of Korea and the Republic of Indonesia.

Project outcome:

Strengthened eco-innovation capacity of selected SMEs and policy makers in Indonesia, accelerating sustainable development and green transition

Project outputs:

- Enhanced technical knowledge and capacity of the selected SMEs related to innovative technology and business management practices
- Strengthened knowledge sharing and capacity of the senior-level policy makers and SMEs actor, leading the green transition and sustainable development through innovative technology and management development

Activities: Please describe what will be carried out in terms of planned activities, their timing and duration, and who will be responsible for each activity. It should indicate the sequence of all major activities and implementation milestones.

Component 1. SMEs capacity building program in Indonesia: Sharing knowledge and knowhow on innovative technology and business management

- Target participants: About 30 SMEs and their owner and employee committed to sustainable development and green transition through technology and business management innovation
- Location and duration: Indonesia or South Korea, about 10 days

Key process:

- The Joint Republic of Korea-Republic of Indonesia selection of target participants with focus on those SMEs committed to sustainable and green transition and technology and management innovation, combined with awareness raising efforts
- Eco-innovation technology experts and experienced business management group from the Republic of Korea to share knowledge and knowhow and provide consulting services on innovative technology and business management practices
- **Composition:** SMEs capacity building program in Indonesia comprises the three parts shown in the below table

Site-visit and technical workshop on green transition and eco-innovation:

Part 1. (3 days)

Organize a series of technical sessions led by the selected ecoinnovation technology experts and experienced business management group from the Republic of Korea to share knowledge and provide a practical experience by site-visiting to Korean SMEs (either in Korea or in Indonesia) that has established eco-innovation technology.

	Part 2. (5 days)	Corporate diagnosis and technology apprenticeship: The group of Korean experts provides consulting services on innovative technology and business management practices, by conducting corporate diagnosis and leading a series of technology apprenticeship sessions
	Part 3. (2 days)	Technology exchange meeting between the Republic of Korea and the Republic of Indonesia: Based on the results and findings of the Part 1 and Part 2, organize technology exchange meetings to capture best practices, lessons learned and ways forward

Component 2.Senior-level training program in Republic of Korea

- Target participants: About 15 people
 - Senior level policy makers (Director General level) from the Indonesian government involved in making green transition and eco-innovation policies and/or supporting SMEs development
 - Selected SMEs owners.
- Location and duration: Republic of Korea, about 10 days
- Composition: Senior-level training program in Republic of Korea organizes the followings:
 - Pre-meeting(s) on eco-innovation between senior level policymakers and owners of the SMEs selected from Indonesia
 - Policy advisory meeting(s) with the relevant Korean government and public offices and the selected business groups
 - Knowledge sharing and training sessions on the policies, operation and management of the Korean eco-innovation technologies, including such issues of enabling policies, legislations, systems and R&D amongst others.
 - Site visits to exemplary eco-innovation technology development organizations and industries

Budget: Please provide a brief requirement by activities. The budget requirement is not full and well-defined. The detailed budget requirement will be fully elaborated after the PCP is selected. Nevertheless, this information is to help KOICA to better understand the project.

Activities by Components	Contents	Proposed budget (in USD)
Component 1. SMEs capacity building program in Indonesia: Part 1. Technical workshop on green transition and ecoinnovation	Instructor fee/ Interpretation fee Training fee / Facility lease operating expenses	80,000
Part 2. Corporate diagnosis and technology apprenticeship	Operating expenses 10 SMEs	84,000

Part 3. Technology exchange meeting between the Republic of Korea and the Republic of Indonesia	Operating expenses	42,000	
Component 2.Senior-level training program in Republic of Korea	Airfare and accommodation fee. Program operating expenses operating expenses	184,000	
Operating expenses	Administrative expenses Direct labor cost	30,000	
Tota	420,000		

SECTION 4. STAKEHOLDER ANALYSIS

TARGET BENEFICIARY: Please describe the following information: a) direct and indirect/wider beneficiary group, b) the number of the beneficiary, with gender segregation if necessary (e.g. 300 children rather than children in 3 schools), c) how the target group was identified, d) why they were selected as target group, e) how intended beneficiaries have been involved in Project design and their expected role in Project implementation and evaluation. If relevant, the target group needs are disaggregated by sex.

a-d) Direct and indirect/wider beneficiary group (numbers and rationale behind selection):

- Direct beneficiary group:
 - About 30 SMEs and their owners and employees, who are committed to sustainable development and green transition through technology and business management innovation Government officials in Indonesia involved in making green transition policies and/or supporting SMEs
 - About 10-15 senior level policy makers (Director General level) from the Indonesian government involved in making green transition and eco-innovation policies and/or supporting SMEs development
 - Ministry of Cooperatives and SMEs of the Republic of Indonesia with the Project implementation responsibility (including monitoring and evaluation) was selected based on its mandate related to support green technological transition to meet the goal of "achieving an environmentally sustainable method".
- Indirect/wider beneficiary group:
 - Other Indonesian SMEs, central and local government and public offices, research institutes, universities, non-profit institutions, manufacturing establishments committed to green transition and technology and management innovation
- e) Roles of beneficiaries in the Project implementation process (including monitoring and evaluation):
- Project implementation led by the Ministry of Cooperatives and SMEs of the Republic of Indonesia
- Performance standard verification on innovative green technology and management development support provided by the target SMEs
- On-site consulting service arrangement facilitated by the selected Indonesian manufacturing sites that are committed to reducing pollutants through green production processes such as cement, steel, petrochemicals, incinerators, etc.

 Training and awareness raising supported by the SMEs, green technology research institutes etc.

OTHER STAKEHOLDERS: Please describe other stakeholders (e.g. partner government agency, international organization, NGO, donor agency, etc.), if any, including a) name/group, b) respective role(s), and cooperation/coordination mechanism, etc.

4.2

The project will be Implemented by Ministry of Cooperatives and SME Republic of Indonesia as well as coordinator project. During the Implementation, Ministry of Cooperatives and SME will cooperate and coordinate with the following stakeholders and organizations:

- Ministry of Environment and Forestry (KLHK)
- National Development Agency (BAPPENAS)
- Green Business Center (GBC)

SECTION 5. PROJECT MANAGEMENT AND IMPLEMENTATION

PROJECT MANAGEMENT: Please describe a) who will be responsible for planning and management of the Project operations as well as coordinating other bodies and organizations associated with the Project, b) what arrangements will be established to ensure that there will be effective coordination with other relevant programs and activities.

Ministry of Cooperatives and SME of the Republic of Indonesia, in charge of the Project implementation (including planning, management of the Project operations and coordination with stakeholders), in close collaboration with the ASEIC Office in Seoul, Republic of Korea and the ASEIC-GBC in Jakarta:

- The Project Steering Committee with the Secretariat support provided by the Ministry of Cooperatives and SME and the ASEIC:
 - The Ministry of Cooperatives and SME responsible for the Project implementation process is to establish the Project Steering Committee in charge of overseeing, reviewing and approving the Project plan, results, operation reports, monitoring and evaluation. The composition of the Steering Committee will involve the representatives of the key beneficiary group. The Ministry of Cooperatives and SME together with the ASEIC will take up the Secretariat support to the Project Steering Committee.

- The Technical Advisory Committee to nominate the target participants/beneficiary group:
 - As required, the Project Steering Committee will be supported by the Technical Advisory Committee to be formed involving the key eco-innovation and SMEs development related government officials and experts. The Technical Advisory Committee prepares the selection criteria considering various factors such as the purpose of training, profiles, training, experience, suitability, and gender balance amongst other factors to be determined. The Technical Advisory Committee will nominate the target participants based on the selection criteria agreed and following the recommendation by the Ministry of Cooperatives and SME and the ASEIC, in consultations with the relevant stakeholders (involving economic innovation and technology research organizations etc.)

- The Project monitoring and evaluation led by the Ministry of Cooperatives and SME and the ASEIC and based on the Results Framework (RF)to be developed:
 - The Ministry of Cooperatives and SME and the ASEIC are to develop the Results Framework (RF) based on the results-based management (RBM) of international development cooperation projects.
 - The RF shows logical framework table achieving the expected outcome and outputs as a result of carrying out a series of activities planned and with the inputs during the Project period and within the budget.
 - The RF will have output indicators based on the SMART principles (specific, measurable, achievable, relevant and time-bound) and followed by the verification methods to assess the expected outputs achieved.
 - The monitoring and evaluation plan is to be formed based on the RF and will involve the quarterly, mid-term (after six months of the Project start) and the end of Project evaluation.
 - Verification methods will include survey results, reports, self-evaluation feedback provided by the target participants amongst others.
 - The Project results will be published in reports (Indonesian, English and Korean) and publicly shared with state and city government officials, industry, and young entrepreneurs through expert forums, seminars, and briefing sessions amongst many.

Contact Information

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Environmental and Social Safeguard Screening Questionnaire

□ Project name: "Capacity Building Program for Green Transition of Indonesian
SMEs .
□ Prepared on: 24/02/2022
□ Prepared by: HenraSaragih, S.H.,M.H.,M.Kn.
-Department: Law and Cooperation Bureau
-Position: Head of Law and Cooperation Bureau
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1. Preliminary questions

[1-1] Is this a development consultation project?
■ Yes□ No
[1-2] Does this project include facility/infrastructure construction?
□ Yes■ No
If your answer to [1-1] is "yes" and your answer to [1-2] is "no," please do not proceed to No. 2.

2. Project overview

- 2-1. Location or address of project site

 [
- 2-2. Basic information related to project including scale (e.g. facility production capacity, etc.)

□ Drawing/satellite photo (check if attached)
2-3. Major impacts caused by project
① Does the project include construction of a new building, extension of an existing building, or repair of an existing building?
□ Yes (Land size:)■ No□ Unknown
(<u></u>
② Will the project cause a change in topography or land use?
□Will the project c■ Noll the pr
③ Will the project include development or use of water resources?
□Will the projec■ Noll the pr
Will the project cause occurrence of waste?
□Will the projec■ Noll the pr
©Will the project regult in involuntary relocation of lead residents?
⑤Will the project result in involuntary relocation of local residents? □ill the project result in■Noll the pr
□ iii the project result in ■ Noii the βi
Is the project likely to cause complaints or disputes with local residents?
□Is the project I No the proj
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3. Assessment of whether project is subject to your country's requirements for
environmental impact assessment, etc.
3-1. Does your country have laws or regulations related to environmental/social impact
assessment?
□-1. Does■ Unknown
3-2. Is the project subject to environmental/social impact assessment or other relevant
impact assessment under these laws or regulations?

□-2. Is th**■** Unknown

If your answer to the above question is ntal/sociyour country separately categorizes laws or regulations to deal with environment and society, please state the relevant category.
3-3. If the project is subject to environmental/social impact assessment and environmental/social management plan, please mark where applicable. □-3. If the project is subject to environmental/s (date/time:)
4. Project location features and project type
4-1.Istheproject site located in or adjacent to an area listed below? □roje■ No
□fVirgin forest or tropical forest
□iEcologically important habitat areas (coral reef, mangrove wetland, tidal flats) □cHabitat of rare species protected by domestic laws or international treaties
□aAreas with risk of soil erosion on large scale
□rAreas with notable desertification tendency
□reas with notable desertification tendencyalelaws or inte
□rArchaeologically, historically, or culturally valuable areas □rLiving areas of ethnic peoples, indigenous peoples, or nomads who retain a
traditional lifestyle
□iving areas of ethnic peoples, indigenous peoples, or nomads who retain a traditional lifes
□iving areas of ethnic peoples, ind
4-2. Does the project fall under one of the categories listed below? □-2. ■ No

⊸lf your	If your answer to the foregoing question is categories listed below?tain a tr						
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5. Environmental/social impact

Question	Yes	No	Unknown	Remarks
Is the project likely to have an impact on a nearby ecologically important or sensitive area (e.g. wetland, stream, coast, mountain, forest)?				
Is the project likely to have an impact on nearby natural scenery or geographic feature?				
3. Is the project close to a culturally or historically valuable area?				
4. Does the project considerably encroach on an area that needs environmental consideration or require thealteration of surface texture or physical properties of the nearby land?				
5. Does the project require a large amount of water or energy during construction or operation?				
6. Will the project require water supply, sewerage, or transportation that current infrastructure facilities cannot provide?				
7. Will the project produce a large amount of waste, particularly of hazardous or toxic nature?				

Question	Yes	No	Unknown	Remarks
8. Will the project produce a large amount of drain water or air pollutants?				
9. Will the project have a serious impact on a nearby important body of water?				
10. Is the project likely to have a serious impact on surface/underground water in terms of amount or quality?11. Does the project require lodging facilities or other accommodations for workers during construction or operation?		•		
12. Does the project require using a large amount of fertilizers or pesticides?				
13. Does the project include introduction of foreign species of wildlife to the area?				
14. Does the project involve any risk of turning the area into a habitat for pests or animals carrying infectious diseases?				
15. Will the project cause harm to people in a nearby densely populated area due to air pollution, noise, vibrations, or stench?				
16. Will the project cause serious soil erosion or degradation due to its location (e.g. steep slope or vulnerable soil area)?				
17. Will the project cause an influx or relocation of a large number of people in the area?				
18. Will the project cause involuntary relocation of a large number of people elsewhere?				
19. Will the project cause a change in way of life for local residents?				

Question	Yes	No	Unknown	Remarks
20. Will the project have a negative impact on cultural heritage objects/sites in the area?				