

IFC PENZA (International Finance Corporation Program for Eastern Indonesia Small and Medium Enterprise Assistance)



P E N S A
PENGEMBANGAN USAHA
PROGRAM FOR EASTERN
INDONESIA SME ASSISTANCE

Overview

The International Finance Corporation's (IFC) Program for Eastern Indonesian Small and Medium Enterprise (SME) Assistance, or IFC PENZA, is helping small producers in some of the poorest areas in Indonesia. The program is helping coastal farmers make their seaweed production and processing more profitable and their marketing networks more transparent. The project is promoting the growth of a viable SME sector in Eastern Indonesia. It was formally launched in September 2003 and has a 5 year budget of US\$25 million and 85 mainly local staff across offices in Balikpapan, Denpasar, Jakarta, Makassar, and Surabaya.

IFC PENZA projects cover six areas, namely business enabling environment; access to finance; supply chain linkages to SMEs in four areas of agribusiness; handicrafts; oil, gas, and mining industry; and sustainable supply chains.



World Bank President Paul Wolfowitz surveys the seaweed farmers by boat with several farmers

IFC PENZA Programs

- **The Business Enabling Environment Program**, based in Jakarta, is working with Foreign Investment Advisory Service to remove potential legislative and policy obstacles to investment and growth for SMEs in Indonesia. A current focus is a pilot program working with five regional municipalities to reduce the time it takes to start a business - on average registration presently takes 151 days.
- **The Access to Finance Program** is based in Surabaya. The program is working to develop a network of "brokers" that will link SMEs and banks. In 12 months this program has seen US\$4.5 million of loans approved and US\$6.2 million being processed. Also, a credit facility of up to US\$100 million is being created for commercial banks for lending to SMEs. The program has also run workshops for more than 200 businesswomen on financing options.
- **The Agribusiness Linkages Program**, based in Makassar, works with farming and coastal communities in some of the poorest areas of Indonesia. Program work centers on three areas - seaweed; cocoa; and integrated maize/poultry - supporting over 5,000 farmers.
- **The Oil, Gas, and Mining Industry Program** is based in Balikpapan. Its principal focus is the development of supply chain linkages between local enterprises and the large oil, gas, and mining interests. The program has started work on a cost sharing basis with BP in Papua, developing local businesses and potential suppliers.
- **The Handicraft Export Program** is based in Denpasar. This program is working to increase local small scale handicraft producers' export sales, which suffered a dramatic downturn after the Bali bombings of 2002 and 2005. To date, the program has helped facilitate almost US\$500,000 of export orders.
- **The Sustainable Supply Chain Program** is based in Denpasar and aims to create business opportunities—primarily in forestry/furniture—by emphasizing improved environmental management and sustainable practices. The program has provided technical assistance in areas such as design, marketing, timber drying and establishing contact with international furniture buyers. Already the program has delivered furniture sales of over US\$300,000.

Seaweed Project

Background

The IFC PENZA office in Makassar works with farming and coastal communities in some of the poorest areas of Indonesia. Program work centers on three areas: seaweed; cocoa; and integrated maize/poultry, which helps support over 5,000 farmers.

Project Objectives

To establish a market information system and encouraging investments in semi-processing at the community/village level. The market information system can be seen at <http://www.seaplant.net/> or in Bahasa Indonesia at <http://www.jasuda.net>.



Drying seaweed at th Juku Ejaya village

Project Design

The project links farmers and end users in an efficient, sustainable, environmentally sound and transparent manner. Project components include:



Seaweed farmers talk about changes in their production and marketing

- **Improving farming practices.** One group of 34 farmers is now trying out a “new seedling” and best practices method, such as bigger size of seedling, appropriate attachment spacing, daily tender loving care and proper drying practices by using platforms and/or hanging systems. The aim is to improve productivity and product quality to attract better prices.

- **Improving market chain:** The existing market chain is: farmer ----> village collector ----> sub district collector ----> district collector ----> exporter in Makassar. Farm gate price is Rp. 3500/kg. IFC PENSA links the groups directly to the exporter; several meetings between the groups and the exporter have been facilitated to agree upon quality requirement and minimum price. The minimum price in Makassar is Rp. 4700/kg.
- **Improve access to information:** IFC PENSA provides a computer network to be used by the farmers both for searching information (technical information on seaweed farming, price discovery etc) as well as communicating with other farmers in other areas.
- **The key challenges faced by project implementation include**, changing the farmers’ paradigm into thinking of themselves as business people, thereby empowering them to make business decision, takes time.

More information:

- ▶ Market Information System: <http://www.seaplant.net/>
- ▶ [Agribusiness Linkages Program](#)
- ▶ [IFC PENSA for Eastern Indonesia Official Website](#)
- ▶ [Multi Donor Support Office for Eastern Indonesia \(SOEI\)](#)
- ▶ Eastern Indonesia Knowledge Exchange: <http://bakti.org>

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