Indonesian Approach to Enhance the SMEs Empowerment in Practicing Food Safety Standards

Submitted by: Indonesia
Indonesian Approach to Enhance the SMEs Empowerment in Practicing Food Safety Standards

Roy Sparringa
Deputy Chairman for Food Safety and Hazardous Substance Control
The National Agency for Drug and Food Control
Republic of Indonesia

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AGENDA

1. Indonesian Regulation on Food Safety
2. Scope of Food Manufacturing SMEs in Indonesia
3. Current Situation of SMEs in Indonesia
4. SME Empowerment Programs in Indonesia
1. INDONESIAN REGULATION ON FOOD SAFETY

- Act No. 20 of 2008 on Micro, Small, and Medium Enterprises
- Act No. 36 of 2009 on Health
- Act No. 18 of 2012 on Food
- Government Regulation (GR) No. 28 of 2004 on Food Safety, Quality and Nutrition
- Head of NADFC RI Regulation No: HK.03.1.23.04.12.2205 dated April 5th 2012 on Guidelines of Certification for Food Produced by Household Food Industry

Indonesian Government Regulation

According to The Government Regulation No. 28/2004 on Food Safety, Quality and Nutrition

Any processed food in retailed package produced for sale or distribution shall be **pre-market evaluated** for its safety and **registered** at NADFC

Except for processed food in retailed package produced by a household food industry (mostly SME) shall be evaluated and registered at District or City Government

NADFC was given a mandate to issue a Regulation regarding Good Manufacturing Practices for application by a Household Food Industry Head of NADFC RI

Regulation No: HK.03.1.23.04.12.2206 of 2012
The NADFC RI Regulation to Support the Empowerment of SMEs (Household Food Industries in particular) in the District Areas:

1. Head of NADFC RI Regulation No: HK.03.1.23.04.12. 2206 of 2012 on Good Manufacturing Practices for application by a Household Food Industry

2. Head of NADFC RI Regulation No: HK. 03.1.23.04.12. 2205 of 2012 on Guidelines on Certification of Household Food Production

3. Head of NADFC RI Regulation No: HK. 03.1.23.04.12. 2207 of 2012 on Inspection Procedures of Household Food Industry Production Facility

2. SCOPE OF FOOD MANUFACTURING SMEs IN INDONESIA

Act No 20 of 2008:

<table>
<thead>
<tr>
<th>Parameter</th>
<th>Micro</th>
<th>Small</th>
<th>Medium</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Assets (Rp)</td>
<td>50 Million (M)</td>
<td>&gt; 50-500 M</td>
<td>&gt;500 M-10 Billion (B)</td>
</tr>
<tr>
<td>Sales of years (Rp)</td>
<td>300 Million (M)</td>
<td>&gt;300 M-2,5 B</td>
<td>&gt;2,5 – 50 B</td>
</tr>
</tbody>
</table>

1 USD $ : Rp. 9.735,- (April 2013)

GR No 28 of 2004:

**Household Food Industries (HFIs)**

Food producers which have their place of business in a residence with food processing equipment from manual to semi-automatic.
3. CURRENT SITUATION OF SMEs IN INDONESIA

<table>
<thead>
<tr>
<th>INDICATOR</th>
<th>2009</th>
<th>2010</th>
<th>GROWTH RATE</th>
<th>2009 PROPORTION</th>
<th>2010 PROPORTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Units</td>
<td>52,76 M</td>
<td>53,82 M</td>
<td>2.01 %</td>
<td>99.99 %</td>
<td>99.99 %</td>
</tr>
<tr>
<td>Labour</td>
<td>96,21 M</td>
<td>99,40 M</td>
<td>3.32 %</td>
<td>97.30 %</td>
<td>97.22 %</td>
</tr>
<tr>
<td>GDP (Constant Price of 2000)</td>
<td>Rp 1,212,59 B</td>
<td>Rp 1,282,57 B</td>
<td>5.77 %</td>
<td>58.05 %</td>
<td>57.83 %</td>
</tr>
<tr>
<td>Export Non-Oil and Gas</td>
<td>Rp 162,25 B</td>
<td>Rp 175,89 B</td>
<td>8.41 %</td>
<td>17.02 %</td>
<td>15.81 %</td>
</tr>
<tr>
<td>Investment (Constant Price of 2000)</td>
<td>Rp 224,01 B</td>
<td>Rp 247,14 B</td>
<td>10.33 %</td>
<td>49.39 %</td>
<td>48.34 %</td>
</tr>
<tr>
<td>SMEs Productivity</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Per business units</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Per labour</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>SMEs Productivity - Per business units</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SMEs Productivity - Per labour</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Source: Statistic Indonesia and Ministry of SMEs (2011)</td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

SNAPSHOT OF SMEs

- SMEs development is driven by population growth (1.49% per year)
- Scale: 57.6% (2004) and 53.6% (2006) from all national business units is agribusiness-based; including food.
- SMEs (2008) have contributed Rp 439.86 B (39.72%) from the total production of Rp 1107.54 B.

During 2011 – 2012:
- Business development: 3.3 %
- Productivity development per business unit: 3.69 %
- Labour development: 2.38 %
- Number of business units: about 53.5 M (2011) & 55.6 M (2012)
- Number of labour: reach 50 M people (46.7%) from 107.7 M productive-age population in Indonesia, 62.5% of them on a micro-scale enterprises
COMPETITIVENESS of SMEs

ASEAN Single Market 2015

Readiness of SMEs?

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INDONESIA GDP

<table>
<thead>
<tr>
<th>Big Industry</th>
<th>SMEs</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total entity</strong></td>
<td><strong>53,823,734</strong> (99.99%) → 53.6%</td>
</tr>
<tr>
<td><strong>SMEs foods and agriculture</strong></td>
<td><strong>1,282,6 trillion</strong> (57.83%)</td>
</tr>
<tr>
<td><strong>Big Industry</strong></td>
<td><strong>SMEs</strong></td>
</tr>
<tr>
<td><strong>4,838 (0.01%)</strong></td>
<td><strong>53,823,734</strong> (99.99%)</td>
</tr>
<tr>
<td><strong>Rp 935.4 trillion</strong> (42.17%)</td>
<td><strong>Rp 1,282,6 trillion</strong> (57.83%)</td>
</tr>
</tbody>
</table>

Sumber: BPS and Dept. Cooperatives and Small and Medium Enterprises (2011)
**DISTRIBUTION OF HOUSEHOLD FOOD INDUSTRIES IN INDONESIA**

Source: NADFC (Des, 2012)

### Table: Distribution of Household Food Industries in Indonesia

<table>
<thead>
<tr>
<th>Province</th>
<th># HFI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jambi</td>
<td>1,728</td>
</tr>
<tr>
<td>Sulawesi Tengah</td>
<td>937</td>
</tr>
<tr>
<td>Kep. Riau (Batam)</td>
<td>283</td>
</tr>
<tr>
<td>Kalimantan Barat</td>
<td>759</td>
</tr>
<tr>
<td>Kalimantan Timur</td>
<td>3,052</td>
</tr>
<tr>
<td>Jawa Barat</td>
<td>8,047</td>
</tr>
<tr>
<td>Papua</td>
<td>1,473</td>
</tr>
<tr>
<td>Sulawesi Tenggara</td>
<td>907</td>
</tr>
<tr>
<td>NTT</td>
<td>301</td>
</tr>
<tr>
<td>Jawa Tengah</td>
<td>2,218</td>
</tr>
<tr>
<td>Di Yogyakarta</td>
<td>601</td>
</tr>
<tr>
<td>NAD</td>
<td>503</td>
</tr>
<tr>
<td>Kalimantan Selatan</td>
<td>1,803</td>
</tr>
<tr>
<td>Bengkulu</td>
<td>1,039</td>
</tr>
<tr>
<td>Bali</td>
<td>893</td>
</tr>
<tr>
<td>NTB</td>
<td>1,080</td>
</tr>
<tr>
<td>Sulawesi Utara</td>
<td>497</td>
</tr>
<tr>
<td>Kalimantan Tengah</td>
<td>1,058</td>
</tr>
<tr>
<td>Jawa Timur</td>
<td>5,646</td>
</tr>
<tr>
<td>DKI Jakarta</td>
<td>1,409</td>
</tr>
<tr>
<td>Sumatera Utara</td>
<td>1,131</td>
</tr>
<tr>
<td>Sumatera Selatan</td>
<td>1,630</td>
</tr>
<tr>
<td>Riau</td>
<td>2,062</td>
</tr>
<tr>
<td>Sumatera Barat</td>
<td>3,644</td>
</tr>
<tr>
<td>Banten</td>
<td>180</td>
</tr>
<tr>
<td>Sulawesi Selatan</td>
<td>4,480</td>
</tr>
<tr>
<td>Gorontalo</td>
<td>95</td>
</tr>
<tr>
<td>Maluku</td>
<td>144</td>
</tr>
<tr>
<td>Bangka Belitung</td>
<td>669</td>
</tr>
<tr>
<td>Maluku Utara</td>
<td>43</td>
</tr>
<tr>
<td>Lampung</td>
<td>1,490</td>
</tr>
<tr>
<td>Total</td>
<td>49,802</td>
</tr>
</tbody>
</table>

**Source:** NADFC (Des, 2012)
**FOOD SAFETY INSPECTION OF SMEs**

**Production Facilities**

- **N = 1,504**
  - **Good Condition 51.06 %**
  - **Need Improvement 24.80 %**
  - **Comply with Minimum Requirements 24.14 %**

A = the production environment, B = buildings & facilities, C = production equipment, D = water supply, E = hygiene sanitation facilities & activities, F = pest control, G = health & hygiene of employees, H = process control, I = label food, J = storage, K = management oversight, L = recording & documentation, M = employee training.

**SMEs’ PRODUCT PROFILE**

- **N=2,666**
  - **Compliance 83.68 %**
  - **Non Compliance 16.32 %**
INTERVENTION HIGHLIGHT FOR SMALL MEDIUM FOOD ENTERPRISES

Lack of knowledge and information:
- Misuse of hazardous chemicals
- Proper food additives
- Diversification opportunities and product innovations
- Local potential and export necessity
- Risky foods

Food shouldn’t be produced by SMEs:
- Meatball
- Fish Ball
- Kefir
- Yoghurt
- Milk Ice
- Chicken Nougat
- Kamaboko
- Sausage

CAPITAL & MARKETING ASPECT

Capital

Human resources:
- Unable to access / submit proposals on formal credit institutions, are from capital / family
- Unable to manage financial planning, entrepreneurial spirit and insight

Marketing
- Still using conventional distribution line
- Marketed locally

<table>
<thead>
<tr>
<th>DESCRIPTION</th>
<th>VALUE (US $)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2007</td>
</tr>
<tr>
<td>F &amp; B Import</td>
<td>3,562,957.959</td>
</tr>
</tbody>
</table>
4. SME EMPOWERMENT PROGRAMS IN INDONESIA

GOAL: Maximizing Empowering SMEs

SMEs INVESTMENT FOCUS

Food Safety Construction

“Best Practice” Demonstration

Product’s Competitiveness

Directly related to technology and supply chain

Local Economic Development

Food safety construction:
- technical assistance to local governments
- increase competence and number of inspector, food extension officer, facilitator

“Best practices” demonstration:
- investment expertise and skills
- increasing compliance
- risk communication among regulator

Product’s Competitiveness:
- meets the requirements safety and quality products
- meets the requirements of the global market

Empowerment Programs of SMEs In Indonesia

1. Government
2. University
3. Private sector
**Strategy:**
- Promoting
- Nurturing
- Sustaining

**Partnership**

**The National Program for SME’s Empowerment**

**INTEGRATED APPROACH**

**Policy Synergy**

- Grand Design of SMEs Development
- Target, Scheme, Criteria, Supervision, Reinforcement and Facilitation
- Regional and central Government policy

**Role**

<table>
<thead>
<tr>
<th>Role</th>
<th>Department</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coordination</td>
<td>Bappenas</td>
</tr>
<tr>
<td>Planning</td>
<td>Coord. Ministry for Economy</td>
</tr>
<tr>
<td>Implementation</td>
<td>Dept. of Cooperatives and Small and Medium Enterprises</td>
</tr>
<tr>
<td>Primary</td>
<td>Ministry of Agriculture</td>
</tr>
<tr>
<td>Secondary</td>
<td>Ministry of Marine Affairs and Fisheries</td>
</tr>
<tr>
<td>Tertiary</td>
<td>Ministry of Industry</td>
</tr>
<tr>
<td>Supporting</td>
<td>Ministry of Trade</td>
</tr>
<tr>
<td>Energy</td>
<td>Ministry of Energy and Mineral Resources</td>
</tr>
<tr>
<td>Technology</td>
<td>Ministry of Research and Technology, BPPT, LIPI</td>
</tr>
<tr>
<td>Finance</td>
<td>Bank of Indonesia</td>
</tr>
<tr>
<td>Standards</td>
<td>NADFC, BSN</td>
</tr>
</tbody>
</table>
The National Program for SME’s Empowerment

INTEGRATED FACILITATION

FINANCING
- Capital
- Investment

PROGRAM

Raw material → Primary production → Product
- Finished
- Unfinished

MARKETING

FURTHER PROCESSING

FINANCING
- Capital
- Investment

ENTITIES

Trader → Farmer → Fishermen → Home Industry → Merchant Industry

COOPERATIVE

Ministry of Cooperatives and Small and Medium Enterprises
Ministry of Agriculture
Ministry of Marine Affairs and Fisheries
Ministry of Industry
Ministry of Trade
BPOM, BSN, MUI other certification bodies
Local government, Associations etc.

HARMONIZATION

The Scheme for Certification of Household Food Industry

How do we develop a scheme for certification of Household Food Industry by the district government?

NADFC issued a regulation (No. HK.03.1.23.04.12.2205 year 2012) on Guidelines on Certification of Household Food Production, as follows:

1. HFI sends an application to District Government for producing a food product

2. Upon receiving the application, the District Government will train HFI on food safety.

3. If pass the exam, HFI will receive a Training Certificate

4. District Government will audit HFI’s premises and issue HFI Certificate when HFI complies with food safety requirements

District Government

Household Food Industry (HFI)
Competency-based Human Resource Development

INDUSTRIES

Increasing Competence

KKNI
SKKNI

COMPETENCY BASED TRAINING

COMPETENCY BASED ASSESSMENT

BNSP LSP

COMPETENCE EVIDENCE:

- Competence Certificate
- Training Certificate
- Recognized experience

SKKNI : The standard of national working competency in Indonesia
BNSP : The national agency for profession certification
LSP : The institution for profession certification

Guidance and Control

Human Resources professional competent competitive

SKKNI : The standard of national working competency in Indonesia
LDP : The center for profession education & training
LSP : The institution for profession certification
MRA : Mutual Recognition Agreement

GR 31/2006
Human Resources Development Based Website

- Online training of competency for FEO & DFI
- e-learning for SMEs
- Developing subsite www.pom.go.id on information concerning production of various SMEs’s product

Target until 2015:
- The increasing number of Food Extension Officer (FSO) from 2,500 people to 3,000 people
- The increasing number of District Food Inspector from 2,000 People to 2,500 people

Empowerment food SMEs through business incubators

- National Banking Support
- Bridging function of government to link banking and SMEs
- Access to financial aids and managerial guidance
The Indonesian Food Star Award

Industries must meet the requirements of One and Two Star award before they get Three Star award

Three Star Award: Food Safety Management based on the principles of HACCP

Two Star Award: Good Food Production (FGP) etc, appropriated building & equipment, followed procedure and completed worksheets

One Star Award: Training and Application of Food Safety

Food Safety Clearing House (FSCH) Development.

Goal:
- Improved innovation collaborative effort
- Food safety SMEs promotion in order to increase their competitiveness through the provision of data access and food safety information.
- Focus on five accessibility intervention model:

<table>
<thead>
<tr>
<th>FSCH Lines</th>
</tr>
</thead>
<tbody>
<tr>
<td>Structure</td>
</tr>
<tr>
<td>Objective 2012</td>
</tr>
</tbody>
</table>

NADFC - RI

Compliance access

PRODUCERS

Technology access

Capital access

Market access

Management access

Performance will Increase

Integrated Stakeholder/Business Lines
SMEs Empowerment Program by Universities

• Approach:
  – Technology transfer (product/process)
  – Training/capacity empowerment
  – Marketing (limited)
  – Capital (limited)

• Running program:
  – Business incubator
  – Outreach/extension programs/ education

SMEs Empowerment Through Corporate Responsibility

• Approach:
  – Technology transfer (product/process) (limited)
  – Training/capacity empowerment (limited)
  – Marketing
  – Capital

• Running program:
  – Supporting associations of food vendor
  – Supplying good & safe raw material/ingredients
  – Designed packaging and labelling
  – Provide grant/loan for establishing hygienic preparation equipment/unit
Objectives of This Workshop

1. To obtain actual and significant feedback from key stakeholders/organization in Indonesia food industry with regard to
   (1) empowerment of SMEs in applying/complying to food safety regulation;
   (2) appropriate and (encouraging) regulatory approaches in enhancing food safety standards (especially for SMEs);
   (3) applying appropriate yet effective communication and training strategy(ies) to enhance SMEs capacity building.

2. To develop and establish recommendations and key points to be delivered at an APEC food safety conference covering the three areas as stated above.

Expectation

- what recommendations we, as one APEC community, can generate to be regarded as the best practice to be applied by APEC economies in enhancing the capacity of SMEs in applying food safety standards in their food production.

- It is hoped that:
  - by applying food safety standards in their production, SMEs would enhance the guarantee that food to be traded are of conforming quality and safety, and
  - they will be more competitive and will significantly contribute to food security, trade and the economy of the APEC region.
For further Information, please contact:
Deputy for Food Safety and Hazardous Substances Control
Directorate for Food Safety Surveillance and Extension
Jl. Percetakan Negara No. 23 Jakarta Pusat 10560, Indonesia
Phone / Facsimile: + 62 21 42878701
Email: deputi3 @pom.go.id
surveilan pangan@pom.go.id