

# HIVOS PARTNER BDS CASE STUDI PROFILING

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## **CASE STUDY:**

**ASSOCIATION OF WOMEN SMALL BUSINESS ASSISTANCE (ASPPUK)  
- INDONESIA**



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## EXECUTIVE SUMMARY

### Background and Objective of Study

This report presents results on the impact and effect of HIVOS Indonesia's capacity development support to partner organization's performance in business development service provider and facilitation.

HIVOS Indonesia selected the *Assosiasi Pendamping Perempuan Usaha Kecil (ASPPUK)* as the case study for Indonesia, as it is the only partner organization in Indonesia receiving support for BDS program. Referring to the terms used in the HIVOS BDS framework on BDS Facilitator and Provider, the National Secretariat of ASPPUK acts as BDS Facilitator, while the Women in Small Business Network (known as JARPUK) acts as BDS Provider.

This evaluation was conducted in Regional Secretary of ASPPUK Java, especially in Solo. Generally, recipients of this activity are Woman in Small Business (PUK) that incorporated in the Woman in Small Business Network (Jarpuk) Ngudi Lestari. It consisting of 20 groups (KPUK) and the total amounted to 335 members of the PUK.

Through assessment on the BDS performance prior to and after engaging on HIVOS program, it is expected that report could contribute towards Hivos and partner knowledge on BDS practice in Indonesia, especially on which framework and practice are applicable in the Indonesian context. Lessons learned from the case of Indonesia are to be used in future Hivos policy guidelines and frameworks in the area of BDS capacity development.

The objectives of the evaluation are to:

- Assess capacity development and performance of BDS delivery and facilitation of HIVOS's partner organization in Indonesia
- Develop lesson learned on capacity development for BDS delivery and facilitation
- Develop policy recommendation for HIVOS continued CD support in BDS

### Evaluation process

This evaluation aims to look on the impact HIVOS's Indonesia capacity development support for business development service (BDS), mainly through market-commercial services.

Efforts to achieve business development is done through enhancement of ASPPUK capacity as a BDS facilitator and NGO members as the BDS providers in the economic development of the People.

Strategy ASPPUK performed with several indicators, such as:

1. Developing the concept of BDS to small-micro businesses as a strategy of empowerment of women and the elimination of poverty
  2. Building a database of prospective beneficiaries PUK scale appropriate programs and business clusters,
  3. Improving staff skills and networks ASPPUK as BDS providers.
- (ASPPUK 2008).

## BACKGROUND OF PARTNER ORGANIZATION IN CAPACITY DEVELOPMENT AND BUSINESS DEVELOPMENT SERVICES

*Asosiasi Pendamping Perempuan Usaha Kecil* (Association of Women Small Business Assistant – ASPPUK) is an association of NGOs working in assisting the development of micro and small business run by women. Established in 1997, currently ASPPUK has 52 NGO members, located in 64 municipalities/districts in five different islands (Jawa, Kalimantan,

Sumatera, Sulawesi and Nusa Tenggara) in Indonesia. The eligibility to be an ASPPUK member, NGO should at least have been assisting 100 women in micro and small business, has a legal status for at least 3 years, and is not affiliated with military and government institutions or with political party.

For the period 2008 - 2013, the ASPPUK's program lays on three major themes:

1. Economic empowerment/strengthening: facilitation of SMEs development and advocacy for policy change (specific on SME and gender issues)
2. Political empowerment/strengthening: political education (group meeting, individual/group empowerment) and technical training on advocacy, lobbying, negotiation skills, policy analysis, pro-poor and gender budgeting, etc
3. Development of database on JARPUK members

In this period the internal of ASPPUK experienced sudden incident. National Executive Secretary of (SEN) ASPPUK was passed away due to complication following an operation in early of 2009. The election of new SEN ASPPUK was appointed in May 2009 and started leading ASPPUK in July 2009. Due to staff changes impact on activities of ASPPUK. However, because all regional secretariat offices also involved in program design, then the implementation in the regional level was still on.

#### Products and services of ASPPUK as BDS Facilitator

ASPPUK with support from HIVOS conducted a pilot project on BDS in three districts in Java, in 2006-2007. The objective of the pilot project was to test the effectiveness of the integrated technical assistance approach (combining economic, political and gender approaches), before it is introduced to other regions. In their perspective, HIVOS support has been effective since it provided spaces for innovation in integrating technical assistance on business with community organizing and advocacy.

Following this pilot project, the HIVOS BDS Program 2008-2011 focuses on the (i) economic aspect by strengthening of BDS and (ii) capacity building related to improvement of BDS Provider performance. It includes the following activities:

- Program Management Workshop
- Development of database and monitoring-evaluation system
- Technical and skill trainings aim to improve capacity of BDS Provider organizers and staffs.
- Engaging professional business consultant in BDS Providers to support the provision of business development services
- Documentation of program and lesson learned on the process.

The case of ASPPUK shows that ASPPUK acknowledges the needs to apply market-based principles in providing business assistances for women small business. This is shown through their adoption of external evaluator's recommendation on focusing more on the business side rather than political side, and conducting activities that were expected to improve members and JARPUK's capacity to act as BDS provider. Market-based principle is also introduced through applying fee-based mechanism for service providers. However, the program still proposed capacity development of women small business network's in policy advocacy. It shows that ASPPUK attempt to combine the new approach of business development service and political empowerment of women small business.

Meanwhile, product and services of BDS Provider that implementad in Solo City includes:

- Business consultation, mentoring, market access, marketing media development

- Development of database on small business profile, input-marketing chains, business financial flows
- Business development training: entrepreneurship, business motivation, product management, business plan, marketing management, business feasibility, financial training
- Technical skills training: related to craftmaking, embroidery, *batik* making, recycle product making, local/traditional crafts, food processing
- Financial training, provided by Women MFIs, including micro-finance management, micro-credit and cooperative management, financial administration
- Organizational skills training, to include organizational management, community organization, and team building
- Gender-related training: basic knowledge on gender, gender analysis, mainstreaming gender, gender-perspective monitoring and evaluation tools
- Advocacy training: lobbying and advocacy, gender-sensitive budgeting, voter education, civic education, community organizers, facilitator, legislative candidates
- Self development training, include assertiveness and social adaptation training. The training methods apply field experiences and tailored-made modules.

#### Summary of key findings:

Based on data and observations made in Solo, a few important things to note include:

- ASPPUK believes that to achieve their vision, ASPPUK should conduct empowerment on political and business capacity of PUK and NGO members. Business capacity refers to the ability of NGO members to facilitate women's business development, while at the PUK level, ASPPUK provide direct support in the forms of training. On the political side, ASPPUK conduct trainings on politics, community organizer training, advocacy skills, and problem analysis. Both sides of empowerment would promote a strong women small business.
- Principle of market approach in assisting business, introduced by HIVOS, is acknowledged, but ASPPUK does not want to entirely leave the political
- The introduction of market based principle is integrated in the new program design
- NGOs and staffs have strong capacity in organization, policy advocacy, gender. For providing business assistance, however, NGOs and staffs require additional capacity of organization/staffs in business.
- ASPPUK combine new and old approach, reflecting an attempt to adapt with new approach with their believe in political empowerment.

#### Recommendation

Recommendations were proposed based on two scenarios: that ASPPUK was willing to move toward purely-profit oriented BDS, or that ASPPUK moved toward the spectrum of social enterprises units

Factors that constrained ASPPUK to move towards this direction have been outlined in the previous chapter. But if ASPPUK decided to take this option, more efforts should be allocated for increasing organizational and individual capacity of NGOs or ASPPUK branch offices. Capacity development needed is on more effort for improving capacity in doing business. This is especially important for NGOs or ASPPUK Jawa who acts as BDS providers.

While BDS run by ASPPUK's members are quite likely will stay as BDS Social spectrum, CD support are best to improve ASPPUK in fund raising strategy and developing alternative mechanism for finding alternative findings. These types of BDS would not be able or willing to go to fully profit oriented. However, alternative sources of funding are available, such as from the mechanism of Corporate Social Enterprises. ASPPUK should be able to develop their capacity in finding and accessing different source of funding. This will include the capacity in developing programs that will meet both ASPPUK's objectives and interest in assisisting PUKs and at the same time meet the interest of different source of funding.

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## **GLOSSARY**

ASPPUK	Asosiasi Pendamping Perempuan Usaha Kecil (Association of Women in Small Business Assistance)
JARPUK	Jaringan Perempuan Usaha Kecil (Small Business Women Network)
KPUK	Kelompok Perempuan Usaha Kecil (Small Business Women Group)
ASPPUK Setnas	National Secretary of ASPPUK
ASPPUK Wilayah	Regional Secretary of ASPPUK
LKP	Lembaga Keuangan Perempuan – Women Microfinance Institution, managed by JARPUK

# **CHAPTER 1**

## **INTRODUCTION**

### **Background and Objective of Study**

This report presents the case study results on the impact and effect of HIVOS Indonesia's capacity development support to partner organization's performance in business development service provider and facilitation.

Through assessment on the BDS performance prior to and after engaging on HIVOS program, it is expected that report could contribute towards Hivos and partner knowledge on BDS practice in Indonesia, especially on which framework and practice are applicable in the Indonesian context. Lessons learned from the case of Indonesia are to be used in future Hivos policy guidelines and frameworks in the area of BDS capacity development

The objectives of the case study review are to:

- Assess capacity development and performance of BDS delivery and facilitation of HIVOS's partner organization in Indonesia
- Develop lesson learned on capacity development for BDS delivery and facilitation
- Develop policy recommendation for HIVOS continued CD support in BDS

### **Selection of Case Study**

HIVOS Indonesia selected the *Assosiasi Pendamping Perempuan Usaha Kecil* (ASPPUK) as the case study for Indonesia, as it is the only partner organization in Indonesia receiving support for BDS program. Referring to the terms used in the HIVOS BDS framework on BDS Facilitator and Provider, the National Secretariat of ASPPUK acts as BDS Facilitator, while the Women in Small Business Network (known as JARPUK) acts as BDS Provider (see the organization structure and function in the BDS program in chapter II).

BDS Program supported by HIVOS has been implemented in five districts, namely Sukoharjo, Solo, Kudus (Central Java), Padang (West Sumatera) and Pontianak (West Kalimantan). BDS Provider in these five areas are managed by Women in Small Business Networks (in short JARPUK). Among the five BDS Providers under this program, two providers in Sukoharjo and Solo have the longest experience in providing assistances on small business development, while other providers are relatively new. In consultation with HIVOS and National Secretariat of ASPPUK, JARPUK in Solo (the BDS Provider) was selected as a case study in the Indonesian context, based on practical consideration (relatively short distance, 9 hours away from Jakarta/Bandung) and substantial consideration (ASPPUK Jawa is relatively more progressive than other regions, has had a long experience in implementing old

(subsidy-based) BDS principle and relatively ready to enter into new market-commercial mechanism.

## **Case Study Process**

For this study, the consultant used primary and secondary data. The primary data was gathered by in-depth interview and group discussion with HIVOS Indonesia Program Officer on BDS, National Executive Secretary of ASPPUK as BDS Facilitator 'managing director' and staffs, BDS Provider leaders and staffs in Solo, as well as the women in small business as clients to BDS in Solo. The secondary data include relevant documents such as program proposal developed by ASPPUK, annual report of BDS Facilitator and Providers, previous evaluation report, and monitoring tools. Data analysis used the primary and secondary data collected during the evaluation process.

## **CHAPTER 2**

### **BACKGROUND OF PARTNER ORGANIZATION IN CAPACITY DEVELOPMENT AND BUSINESS DEVELOPMENT SERVICES**

*Asosiasi Pendamping Perempuan Usaha Kecil* (Association of Women Small Business Assistant – ASPPUK) is an association of NGOs working in assisting the development of micro and small business run by women. Established in 1997, currently ASPPUK has 52 NGO members, located in 64 municipalities/districts in five different islands (Jawa, Kalimantan, Sumatera, Sulawesi and Nusa Tenggara)<sup>1</sup> in Indonesia. The eligibility to be an ASPPUK member, NGO should at least have been assisting 100 women in micro and small business, has a legal status for at least 3 years, and is not affiliated with military and government institutions or with political party.

ASPPUK's vision, as stated in their website, is to facilitate the development of equal and gender-equitable women in small-micro business (PUK-Micro) in a democratic, prosperous, egalitarian, equal and gender-equitable civil society. This vision is translated into two missions:

- To facilitate civil society movement with equality and gender justice perspective
- To facilitate equal access to and control over economic resources for women in small business

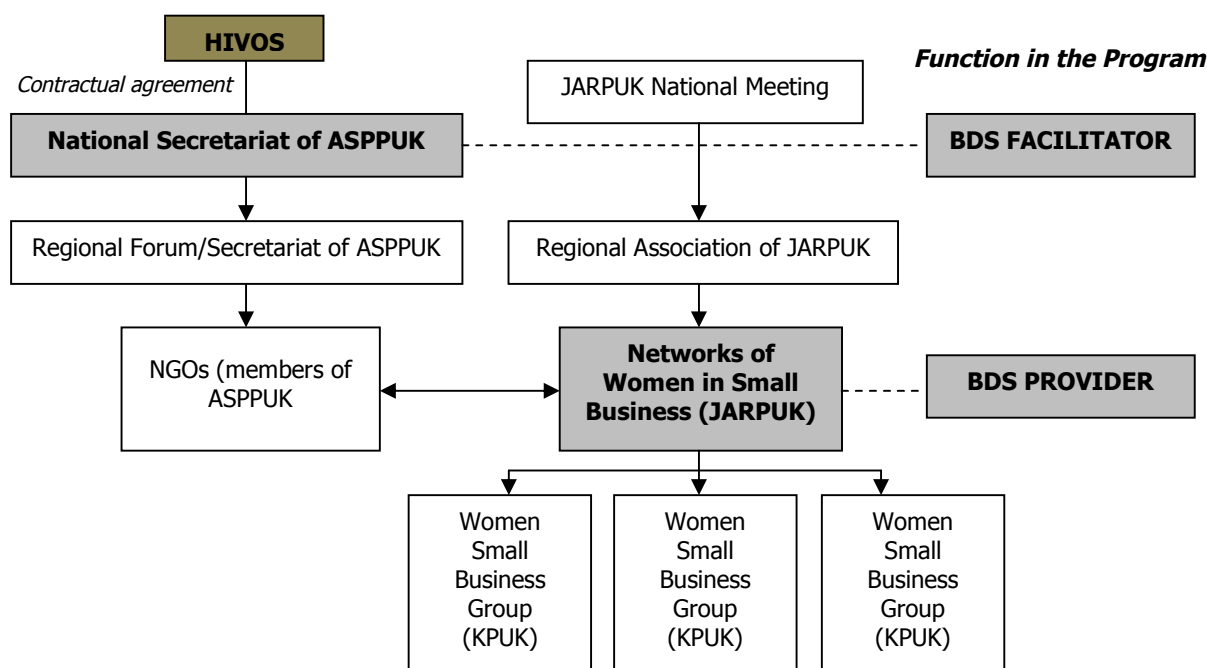
#### **Organization Structure and Function in the Program**

The diagram (Figure 1) below shows the structure of ASPPUK's organization and function of relevant bodies in BDS Program.

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<sup>1</sup> Information on ASPPUK can be obtained through [www.asppuk.or.id](http://www.asppuk.or.id)

**Figure 1 Organizational Structure and Function in the Program**



National Secretariat of ASPPUK (referred as ASPPUK Setnas in this report) is the executing body of ASPPUK's program. The ASPPUK Setnas office is led by a National Secretary (SEN), supported by several staffs. SEN was elected by the National Forum of members. Regional forum and secretariats are the executing body of ASPPUK program at the regional level. There are five regional secretariat: Java, Nusa Tenggara, Kalimantan Barat, Sumatera, Jawa dan Sulawesi.

NGO members are at the forefront in facilitating the formation of group, network and association of women in small business under the ASPPUK framework/organization structure. However, the basic principle of partnership is that the NGOs and JARPUKs have equal level; each has its own autonomy while working closely in organizational activities. The autonomy includes rights to refuse partnership with certain NGO or staff, as once happened in Central Java (evaluation report of HIVOS Program 2005-2007 with ASPPUK by Chotim and Aminah 2007).

Women group normally consists of 20 members living in the same neighborhood. Group formation usually come from an initiative of a relatively leading woman in the neighborhood, and facilitated by NGO. Formation of network and association of women in small business (see Figure 1) also follow similar process. In sum, currently, ASPPUK has promoted the formation of 664 JARPUK in 64 districts/municipalities, covering 1001 villages and 346 sub districts. These 64 JARPUKs comprise 25,678 PUKs, distributed in 1036 women small business group (KPUK).

## **ASPPUK Program**

For 2008-2013, ASPPUK's program lays on three major themes:

- Economic empowerment/strengthening: facilitation of SMEs development and advocacy for policy change (specific on SME and gender issues)
- Political empowerment/strengthening: political education (group meeting, individual/group empowerment) and technical training on advocacy, lobbying, negotiation skills, policy analysis, pro-poor and gender budgeting, etc
- Development of database on JARPUK members

ASPPUK Setnas plays major role in program design and liaison with donor agencies, in close consultation with members and association of JARPUK in various regions. Program implementations are mainly done by ASPPUK Regional Forum/Secretariat as well as JARPUK, as both have direct contacts with clients. In terms of HIVOS Program 2008-2011, which focus on BDS improvement on delivery and facilitation, the division of responsibilities within the organization is as follows:

1. National Secretariat of ASPPUK as BDS Facilitator involve in program design and budgeting (with consultation with Regional Forum and Association of JARPUK), as well as monitoring the delivery of the program activities.
2. NGOs (members of ASPPUK) or Regional Secretariat of ASPPUK is responsible in program design, budgeting, management and monitoring at regional level. In this case, they work closely with JARPUK in the respective districts.
3. JARPUK as BDS Provider is managed by local community organizers (usually women leader who also run small business). They are assisted by the NGO staffs and business consultants (if any) in provide services to clients
4. The clients of BDS include individual and group of small business for BDS providers, and the NGOs/Regional Secretariat of ASPPUK for BDS Facilitator.

## **Products and services of ASPPUK as BDS Facilitator**

Prior to the implementation of the program, HIVOS has conducted program evaluation for previous grant period (2004–2006). The evaluation results recommended ASPPUK to strengthen the economic aspect, i.e. facilitation of SMEs development, while ASPPUK has been successfully strengthened its political aspects. Referring, among others, to this evaluation results and internal reflections within the organization, HIVOS and ASPPUK agreed to enter into new program which focus on the implementation of BDS concept, with a new approach—market mechanism or fee-based services.

However, to be more effective in the delivery of the program, in 2006-2007, ASPPUK with support from HIVOS conducted a pilot project on BDS in three districts in Java. The objective of the pilot project was to test the effectiveness of the integrated technical assistance approach (combining economic, political and gender approaches), before it is introduced to other regions. In their perspective, HIVOS support has been effective since it provided spaces for innovation in integrating technical assistance on business with community organizing and advocacy.



Following this pilot project, the HIVOS BDS Program 2008-2011 focuses on the (i) economic aspect by strengthening of BDS and (ii) capacity building related to improvement of BDS Provider performance. It includes the following activities:

- Program Management Workshop: was conducted prior to the program implementation, participated by all implementing parties within ASPPUK. It aimed at achieving same level of understanding on the program's concept, framework, and design. This workshop was important because introduction of shifted framework was discussed in this workshop.
- Development of PUKs database and monitoring-evaluation system: this is an important instrument to monitor the effectiveness of the service delivery of BDS provider as well as the business lifecycle of the clients. Database updating and monitoring would be carried out regularly by the BDS Provider supported by NGOs in respective districts. ASPPUK and JARPUK will work together to ensure participation of JARPUK in developing an applicable database system. The initial database will serve as a baseline data on the PUKs condition prior to providing needed services, and updated database will serve the effectiveness of BDS service. However, when this research is done, the database development is still on the data collection stage.
- Technical and skill trainings aim to improve capacity of BDS Provider organizers and staffs. Fee and profit mechanism will also be introduced in the training, with emphasis on retaining social awareness of the staffs while working on the profit-oriented mechanism.
- Engaging professional business consultant in BDS Providers to support the provision of business development services
- Documentation of program and lesson learned on the process.

### **Product and services of BDS Provider: case study of Solo**

1. Business consultation, mentoring, market access, marketing media development
2. Development of database on small business profile, input-marketing chains, business financial flows
3. Business development training: entrepreneurship, business motivation, product management, business plan, marketing management, business feasibility, financial training
4. Technical skills training: related to craftmaking, embroidery, *batik* making, recycle product making, local/traditional crafts, food processing
5. Financial training, provided by Women MFIs, including micro-finance management, micro-credit and cooperative management, financial administration
6. Organizational skills training, to include organizational management, community organization, and team building
7. Gender-related training: basic knowledge on gender, gender analysis, mainstreaming gender, gender-perspective monitoring and evaluation tools
8. Advocacy training: lobbying and advocacy, gender-sensitive budgeting, voter education, civic education, community organizers, facilitator, legislative candidates
9. Self development training, include assertiveness and social adaptation training. The training methods apply field experiences and tailored-made modules.

### **CHAPTER 3**

## **CONCEPTUAL VIEWS AND UNDERSTANDING OF CAPACITY DEVELOPMENT PROCESS – PARTNER ORGANIZATION’S PERSPECTIVE**

This chapter outlines ASPPUK’s conceptual view and understanding of capacity development process. ASPPUK’s conceptual understanding should be linked to their vision and their historical background in promoting women small business empowerment. At the conceptual level, ASPPUK believes that the most effective approach to achieve their vision is through strengthening women’s political and economic powers. In this regard, ASPPUK believes that focusing only on partial aspect would not be effective. Therefore, economic (i.e. business) empowerment should go together with political empowerment.

At the practical level, however, this approach requires NGOs to have a capacity to balance business and political aspect of empowerment. However, there are characteristic differences and historical background of NGOs members that affect their capacity in implementing such approach at the activities level. Some NGOs started their program (prior to joining with ASPPUK) from strengthening women’s economic, such as by providing microcredits for women in rural areas. Other NGOs have strong background in gender-related issues. Therefore, there was a different level of capacity at the inception of HIVOS BDS program. The support from HIVOS was mainly to increase ASPPUK Setnas and ASPPUK Jawa’s capacity in developing their BDS services.

### **Political Capacity to Economic Capacity**

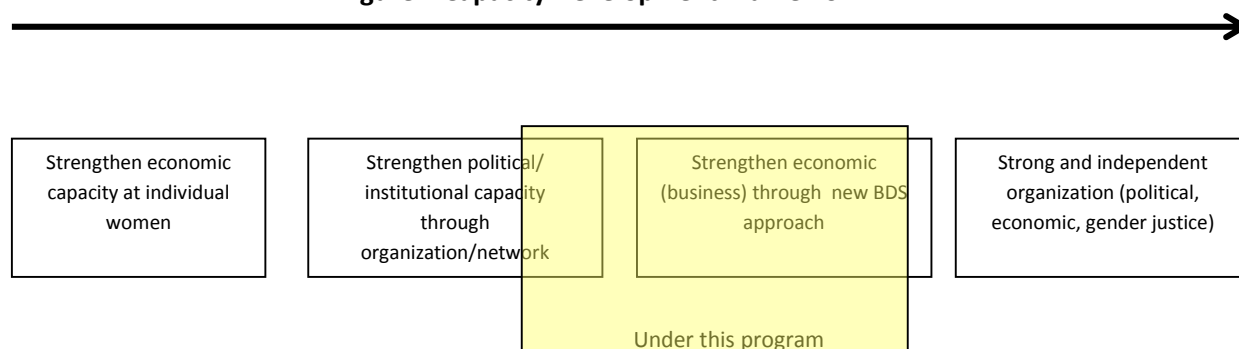
For more than a decade, ASPPUK has been strengthening the political capacity of the NGOs and (JARPUK). Political capacity here has been defined as ability of women organization to speak of themselves, to build network of business and advocacy, and to involve in advocacy for policy change at local level. The underlying assumption behind this approach is that women are structurally excluded from the domestic, economic and political system. Therefore, women should be educated individually and in group (organization) to get access to and control over resources. One of the approaches to improve individual capacity is by encouraging women to have small business. At organizational level, women in groups are encouraged to speak of their problems and discuss the solutions, and also to build network for policy advocacy/action together with the NGOs. Particular attention was given to women who showed capacity as community leader or community organizer. These leaders will then be a front liner in building network and improve individual capacity of ordinary members.

In 2007, HIVOS conducted an external evaluation on ASPPUK's program. The evaluation concludes that ASPPUK has successfully strengthened the organizational capacity of the JARPUK as well as of community organizers (JARPUK leaders). However, the other focus, which is strengthening business capacity, was largely ignored.

In the interview, National Secretariat of ASPPUK agrees that there should be more focus towards business empowerment of PUKs, as concluded in evaluation. ASPPUK also agreed that introducing a new approach in women's small business assistance, namely the market-based principle, is also important in the long term. However, both interview at the ASPPUK Setnas and ASPPUK Jawa level reveal that empowering PUK's business is equally important to political empowerment. Therefore, the adoption of new approach in business development services should not lessen ASPPUK's focus on political and gender empowerment. This view forms the framework of ASPPUK's next partnership with HIVOS Indonesia.

The diagram below provide the transition of capacity development framework based on ASPPUK's view

**Figure 2 Capacity Development Framework**



The ultimate goals of the capacity development framework are to build strong and independent organization ('movement' in ASPPUK's term) of women in SMEs to achieve a democratic, welfare, equal and gender justice community. Political and economic capacity at the individual, group/organization and network level have to be continuously strengthened to achieve it.

Following the recommendation from external evaluator, ASPPUK emphasize the business empowerment approach in their new program design, proposed to HIVOS for the period of 2008 - 2011. The introduction of market-based principle business development service in ASPPUK's also took place in this new design. It should be noted that design on the program still combines the political and business development approach, but emphasize of the program is on the business development side. This can be seen from the objectives of the programs. Of four objectives, three of them address the business side of empowerment. These three objectives are: increased PUK's business performance, increased ASPPUK's and NGOs

capacity in providing business development services, and formed a microfinance institution for women at the national level. One other objective aims at increased capacity of JARPUK in policy advocacy.

ASPPUK realized that achieving these objectives will need capacity improvement of members, their staffs, and JARPUK. At the preparation workshop, members agreed that this program should be a sustainable one, and that members who want to participate in this program have a commitment to treat this program as their starting point to develop a professional business development in their organization. This commitment is shown through providing a full time staff for running this program and through appointing a professional business consultant as one of the organization's staff.

When the idea of applying market-based BDS service – where PUK is required to pay the fee for services provided - was introduced, most JARPUK and ASPPUK's members were surprised, but acknowledged that such approach is long needed. From the perspective of some JARPUKs, this approach is needed because they are no longer asked or required to attend trainings that do not suit their need or characteristic.

However, ASPPUK

ASPPUK also realize that integration of new approach of BDS requires additional capacity at the organizational level and individual level. As outlined by external evaluator, ASPPUK's strongest capacity lies in promoting PUK's organization and in supporting policy advocacy. Therefore, in the BDS CD program, ASPPUK slightly shifted their capacity development framework from community empowerment into training for improving business capacity as well as development of database for monitoring the SMEs performance in business. Capacity development activities under this program include:

- Entrepreneurship training for trainers programs, directed to community organizers (JARPUK) and community assistants (NGOs)
- Hiring professional business consultants who have business experience to teach the community organizers and community assistants through "learning by doing" method.
- Developing database. ASPPUK claims to have thousands of members throughout the country, however the profile of each member is not existed yet.
- Organization and network empowerment, as part of the daily activities of JARPUK, which include group meetings, hands-on training on demand basis (hairdresser, sewing, simple food processing, etc).

## Factors That Shape Conceptual and Practical Understanding of CD

In sum, the internal, external and unexpected factors which shape the conceptual and practical understanding of capacity development framework developed by ASPPUK are as follows:

**Tabel 1**  
**Internal and External Factors Affecting Framework**

Internal factors	<p>Common awareness that the whole organization should someday be able to maintain their financial sustainability, including through internal source of fundings (members). Women in SME groups (JARPUK) should be able to continue their activities with or without NGOs, especially if the groups have already had "Community Organizers" who have the capacity to lead the group.</p> <p>The needs to improve capacity of women in SMEs in networking, empowerment and SMEs development. ASPPUK and its members (NGOs) have modalities to do the program, as all members have already had empowerment and SME development program for more than a decade.</p>
External factors	<p>Results of the evaluation of HIVOS-ASPPUK BDS Program (2005-2008) which among others recommended ASPPUK to more strengthen its capacity in facilitating SMEs improvement, in terms of business.</p> <p>Based on the above recommendation and HIVOS new approach to BDS facilitation, ASPPUK has developed a three-year program on improving the capacity of BDS providers in delivering services to women in SMEs. The program is implemented in three provinces, namely Central Java, West Sumatera and West Kalimantan.</p>

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*Source:* interview with National and Regional Secretariat of ASPPUK, January 2010

Due to sudden incident, the program implementation was temporarily suspended. In early 2009, the National Secretary of ASPPUK who involved in the program design with HIVOS passed away. Her replacement was appointed in May 2009 and started leading ASPPUK in July 2009. However, because all the regional secretariat office also involved in the program design, then the implementation in the regional level was still on.

The case of ASPPUK shows that ASPPUK acknowledges the needs to apply market-based principles in providing business assistances for women small business. This is shown through their adoption of external evaluator's recommendation on focusing more on the business side rather than political side, and conducting activities that were expected to improve members and JARPUK's capacity to act as BDS provider. Market-based principle is also introduced through applying fee-based mechanism for service providers. However, the program still proposed capacity development of women small business network's in policy advocacy. It shows that ASPPUK attempt to combine the new approach of business development service and political empowerment of women small business.

### **Summary of Key Findings**

- ASPPUK believes that to achieve their vision, ASPPUK should conduct empowerment on political and business capacity of PUK and NGO members. Business capacity refers to the ability of NGO members to facilitate women's business development, while at the PUK level, ASPPUK provide direct support in the forms of training. On the political side, ASPPUK conduct trainings on politics, community organizer training, advocacy skills, and problem analysis. Both sides of empowerment would promote a strong women small business.
- Principle of market approach in assisting business, introduced by HIVOS, is acknowledged, but ASPPUK does not want to entirely leave the political
- The introduction of market based principle is integrated in the new program design
- NGOs and staffs have strong capacity in organization, policy advocacy, gender. For providing business assistance, however, NGOs and staffs require additional capacity of organization/staffs in business.
- ASPPUK combine new and old approach, reflecting an attempt to adapt with new approach with their believe in political empowerment.

## **CHAPTER 4**

### **CONCEPTUAL VIEWS AND UNDERSTANDING OF BDS FACILITATION AND DELIVERY FRAMEWORK – PARTNER ORGANIZATION’S PERSPECTIVE**

This chapter outlines ASPPUK’s conceptual view and understanding of BDS facilitation and delivery service, especially when compared to the BDS continuum introduced by Committee of Donor Agencies for Small Enterprises Development (2001). It will begin by outlining the way ASPPUK delivered business assistance to PUKs prior to BDS program, and compare it with the new program designed under the BDS program.

#### **BDS Services**

ASPPUK members are NGOs working to assist women in micro and small business. At the initial phase of economic empowerment with gender perspective, members of ASPPUK have encouraged women to engage in small business in order to improve household social economic condition and to strengthen women’s position in the domestic and public sphere. NGO members provided support for business at the initial/start-up level and survivalist/subsistence micro enterprises. In this phase, the NGOs have been funded by donor institutions to implement the economic and women empowerment. This is conducted through direct grant HIVOS, approximately Rp 3.6 billion (78.26% of the total budget). Additional fund for the implementation of activities obtained from internal ASPPUK, derived from Seknas ASPPUK, ASPPUK region, and NGO members.

JARPUK consider that they were not benefited from the trainings and services conducted by ASPPUK National and Regional, since the trainings and services did not meet their immediate needs. For example, in the past all JARPUK members were invited to participate in the training on sewing or hairdressing, regardless the actual business they run at the moment. ASPPUK external evaluator assessed that this happened because needs assessment conducted by ASPPUK assumed the homogeneity of PUKs’ characteristic and needs (Chotim and Aminah, 2007). Some of the trainings were also not applicable for PUKs because the application required more capital for PUKs. For instance, one PUK stated that training of packaging benefited her in expanding her knowledge, but to implement the new packaging method was not visible at that time because she required more capital to purchase the packaging machine (Chotim and Aminah, 2007). The evaluation concludes that specific training such as training on sewing was more effective because it provided new skill needed for a certain group. Assistances for group who already formed clusters were also effective because trainings can be designed for specific

characteristic of business. This cluster of business is considered to be the potential seed for business development services initiation (Chotim and Aminah, 2007).

It should be noted however ASPPUK's approach in encouraging PUKs to organize themselves has promoted PUKs capacity in improving business performance. KPUKs in Central Java, for instance, have promoted women's economic empowerment through business set ups. At certain groups, KPUKs have promoted the formation of business cluster, which play a significant role in information and business opportunity sharing between members (Chotim and Aminah, 2007). ASPPUK acknowledge the framework shift in supporting women MSMEs. The National Secretariat of ASPPUK views that BDS is a new approach and needs to be introduced in this organization. The shifting approach from subsidy to market commercial mechanism (fee-based service) has been introduced to Regional Secretariat before the proposal with HIVOS was signed. According to the Executive Secretary at national level, the new approach was welcomed by the members of ASPPUK (NGOs) as well as by JARPUK.

ASPPUK translates the new approach of providing support for women MSEs through these ways:

- Introducing fee-based system for delivering business service. ASPPUK will also introduce market-share system in the second year of the program.
- ASPPUK promotes the development of monitoring and evaluation system, begin with the development of database on PUK and update the database regularly. This database will provide information for ASPPUK in determining the impact of their program. Moreover, this database will also provide information on the characteristic of women MSE (the scale and stage of business, number of employment, problems, etc). By updating this database regularly ASPPUK hope that business performance of PUK can be monitored.
- ASPPUK promote cluster approach and selection of "excellent" product
- Delivery of service is targeted to individual PUKs, not for all PUKs. Therefore, services can be tailored towards the PUK's needs, which should meet PUK's needs.
- Technical assistance for business development
  - Training on motivation, business management, specific skill as requested by BDS providers, business planning, financial management, marketing management. All training will be provided for maximum of 30 participants for 3 days. Target beneficiaries of these activities are BDS Provider staffs and JARPUK organizers. Funded by ASPPUK Setnas through direct grant – participants of trainings were not required to pay the training cost.
  - Through market commercial mechanism, this include technical assistances in production process and marketing skills, provision of relevant marketing information, consultation on quality improvement, product diversification, packaging, development of marketing media. Target beneficiaries of these activities are individual clients (JARPUK members). However, up to this point, services provided was only in marketing PUK's produc.



Table 5 provides the difference of type of activities conducted by ASPPUK for women small business.

**Tabel 2**  
**Types of Service Delivered by BDS Providers in Solo**

Subsidy based approach	<p>At individual and group level: build saving and loan groups, group meetings, assistance in starting up small business, training on specific type of small business (sewing, food processing, hairdressing, marketing, etc), training on accounting system (separating household and business income and expenditure), open market access by selling the products to NGOs as mediator/middlemen</p> <p>At organizational level: training and empowerment of women as community leader or community organizer, training on lobbying and negotiation skills to enhance advocacy skills for policy change related to small business and gender problem, developing micro finance institution for women</p>
Market based approach	<ul style="list-style-type: none"> <li>- Develop database (still underway, template and data have yet to be collected)</li> <li>- Improvement in the production process and product quality to access wider market</li> <li>- Build special outlet in Solo to sell products from the BDS clients (JARPUK members)</li> <li>- Build business network among JARPUK members to share information on market, product, input, government programs, etc</li> <li>- Develop a website to introduce and to sell the products. To date, they have received order from other provinces</li> <li>- Facilitate the SMEs exhibition to introduce JARPUK products</li> </ul>

As explained above, key persons of ASPPUK expressed agreement on applying market-based approach in providing business support for women MSE. However, after 1.5 years of program implementation, ASPPUK discovers that not all the principles of market-based approach are applicable to the local context. Interview with BDS Provider staffs (persons who really engage in the daily contacts with BDS clients) reveals several reasons and constraints for not fully implementing the market-commercial approach. BDS providers still conducted assistants through group and individual assistances to PUKs. PUKs were still not in a habit of paying the service of these products

ASPPUK Jawa also views that full implementation of market-based mechanism contains potential danger in promoting the rise of "small capitalists". Orientation toward growth could lead women business person to recruit cheap labour to reduce

production cost or to use chemical material in food preservation to increase their profit. ASPPUK Jawa views that such things could happen when SMEs were encouraged to focus on growth. Such potential dangers however are not viewed as a reason to totally stop applying market-based approach in business assistance. Instead, it leads ASPPUK Jawa to continuously introducing and reminding PUKs the principles of fair-trade.

Fee-based mechanism has not been implemented fully by ASPPUK Jawa as BDS providers. One factor that causes this is the local value that it is inappropriate to charge such a fee for helping other people. For more than a decade, the NGOs have been assisting JARPUK and individual woman in starting and managing their business without any fee and also they were not allowed to accept any gifts (cash or in kind) from "clients". The new BDS approach however has gradually shifted this practice. ASPPUK Jawa and its staffs received gift or in-kind exchange for providing services to PUKs, especially for services in marketing.

From the perspective of ASPPUK Jawa as BDS Providers, the fee-based service approach is not yet applicable at the local level. The 'managing director' of ASPPUK Jawa called this program as BDS Plus, meaning that both business capacity and institutional capacity are altogether being implemented at local level—it can be classified as social enterprise in HIVOS' term. They found it difficult to immediately apply the new approach as:

Constraints to fully apply market-based approach are also determined by the characteristic of small enterprises run by women. Majority of women's business are at the level of survival/subsistence, and on micro level (self-employed or have less than 5 workers). In this regard, services from BDS theoretically should focus on supporting these enterprises to graduate from the survivalist/subsistence level and promoting growth-oriented enterprises.

ASPPUK attempts to complement the market-commercial BDS approach by continuing their approach in institutional and networking empowerment to strengthen the KPUKs and JARPUKs capacity in policy advocacy. Other program of ASPPUK Jawa is to improve the performance and utilization of microfinance institution run by JARPUK. In the discourse of providing business development service to micro level enterprises, linking service provider and microfinance services is considered as one potential way to implement fee-based system, however, this has not been tried at ASPPUK Jawa.

In terms of outreach, Jarpuk Solo maintains that each year JARPUK Solo should have more members every year. In 2010, JARPUK targets to increase their members from 355 to 400 members.

## **Summary of Key Findings**

The application of market-based approach in ASPPUK's program implies ASPPUK's shifting paradigm in supporting women micro and small enterprises. It reflects ASPPUK's paradigm shift from the development agenda BDS to commercial orientation BDS.

ASPPUK's previous work, which leaned more toward women small business organization empowerment instead of direct business development services, was proved to be effective in improving PUK's business performance. The women small business group (KPUK) and network (JARPUK) have played an important role in promoting women to engage in business (hence, increasing women's economic independence) and in sharing information on business opportunity and knowledge. In this regard, when the objective of SME support is to increase employment through MSMEs and income for household, development agenda paradigm is suitable for ASPPUK's approach. It also relates to the characteristic of women micro and small business which become ASPPUK group – women enterprises on the start-up and subsistence level and on a micro-scale. Perhaps in the context of Indonesia, where micro enterprises are majority, development agenda approach is still relevant. This observation confirms previous mapping on the profile of business development services in Indonesia, as described in the box below.

ASPPUK Jawa case as BDS provider also illustrates factors that constrain the implementation of full market-based approach. ASPPUK Jawa's perspective on the potential danger of promoting growth-oriented MSEs leads to their attempts in minimize the potential danger by promoting fair trade principles. The constraint also came from historical background of ASPPUK Jawa's relationship with PUKs and PUKs general characteristic.

### **BOX 1**

#### **Business Development Services in Indonesia**

In 2007-2008, AKATIGA with the support from HIVOS Indonesia, conducted a study to map the characteristic of BDS providers in Indonesia. The study also attempted to identify the best practice of BDS provider in Indonesia, and to identify in which way the market-based principle of BDS can be applied to provide assistance to business at the micro level and survivalist/subsistence business. Key findings relevant to this study include:

- The size of clients: Most BDS serve small-and-medium level business. There is no BDS who exclusively serves micro-and-small scale business. Most service for MSE group are conducted by government, university, or NGOs.
- Individual targeting for small and medium business and group targeting for micro and small business
- Service for micro and small business usually came from the university (as part of university's role in community engagement) and from NGOs. Most did not charge client for providing service, source of fund came from government or donor program. Private BDS tended to focus on small and medium business

This research also found key factors Interview with ASPPUK Setnas in delivering services for micro and small business:

- a. Group-client instead of individual client. This principle is similar to the practice of microfinance institution. By providing service to a group of clients instead of individual, the cost of delivery can be minimized.
- b. Payment mechanism is incorporated in the service delivery. This is especially through service in improving micro and small business market. BDS provide access to market by developing outlets for MSE products or seeking orders for MSEs, and BDS takes the fee from margin of price.
- c. Focusing service to what MSE need most. BDS need to recognize the specific needs of MSE, and different type of MSE can have different need/
- d. BDS subsidizes MSE at the first stage as part of investment, and when MSE grow, BDS can charge the service fee later. This strategy needs BDS commitment to work with MSEs consistently.

(Source: Draft Report Business Development Service in Indonesia, AKATIGA, 2008)

This study was conducted by AKATIGA at the same period of HIVOS Indonesia's support to ASPPUK, and has been discussed with HIVOS Indonesia. The approach to link between microfinance services and BDS especially for micro PUKs was acknowledged, but not yet implemented.

## CHAPTER 5

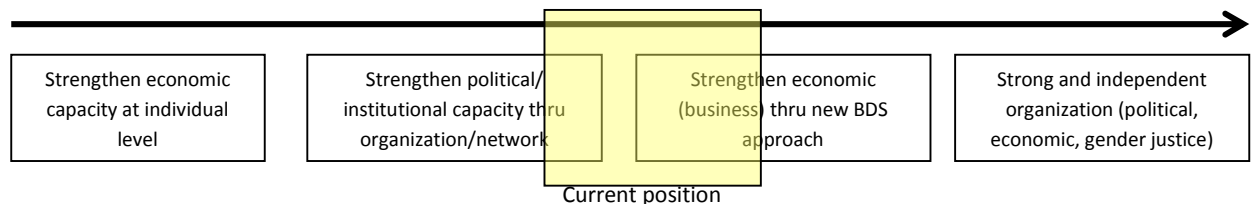
### CURRENT CAPACITIES AND CAPABILITIES OF PARTNER ORGANIZATION IN CAPACITY DEVELOPMENT PROCESS

This chapter outlines the changes of ASPPUK capacity in capacity development process. ASPPUK's vision, as stated in their website, is to facilitate the development of equal and gender-equitable women in small-micro business (PUK-Micro) in a democratic, prosperous, egalitarian, equal and gender-equitable civil society. This vision is translated into two missions:

- To facilitate civil society movement with equality and gender justice perspective
- To facilitate equal access to and control over economic resources for women in small business

ASPPUK's framework on capacity development has evolved from economic capacity at individual level to political/institutional capacity to business performance. The ultimate goal for ASPPUK's program is to create a strong and independent PUKs organization in politics and economic sphere. This shift is illustrated in the figure below

**Figure 3 Evolution of BDS Capacity Development**



As described in the previous chapter, ASPPUK recognize that the paradigm shift towards market-based approach requires capacity development of the implanting organizations (BDS providers, i.e. NGO members) and their staffs.

ASSPUK Setnas recognize that there are capacity differences among NGO members, not only to implement BDS program with market-based approach, but also to conduct ASPPUK's previous program in strengthening PUKs. As stated in their proposal to HIVOS, ASPPUK outlines several organizational constraints in program implementation:

- Capacity to adopt and transfer the framework (both previous and current framework) into activities is still limited. Moreover, some NGOs experience turnover of quality staffs

- Some NGOs still view ASPPUK program as a short-term project, therefore, their motivation to promote strong organization for social movement and business development depends on ASPPUK Setnas support.
- Capacity of staffs to provide business development services is limited – staffs do not have direct experience in running a business.
- There is no mechanism to measure successful assistance, which is important in measuring the impact and effect of NGOs assistance to PUKs. The 2008 – 2011 program proposed development of monitoring and evaluation system, supported by good and regularly updated database of PUKs performance, as one of the activities, but up to this study, the process was still on the data collection stage.

(Proposal, 2008)

ASPPUK's external evaluation states that although there is an impression at ASPPUK level on the capacity difference among members, these differences have not been used to develop program that is suitable for the local context of NGOs and JARPUK (Chotim and Aminah, 2007). However, in 2008 – 2011 BDS programs, these differences seem to affect the way ASPPUK Setnas selected members who will participate in the program. On the planning workshop in Solo (2007), ASPPUK set that members who want to participate in this program should have these criteria:

- Willing to assign at least one full time staff for the duration of three years. Staffs assigned for this program should at least express interest in working as business development service provider. Experience in providing business consultancy is preferred. Staff should also be willing to work with ASPPUK in a business framework.
- Committing to treat this program as a starting point to develop an professional business service provider
- Committing to achieve the program's goal.

Assessment of capacity development needs was conducted through discussion with members and regional secretariat. ASPPUK identify that to implement market-based approach in business development services, NGOs and staffs should have business capacity. ASPPUK Setnas' attempts to develop business capacity of NGOs, staffs and JARPUK members include:

- Entrepreneurship training for trainers programs, directed to community organizers (JARPUK) and community assistants (NGOs)
- Hiring professional business consultants who have business experience to teach the community organizers and community assistants through "learning by doing" method.
- Developing database. ASPPUK claims to have thousands of members throughout the country; however the profile of each member is not existed yet.

- Organization and network empowerment, as part of the daily activities of JARPUK, which include group meetings, hands-on training on demand basis (hairstylist, sewing, simple food processing, etc).

## Current Capacity of Organization and Individual

Interview with ASPPUK Setnas and ASPPUK Jawa reveal that because market-based principle approach has not been fully implemented, up to this point the way ASPPUK Jawa as BDS provider and ASPPUK Setnas as BDS facilitator implement the program is still quite similar to their situation prior to ASPPUK's program. However, as detailed below, a proportion of JARPUKs members are small business which can afford to pay for BDS services. With these PUKs, ASPPUK Jawa developed marketing collaboration. In this collaboration, ASPPUK Jawa and PUK agree that ASPPUK Jawa will take some profit in selling PUK's product, and PUK agree to provide discounted price for ASPPUK Jawa.

The needs of capacity development should be derived from ASPPUK's goal and objectives in supporting the development of women MSEs. Based on the goal and objective, ASPPUK's capacity prior to program and in the mid program should be assessed in the aspect of political empowerment capacity and business assistance capacity. Table 6 provides illustration on ASPPUK's capacity prior to program and ASPPUK's current capacity.

**Tabel 3**  
**Capacity at the Inception and at Current Condition**

Hivos BDS CD Focus	Capacity and interventions at Inception level	BDS CD interventions	Effects and lessons
<i>BDS Facilitator CD Issues</i>			
-Product development for new and existing BDS products		Training for trainers on entrepreneurship for NGOs staffs and member of JARPUKs	Training was perceived to increase knowledge on business but not yet effective in stimulating business skills of NGO staffs
-BDS Quality Assurance	-	Development of database system and monitoring – evaluation system as a baseline data to assess PUKs' business performance after receiving program.	Data base finalization is still underway.
<i>BDS Provider Issues</i>			

Mentoring	Available day-to-day basis of mentoring/discussion  Linking PUKs/JARPUKs with relevant resource person/institution (example: inviting resource person in marketing strategy)	Available day-to-day basis of mentoring/discussion  Linking PUKs/JARPUKs with relevant resource person/institution (example: inviting resource person in marketing strategy)	PUKs expressed that group discussions and regular meeting have trained them to express their problems on their business, and found solutions from other members.  .
Counseling and Advisory Support	Group consultation during KPUK meeting, but mostly on policy issues	Group consultation during KPUK meeting, but mostly on policy issues	JARPUK has been recognized as one of key stakeholders in developing policy in SME . JARPUK becomes an outlet for government's or other donor's program
Linking Enterprises to Finance, Marketing, technology	- Promoting development of LKP	- Strengthening the microfinance institution run by JARPUK to increase PUKs' access to capital  - Increasing PUKs' access to market by developing website and opening an outlet at ASPPUK Jawa office to promote their product	Microfinance institution (LKM) provided sources for financial access for PUKs, and some PUKs interviewed expressed that access to loan is one of the benefit of joining PUK.  Website becomes new outlet – some PUKs received orders from other city.
Individual CD Issues (ASPPUK Jawa staff)			
Business consultancy	In previous framework, staff mostly focus on organizing PUKs and political empowerment, including policy advocacy	Play a role as discussion partner in business issues. Staffs views that PUKs have better understanding and knowledge in solving problem business, therefore they position themselves as partner for sharing.	The relationship between PUKs and NGO staffs encourage "learning by doing" process between NGO staffs and PUKs
Increasing access to market		NGO staff actively seek potential buyer for PUKs product	



Progress has also been evaluated against ASPPUK self-developed indicators set in the proposal to HIVOS 2008, as described below.

**Tabel 4**  
**Output and Achieved Indicators for BDS Development in ASPPUK**

<b>Program objectives</b>	<b>Indicators</b>	<b>Current progress</b>
<b>a</b>	<b>b</b>	<b>C</b>
Increased members' capacity as BDS providers	<ul style="list-style-type: none"> <li>- Staff capacity improvement in three years</li> <li>- Identified and availability of excellent products from PUK</li> <li>- Availability of new market development from excellent products</li> <li>- Provided services from BDS for business problem of PUKs, at least for production and marketing problems.</li> <li>- Willingness to pay from PUK for BS services, in terms of fee in the first year and in terms of sale percentage in the second year.</li> </ul>	<ul style="list-style-type: none"> <li>- Trainings delivered to BDS Provider staffs. Capacity improvement has been built through daily interactive or learning by doing among BDS provider staffs and JARPUK who run business</li> <li>- Clustering of PUKs based on similar products and level of business is underway</li> <li>- ASPPUK/JARPUK Jawa has opened an outlet for JARPUK products in Solo and developed a marketing media through internet, which have invited more buyers from other regions</li> <li>- BDS Provider staffs have been promoting safe and healthy food products to be able to reach wider market</li> <li>- Payment for services has been gradually applied, though the standard fee has not been agreed. Exchange of service in terms of giving gifts or products to BDS Provider staffs have been practiced widely.</li> </ul>
Improved capacity of ASPPUK Setnas as BDS facilitator	<ul style="list-style-type: none"> <li>- Developed and documented BDS concept in three years</li> <li>- Contracts with committed NGOs</li> <li>- At least one staff of committed NGOs is professional business consultant.</li> </ul>	<ul style="list-style-type: none"> <li>- Refinement of BDS concepts applicable to different stages of capacity of BDS Providers is still underway</li> <li>- Contracts with 9 participating NGOs as BDS Provides have been signed</li> <li>- ASPPUK Setnas and participating NGOs have agreed to hire professional business consultant as part of the agreement. This has not been widely practiced, however some NGO staffs in Padang (LP2M) also run their own business, therefore they are able to provide business consultancy service to clients (PUKs). The plan is to have the PUKs to pay for the services, but up to this research, there was still no professional business consultant hired. Consultations and business assistances was conducted by ASPPUK Jawa's staff, who received salary from the program.</li> </ul>
Developed database and information system on PUK	<ul style="list-style-type: none"> <li>- Developed and updated of PUKs and their business profile</li> </ul>	<ul style="list-style-type: none"> <li>- Database template and monitoring tools have been finalized and agreed among the participating NGOs (BDS Providers)</li> </ul>

Program objectives	Indicators	Current progress
a	b	C
	<ul style="list-style-type: none"> <li>- Developed database system that can be accessed by NGO and ASPPUK</li> <li>- Developed e-commerce system for PUKs' product marketing</li> </ul>	<p>and ASPPUK Setnas. Database updating has been done by BDS Provider in Padang, while others are still in the data collection stage.</p> <ul style="list-style-type: none"> <li>- ICT-based database system has been developed by ASPPUK Setnas and will soon be published on the website.</li> <li>- ASPPUK/JARPUK Jawa in Solo has developed website for product marketing (<a href="http://www.asppukjawa.org">www.asppukjawa.org</a>). However, the website is still using single language (Indonesian).</li> </ul>
Developed BDS network with other business actors	<ul style="list-style-type: none"> <li>- Developed collaboration between business actors and BDS</li> <li>- Agreement on collaboration system between BDS and other business actors.</li> </ul>	<ul style="list-style-type: none"> <li>- BDS Facilitator and BDS Providers have been involved in collaboration with business actors, local governments, micro-finance institutions, since before the program</li> <li>- Formal agreement on marketing for example, has not been existed. However, although in case by case basis, some PUKs have been able to supply larger market/orders.</li> </ul>

Source: column a and b based on ASPPUK Proposal to HIVOS 2008, column c based on interview with organizers and staffs of BDS Facilitator and BDS Provider 2010

## Summary of Key Findings

Description of capacity development changes as shown in table above shows that HIVOS support has encouraged ASPPUK to develop their capacity in their role as BDS providers and facilitators. At the provider level, both ASPPUK Jawa and its staff gain new capacity in assisting women small business, however, this capacity is gained from learning-by-doing process with the PUKs. This finding indicates the importance of 'learning-by-doing' method in improving the capacity of NGOs and staffs when moving toward providing business development services.

## **CHAPTER 6**

### **LINKING CAPACITY DEVELOPMENT OF PARTNER ORGANIZATION WITH BDS PERFORMANCE**

This chapter outline the extent of CD process has improved the performance of BDS facilitator and BDS provider. Drawing opinions from BDS clients and stakeholders, this chapter assess acceptance of new approach in BDS in the women MSEs. This chapter also outline the potential sustainability of BDS work by describing the source of revenue for ASPPUK and ASPPUK Setnas to continue the program. This chapter also provide comparison with good practice of BDS provider in Indonesia and with ideal condition of BDS as developed by donors.

#### **Perspective of Clients and Stakeholders**

Although the concept of market-based mechanism BDS has not been fully implemented by ASPPUK, several changes that already took place gained positive responses from JARPUK as the client of BDS. Reflection at the ASPPUK Setnas indicated that at the NGO level, the new approach of running program has been long needed. Specifically, they considered that this approach was needed because they no longer had to participate in the training that they did not need. For implementing NGOs, this approach was also as a test to prove that they also had business skills. ASPPUK Setnas also reflected that new approach especially worked for NGOs/staffs who were also run business, as the case of LP2M in West Sumatra.

Interview with PUKs indicates that along with ASPPUK Jawa's direct service, the small business network - JARPUK *Ngudi Lestari* – also play an important role for PUKs for accessing information on government program, credit (through their saving-and-credit institution, LKP), and access to market. Members of JARPUK Solo state that JARPUK Solo have helped them in increasing access to more market and donor/government program, access to business exhibition, and access to credit (from LKP). At the personal level, member of ASPPUK also state that their self-esteem increased after joining the program because they can participate in the exhibition, despite the smallness of their business. This reflection indicates that impact of ASPPUK's BDS program should also be measured through the increasing performance of JARPUK to perform as a business network. As stated in the donor document on SME development, business development services can be delivered by various institutions, including business networks. Therefore, besides increasing the capacity of ASPPUK Jawa as BDS provider, ASPPUK's whole program also strengthen the role of women small business network and promote it into a professional business network.

At the BDS facilitator, however, direct services provided by ASPPUK Setnas to promote market-based approach BDS is still limited. Up to date, ASPPUK Setnas activities that already took place are Training for trainer on entrepreneurship and workshop on developing database and monitoring evaluation system for SME performance. Upon reflection, ASPPUK Jawa's staff who participate in the training states that the entrepreneurship ToT increased their understanding and knowledge in business, but did not necessarily increased their business skill.

## Capacity to Sustain the Program

As shown before, both ASPPUK Setnas and ASPPUK Jawa have not implemented fee system for delivering services. At the point of report writing, HIVOS' grant is the major source of funding both for ASPPUK Setnas and ASPPUK Jawa. There were internal sources of funding (from membership fee at the level of ASPPUK Setnas, income from PUKs' product sale and contribution from JARPUK) but as acknowledged by both, proportion of income from providing services for BDS development (at ASPPUK Setnas level) and for providing services to PUK (at ASPPUK Jawa level) is still limited. ASPPUK Jawa's staffs have discussed about conducting alternative fund raising, including opening a food stall as another unit business and improving their recent PUKs outlet at ASPPUK Jawa's office.

**Tabel 5**  
**Capacity Improvement Objectives and Indicators**

Capacity Improvement objective	Indicators
Achieve BDS Partner Sustainability	<p>Both at ASPPUK Setnas level and ASPPUK Jawa level, fee-based system has not been implemented for the reason stated in previous chapter. At ASPPUK Jawa level, "fee" from PUKs assisted came in the form of:</p> <ul style="list-style-type: none"> <li>- Gifts (every three products sold, staff will received the fourth product for free. She can then sell that product again)</li> <li>- Margin of price: ASPPUK will charge every product sold through ASPPUK Jawa outlets or orders that came through ASPPUK Jawa Rp 5,000 – Rp 7,000 (US \$ 50 – 70 cents) higher than the price from PUKs</li> </ul> <p>Because fee-based system has not been implemented fully, revenue from clients for BDS services and facilitation is still very limited.</p> <p>ASPPUK's source of revenue for BDS program (2008-</p>

	<p>2011):</p> <ul style="list-style-type: none"> <li>- 78.26 from HIVOS</li> <li>- 21.74% from ASPPUK contribution, including from membership fee (Rp 100.000/US \$ 10 per year)</li> </ul> <p>Partner source of revenue at ASPPUK Jawa :</p> <ul style="list-style-type: none"> <li>- 60% from HIVOS' grant through ASPPUK Setnas</li> <li>- 10% from JARPUK and LKP contribution</li> <li>- 30% from relevant stakeholders including government agencies, in the form of trainings or fee payment to participate in the SMEs exhibition.</li> </ul> <p>At ASPPUK Jawa level, market share mechanism happened with one PUK member. ASPPUK purchase 70 pieces of batik, and PUK give ASPPUK discounted price. Total income gained by ASPPUK Jawa is Rp 490.000 (US 49).</p>
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Source: Interview with ASPPUK National Secretariat and ASPPUK Jawa Regional Secretariat

The financial situation above showed that in the short term, ASPPUK will still need financial support from other organization, be it donors or government program. To see whether it is possible for ASPPUK to fully implement the market-based approach as stated by the donor committee, ASPPUK's program design must be compared to the framework of traditional versus market development intervention. Table 7 shows the comparison of ASPPUK's current practice and the social spectrum of BDS.

**Tabel 6**  
**ASPPUK's Position in BDS Social Spectrum**

<b>Organisational Culture and Development Issue</b>	<b>ASPPUK Current Practice</b>	<b>Similarity in BDS Social Spectrum</b>
Motive/Existence	Mixed SME developmental and profit	Similar to the characteristic of Social Enterprises – NGO SBU
Clientele/target group served	NGOs for ASPPUK Setnas JARPUK/PUK for ASPPUK Jawa There is no payment from ASPPUK Wilayah to ASPPUK Setnas for the TOT PUK pays in kind (by their product and share of profit when order came from ASPPUK)	Subsidized fee paying clients/beneficiaries
Operational Targets-cost control and profitability	Start to focus on operational surplus	Similar to the characteristic of Social – NGO SBU

<b>Organisational Culture and Development Issue</b>	<b>ASPPUK Current Practice</b>	<b>Similarity in BDS Social Spectrum</b>
Funding and sustainability	Donations and grants	Similar to the characteristic of pure welfare NGO/IGP
Workforce-skills, values and performance motivation	Skilled staffs,	Similar to the characteristic of of Social – NGO SBU
Ownership, shareholding and profit sharing	Non-profit organization, run by volunteer boards. No profit sharing structures. Assets owned by NGO	Similar to the characteristic of pure welfare NGO/IGP
Clientele/target group focus	Women in micro-small business, start up business, survivalist and subsistence level	
Service Range and Quality	<p>Improve the service range and applied market-based approach in BDS.</p> <p>(Member of JARPUK varies from subsistence PUK to growth oriented PUK. For the first type of PUK, ASPPUK Wilayah provide direct assistance by the staff, while for the second type, ASPPUK Jawa acts as “discussion partners”. ASPPUK Jawa encouraged the second type PUK to transfer their knowledge, information, and purchase orders to other members – especially from the first type.</p>	Similar to the characteristic of of Social – NGO SBU
Organizational Innovation/Creativity and renewal	Staff of ASPPUK Jawa considered themselves as less capable in assisting PUK to improve their business – “PUKs know better in doing their business”. But staffs consider that they can also learn from PUKs on business development	Similar to the characteristic of of Social – NGO SBU
Operational and Financial Sustainability	Major source of finance comes from donor funds, additional source of finance comes from members fee and JARPUK’s contribution	Similar to the characteristic of of Social – NGO SBU

Source: Interview with ASPPUK Setnas and ASPPUK Jawa

Table 6 and Table 7 indicates ASPPUKs possibility to develop of market-based approach which lead to financial sustainability based on BDS revenue is still limited. The choice of ASPPUK's client/target (micro and small business and subsistence/survivalist level) and their constraints to fully implement fee-based mechanism for clients make it still difficult for ASPPUK to rely on BDS revenue. However, should ASPPUK view that they are going to adopt fully market based approach, there will be a need to do it at stages and based on a thorough assessment on the ability and willingness to pay of PUKs.

Compared to Indonesia's context, however, ASPPUK's case is common. AKATIGA's previous study show that majority BDS provider in Indonesia still operated on the subsidy approach. Majority have not charged fee for services for SMEs, except for those BDS which provide access to market (AKATIGA 2008).

To implement fee mechanism while still targeting women MSMEs and women's survivalist/subsistence business, ASPPUK can draw a lesson from other BDS operating at the same level of business. From AKATIGA's mapping there is a case of professional business development service that targeted MSMEs especially those run by women, and yet is able to sustain by relying on fee system.

## **CHAPTER 7**

### **LESSON LEARNED ON CAPACITY DEVELOPMENT PROCESSES**

In this chapter, we will summarize the key lessons learned on capacity development process as a concept and for practical consideration. The main lesson from ASPPUK's experience is that the majority of women in small business who are seen as potential clients of BDS run micro-small business and dealing with high level of uncertainty and risks. As the majority of them are poor, they are very vulnerable to crisis in household economy. For instance, business capital or income can easily be used to pay for health service or education of children. In this case, partial capacity development on business skills should be complemented with other efforts to reduce their vulnerability and promote equal access to and control over resources. This should be done through community organizing, therefore this aspect should not be lessened from the entire capacity development concept and practice.

At the conceptual level, ASPPUK has an integrated approach on capacity development process, which is targeted both to BDS Provider staffs as well as PUKs as clients. Although ASPPUK followed the recommended action resulted from previous evaluation as well as the shifting approach in BDS service as introduced by HIVOS, we thought that ASPPUK's effort in political empowerment has not been lessened. Within the limited view of the new BDS concept, ASPPUK and HIVOS Indonesia have developed an innovative capacity development program which is quite comprehensive to cover economic and political empowerment. It should be also noted that despite the limitation of HIVOS program and funding, ASPPUK has also approach other donors to support its other program areas, such as gender and political empowerment.

Positive impacts of current capacity development:

- Technical trainings are significant to improve assistance in production process, quality of products, safe and healthy products, financial management of small business
- Training on market access is also useful, but it should be complemented by advocacy and organizing skills to enable policy advocacy action which is believed would change the business environment more equal and just to small business. In this case, BDS Provider in Solo as case study has integrated the advocacy and organizing skills, although the latter is not covered by the program.
- Participating NGOs as BDS Providers have agreed to contribute their own funds to complement the program. It is a positive sign that the BDS Providers would ensure their sustainability.



- Development of database and monitoring tools are also important to monitor the business condition of PUKs. Database itself would be also useful for sharing of information among small business actors.
- Effort to open wider access through e-commerce is very useful and effective in accessing wider market. However, the purchase order mechanism should be improve to allow transaction via website, rather than sending emails to the website administrators.

Negative impacts of current capacity development programs:

- Monitoring on business progress only would not reduce the structural problems such as distorted market access, which is dominated or directed by large scale and powerful business actors.
- Focus solely on improvement of business related capacity development would not help the clients to reduce their vulnerability in household level, which affect the sustainability and capacity of small business to accumulate capital.
- Emphasis on gender aspect has been lessened as business problems are simplified as technical matters rather than structural problems.

## **CHAPTER 8**

### **LESSON LEARNED ON CAPACITY DEVELOPMENT FOR BDS PERFORMANCE**

The key lessons on the capacity development process for improving BDS performance will be described in this chapter, particularly on the HIVOS grant has helped development and adaptation of ASPPUK in applying the new BDS approach, as well as improvement in the service delivery of BDS Providers. We view that the HIVOS grant has helped both BDS Facilitator and BDS Providers in development of BDS and adaptation to market-commercial based approach. In addition, ASPPUK, its participating NGOs and JARPUK which commit to participate in the BDS development have also showed their ability to mobilize their own funding to complement the programs. This is a positive sign to ensure the sustainability of the BDS development.

We summarize the key lessons as follows:

- Shifting toward new approach is not a technical matters, it needs a shifting of practices from informal relationship to formal (fee-based) relationship. ASPPUK has showed its innovation by introducing two steps of moving towards the market-commercial mechanism. In the first year, small fee would be charged to individual or group clients, and in the second year, profit share would be charged for the BDS Provider.
- Capacity development program for BDS Providers can not be generalized as they have different level of capacity to provide market-commercial based service. Length of engagement is also a major significant factor. Some participating NGOs which have long engagement with PUKs (BDS clients) are more ready than others. Support from HIVOS should be targetted towards NGOs who are ready and are committed to implement BDS approach. But with regard to characteristic of ASPPUK's members as a non-profit and non-governmental organization, and whose aim is to improve PUK's capacity in political and economic capacity, ASPPUK's members would be most appropriate act in BDS social enterprises spectrum.
- Engagement of professional business consultant has not yet been practiced. However, close interaction among the small business actors (JARPUK, association, Women Microfinance Institutions) and the BDS staffs have a very significant contribution in improving capacity of BDS staffs on business skills. Through daily contacts and social relationship among them, sharing of information and experiences have been existed and effective. The concept of learning by doing is seen to be more effective than technical trainings for BDS staffs.
- Fully application of market-commercial mechanism is a long needed. At this point, shifting to this approach has been introduced and applied in

ASPPUK/JARPUK Jawa. In principle, it is ready to start applying new approach, but there are some conditions which should be considered before the mechanism can be fully applied. These include the long established social relationship between the BDS Provider staffs with the clients (PUKs), which would be damaged if it is immediately transformed into fee-based service. In practice, the clients (individual and in groups) sometimes give them gifts as an exchange for service they provided. Based on this condition, a standard fee has not been agreed.

- New innovations in opening market access should be encouraged. ASPPUK/JARPUK Jawa has showed that opening market access through e-commerce and new outlets are quite effective.
- Database and monitoring tools are key instruments to be further developed and updated. Such technical trainings related to these matters should be regularly carried out, particularly if it deals with rotation and recruitment of new staffs.
- Various funding sources particularly from internal sources (participating NGOs and JARPUK) is a good step to show commitment on ensuring the sustainability of BDS development.
- Despite the vacuum leadership for about 6 months following the loss of National Secretary of ASPPUK, the entire organization has not lost their commitment to implement the program, although this has affected some of the major programs which should be carried out by ASPPUK Setnas (BDS Facilitator).
- While BDS run by ASPPUK's members are quite likely will stay as BDS Social spectrum, CD support are best to improve ASPPUK in fund raising strategy and developing alternative mechanism for finding alternative findings. These types of BDS would not be able or willing to go to fully profit oriented. However, alternative sources of funding are available, such as from the mechanism of Corporate Social Enterprises. ASPPUK should be able to develop their capacity in finding and accessing different source of funding.

## **CHAPTER 9**

### **CONCLUSIONS AND RECOMMENDATIONS**

#### **Conclusions**

- Incorporation of market commercial mechanism in designing the BDS program indicates ASPPUK's willingness to move towards the new approach of supporting MSEs. Realizing that there is different capacity of NGO members, ASPPUK and 9 participating NGOs agreed to start the approach within 2008 – 2011 program.
- Full application of market commercial mechanism in BDS program is long needed the BDS providers because they have built social relationship with the clients (PUKs). One key feature of the application is by agreeing to implement fee basis services to individual and group of PUKs. In the first year of program, fee will be charged based on service provided for individual or group. In the second year, fee will be applied through profit share mechanism.
- This new approach is also appreciated by PUKs because it is expected to meet their immediate needs.
- At this point, market commercial mechanism has not been fully applied. There are indications that this can be done in ASPPUK, such gift exchanges to replace fee payment from PUKs to BDS providers. However, there are still some considerations from ASPPUK's side to entirely move towards new approach because ASPPUK view that problems faced by PUKs are more structural (market distortion, unequal gender relations, unfair policy environment) which should be approached through political empowerment. Therefore ASPPUK still commit on empowering women MSEs on gender and political aspect in addition to business.
- There is an indication that ASPPUK can sustain their BDS program through mobilizing of internal funding resource (from contribution of participating NGOs and JARPUKs and market share)
- New innovation in opening market access has been introduced through e-commerce and outlets in Solo.
- HIVOS support plays an important role for ASPPUK in developing their capacity towards balancing the business empowerment and political empowerment.

## **Recommendations**

Recommendations were proposed based on two scenarios: that ASPPUK was willing to move toward purely-profit oriented BDS, or that ASPPUK moved toward the spectrum of social enterprises units. Options for staying purely as non-profit, based on this assessment, was unlikely taken by ASPPUK, indicated by their agreement to apply fee system (though not fully implemented) and the realization that HIVOS support (and other donors' support) might end eventually.

### ***Moving toward purely profit oriented BDS***

Factors that constrained ASPPUK to move towards this direction have been outlined in the previous chapter. But if ASPPUK decided to take this option, more efforts should be allocated for increasing organizational and individual capacity of NGOs or ASPPUK branch offices. Capacity development needed is on more effort for improving capacity in doing business. This is especially important for NGOs or ASPPUK Jawa who acts as BDS providers. Several ways to fully move toward market commercial mechanism are through:

- Encouraging BDS staffs to improve their business skill through 'learning by doing' process.
- Implementing ASPPUK's plan to hire staffs with professional business background
- Optimizing JARPUK as a business network
- Support the ASPPUK's efforts on gender and political empowerment, as these would be of importance in reducing structural problems faced by women in SMEs as well as for the sustainability of the BDS

### ***Moving toward the spectrum of social enterprises units***

While BDS run by ASPPUK's members are quite likely will stay as BDS Social spectrum, CD support are best to improve ASPPUK in fund raising strategy and developing alternative mechanism for finding alternative findings. These types of BDS would not be able or willing to go to fully profit oriented. However, alternative sources of funding are available, such as from the mechanism of Corporate Social Enterprises. ASPPUK should be able to develop their capacity in finding and accessing different source of funding. This will include the capacity in developing programs that will meet both ASPPUK's objectives and interest in assissting PUKs and at the same time meet the interest of different source of funding.

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## ANNEX : PICTURES



ASPPUK Regional Secretariat Office of Java, also outlet for PUKs' products



A corner of ASPPUK Jawa outlet.



Regular meeting of women MSEs group (KPUK Meeting)



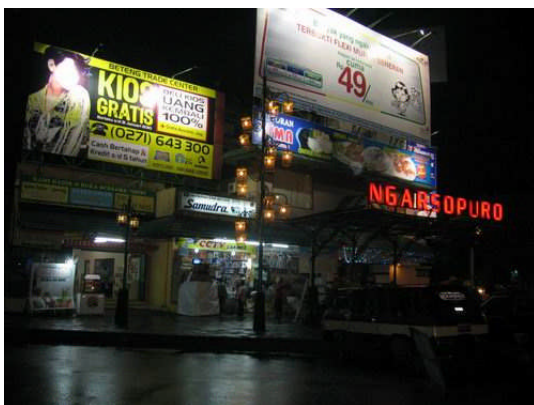
Some of PUKs product from Solo



Member of JARPUK Solo. She produces and sell chips. This woman run a micro level business, producing fried tofu and tempe (Indonesia's traditional food. On a daily basis, she produces 30 tahu and 30 tempes and earns Rp 40.000 – Rp 50,000 per day (about US \$ 40 – 50 cents). Noted that her house, located in one of the city's slum area, is made from board,



Other business run by JARPUK member, a food stall.



Ngarsapura Art Market. Conducted weekly (on Saturday night) by the local government of Surakarta for almost free, this art market provides outlets for small enterprises in Solo, especially those producing arts, batik shirts, and food. About 90 members of JARPUK Solo participate in this market.





Food product sold at Ngarsapura  
ARtMarket



Processed beverage products sold by the PUK in Ngarsopuro Night Market



PUKs' activities in Ngarsapura night market.