

DEVELOPING OF SMALL AND MEDIUM ENTERPRISES FOR POVERTY ALLEVIATION IN INDONESIA: LESSON LEARNED FROM OTOP PROGRAM IN THAILAND

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ABSTRAK

Pemerintah Thailand telah meluncurkan sejumlah program pembangunan untuk membantu masyarakat menanggulangi kemiskinan. Thailand dikenal sebagai negara yang konsisten dalam program pembangunannya meskipun situasi politik dalam negeri tidak selalu memberi dukungan. Walaupun Thailand mengalami dampak negatif akibat krisis ekonomi beberapa waktu yang lalu, negara ini terus maju dan menunjukkan kemampuannya memulihkan keadaan ekonomi, khususnya dengan mendorong sektor Usaha Kecil dan Menengah yang menjadi tulang punggung pembangunan ekonomi negara. Program OTOP (*One Tambon One Product*) adalah sebuah upaya pembangunan usaha kecil di pedesaan yang mengedepankan partisipasi masyarakat dan merupakan salah satu program pembangunan pedesaan yang didorong oleh pemerintah setempat bekerjasama dengan pihak swasta untuk mengangkat komoditas bernilai ekonomi tinggi. Komoditas pilihan ini merupakan komoditas spesifik lokasi yang dihasilkan secara turun-temurun dan yang kualitasnya ditingkatkan untuk mampu bersaing dengan komoditas sejenis di pasar dunia. Penerapan kebijakan koordinasi tiga-jalur telah berhasil menguasai pasar domestik dan menembus pasar internasional. Upaya pemerintah Thailand untuk menyediakan database pedesaan yang andal menjadi dasar untuk memulai pembangunan dan mengundang investasi masuk ke pedesaan. Makalah ini menguraikan pengalaman Thailand membangun pedesaan dan mempelajari keberhasilan Program OTOP memasuki pasar global. Pembahasan juga mencakup analisis kemungkinan mengadopsi program yang sama di Indonesia untuk memperluas pasar produk lokal dan menanggulangi kemiskinan di pedesaan.

Kata kunci : *koordinasi tiga-jalur, pembangunan database, pengembangan UKM, perencanaan pembangunan pedesaan*

ABSTRACT

The Government of Thailand has launched programs to help alleviate the people from poverty. Thailand is considered as a consistent country in terms of rural development amid some experiences in political discourages. Despite the negative impact of economic crisis, Thailand had shown their capability to recover from such a difficult situation. With the participation of the people, this country is currently taking their opportunities to improve domestic economy through small and medium enterprises development. OTOP (*One Tambon One Product*) Program is one out of many policies to support groups of people to develop local wisdom in cooperation with private sectors under the guidance of local administration to produce and to enhance local-specific high value commodities. Indigenous knowledge and inherited wisdom are explored to its fullest

for modern and commercial products. Three-way coordination policy practiced in rural development management has been improved to certain level shown by the increasing production of varied high grade commodities entering both domestic and international market. Government efforts to produce reliable database is the key point to initiate and encourage investment in rural areas. This paper describes the experience of Thailand in rural development, specifically the success of their OTOP Program in global market and discusses the potential of Indonesia to adopt similar program for market expansion and poverty alleviation.

Key words : *database development, rural development planning, SMEs development, three-way coordination*

INTRODUCTION

Indonesia's economic recovery programs are progressing to leave the economic and political turbulence caused by the financial crisis in 1997. However, the effect of the programs is shadowing the performance of social and economic development. Multi-dimensional problems created by the crisis in addition to the current rapid change of political development have been geared the nation toward a more complex situation. It does not mean that during the past decade, national development has proving poor progress but the result of the development itself is in fact slower than the society's expectations. Social and economic development programs through projects and various activities have been accounted in a typical format of Indonesia's democracy system. Any levels of the society are participated in such development according to their respective portions but many times are trapped in the uncontrolled and imbalance of implementation.

The development chain usually begins with the needs of resources and skills supported by management reliability. Meanwhile, planning, implementation, and monitoring and evaluation of the programs are embedded in the development chain. In the end, this development pattern is considered as integrated program cycle to achieve certain level of development. In the development context, the development design needs basic data, information, and knowledge to produce good program and reliable target and objective. When other countries always initiate their programs with reliable database, Indonesia may not use such database to support its development planning programs. Lack in this basic information should be considered as one of the development weaknesses and should be improved in the future. Indonesia, therefore, need to study the success of the other countries to enhance the quality of the development planning and to sharpen its implementation program.

Continuous development improvement carried by one of the neighbor countries, Thailand, has been promisingly taken into account with remarkable achievement they enjoy in many development sectors. Such improvement could be

seen from their GDP rate achievement which is over 6% per year (6.9% and 6.1% in 2003 and 2004, respectively) and mainly contributed through foreign exchange (various export products). This economic growth was decreased in 2005 (4.6%) due to three identified major factors: the increasing trend of world oil price, the decreasing revenue from tourism sector (negative impact of tsunami), and draught in many parts of the country. In this regard, Thailand uses their flexibility to revise national development planning with strategic and rapid maneuver to gain the most possible advantage for the people. The result was amazing shown by the progress achieved at the latter part of 2005 by the increasing trend of national income following the free trade agreement signed with other countries (such as US, China and New Zealand). Entering 2006, Thailand's economic condition is expected to considerably increase due to domestic business climate improvement, new foreign and local investment to work on giant social and infrastructure projects, and the creation of pushing export condition for manufacture commodities. The only threat could be expected may come from bird flu pandemic disease and domestic instability caused by separatism movement in the south. Therefore, efforts to cope with such threats have been systematically planned to narrow the worse situation affecting the national economic growth.

One of the popular development programs in Thailand called OTOP Program. OTOP stands for One *Tambon* One Product (one sub district should have at least one high economic value commodity) introduced by the government in 2001 and fully implemented in 2002. In general, the success of OTOP Program is basically laid on the common needs of any levels of the society to work together with the government to develop local-specific commodity for improved mutual benefit (Community Development Department, 2004). Although some of the programs were not smoothly implemented as it expressed by prominent observers, but there is no doubt to say that OTOP Program has been largely help the community or groups of people to increase their income, open new employment opportunity, and improve the people's quality of life in rural areas. This, in turn, provides good chance to progress business world in the country as the small and medium enterprises take their part in the program and gain benefit through trade cooperation and partnership with local people/organization. This success would be ideal to study and obtain relevant strategy options before replicating similar program in Indonesia.

The social and economic development breakthrough experienced by Thailand is considered very important for national development planning improvement in Indonesia. Individual intervention (planners) and institutional management reliability (governance) along with implementation procedures (methods, rules and regulations) and understanding of each jurisdiction boundaries (authority) are the major elements to play important roles in development process. This paper is expected to provide necessary information and knowledge based on the experience of Thailand in OTOP Program to improve development policies for rural development and poverty alleviation in the country.

In general, the objective of this paper is to obtain data, information, and knowledge about the success of OTOP Program in Thailand. The detail objectives are (a) to overview Thai government initiative and participation of the community in the development of small and medium enterprises, (b) to study OTOP Program as the people's economic main stream in rural areas, and (c) to formulate applicable recommendation to adopt Thailand's OTOP Program for sustainable rural development and poverty alleviation in Indonesia. Lesson learned from Thailand experience would provide great advantage for Indonesia's regional and rural planning development. This paper is useful to understand and to compare how Thai people develop their rural areas, specifically in respect to coordination among the institutions to intensify community participation in different stages of the development.

ROLE OF GOVERNMENT IN SMEs DEVELOPMENT

Ministry of Industry is one of the most important ministries in Thailand, specifically in its role to promote and develop industrial sector, mineral resources, and energy. There are nine policy missions listed in the framework of national development planning (out of 12 in its long-term development) to be undertaken within a short term development (Ruayajin, 2006):

1. To coordinate related institutions in OTOP Program development, from production development (technology, production technique, management and marketing) to promotion of many primary commodities and channeling the high economic value products entering domestic and international markets.
2. To establish special bank to serve SMEs in financial support, liquidity, and other financial services in industrial sector by restructuring the management of the currently operated Small Industry Finance Corporation (SIFC).
3. To provide technical assistance to reduce cost of production and improve capability of business management.
4. To support efforts to solve liquidity problems by strengthening business capital and initiate partnership with commercial bank to prepare soft loan to SMEs and enhance their capability in credit analysis and endorse low rate of interest for SIFC.
5. To provide assistance on tax restructuring to reduce production cost and avoids the weakness of Thai industries in high competition of similar products.
6. To review legal aspects and problems arise to increase the quality of industrial product and manufacturing and facilitate industrial entrepreneurs.

7. To accelerate Industrial Restructuring Plan on production, management, and marketing aspects.
8. To develop capability of human resources, both private and public sector in modern production technology, environmental management, industrial safety, and international standards, such as ISO (9000, 14000, 18000) and HCCP.
9. To stipulate certain measurements to hinder the impact of free trade under WTO, AFTA, and other economic cooperation and to encourage industrial sector to share trade information and analyze the impact of trade agreement within the framework of international trade cooperation.

All of these nine policy missions show the seriousness of the Ministry to develop various type and size of industries in the country. These policies are included in Industrial Development Master Plan Entering 2012 Vision with special characteristics as follows:

1. Strong and flexible in export trading
2. Equally distribution of industry profit up to the rural areas
3. Improvement of managerial skills
4. Increasing of community participation in industrial and mining operation
5. Improvement of industrial products quality
6. Increasing concern of the people in natural environment sustainability
7. Availability of raw materials for industry and energy
8. Development of information-based community

OTOP THAILAND: POVERTY REDUCTION PROGRAM

OTOP Program is not originally generated in Thailand. The government of Thailand learnt similar program from rural development in Oita, Japan. The One Village, One Product (OVOP) developed by local community in this region was inspired the establishment of OTOP Program. OVOP utilizing the available resources in that area and enhance the performance of local wisdom to reach international standard quality. With this idea, OTOP Program was immediately developed with intensive assistance from Japan side. JETRO (Japan External Trade Organization) was initially helped the program for one full year (2002) and started to promote Thai products in Japan. JETRO collaborated with Thailand's DEP (Department of Export Promotion, Ministry of Commerce) and other Japanese organizations in Thailand. The government of Japan was also supported the program in especially packaging techniques (Anonymus, 2006a).

OTOP Program was introduced throughout the country to provide advantage from local resources (taking personal statement by Pongpol Adireksarn as quoted by Anonymous, 2006b). This mission was developed with three philosophies: (a) local products that globally recognized, (b) produce typical products using local resources and self-help creativity, and (c) improve skills of local human resources. Slowly but sure, the efforts have come to a fruitful condition with a number of products produced locally. One *tambon* is, in fact, could produce more than one product. Products improvement is continuously conducted to achieve the highest added value they could get. Quality improvement as well as enhancement of product performance is the main concerns in the development of their products.

This program is contagiously affecting the others with interest to expand their local products. Producers, distributors, market sales, and promoters are among the job opportunities available for local people. Several prime products are continuously competing with similar products in the market and export promotion is taking place timely with the creation of international markets. OTOP products have their own brands, labels and identities in the market parallel with its increasing demand. Marketing management is improving along with the close communication and coordination with local administration to expand incentives and facilities. Export activity is the main objective to allow domestic income enjoyed by the people and, hence, the improvement of local welfare. Exhibitions, at regional and national levels, were conducted to promote various products and the partnership type of business is encouraged to achieve certain satisfaction and income level through the transactions.

It is interesting to understand that many government and private institutions involve in the program. Coordination between the 25 agencies and 12 ministries for OTOP Program development would not be as easy as it announced. There must be certain efforts made to link different agencies and institutions under the authority of central government. Willingness to develop, no matter who you are and what capacity you perform, and the strong integrity to improve human quality of life are sounding good in all planning and implementation stage of OTOP Program development. This is something that must be learned from the success of the program in Thailand. Local authorities follow the direction policy made by the central government and adjust the plan according to their own capacity and the available resources. Any activities in respect to the program are thoroughly carried out with active participation of the local people and the whole stakeholders. A hand-in-hand action is taking place focusing to the objectives and the truly cooperation between the administration personnel and the production side is sensibly capitalized.

Achievement of OTOP Program

Since OTOP Program introduced in Thailand, the production and its trade have been remarkably increase, both domestic income and foreign market

revenue. The increasing demand was enjoyed from time to time within a short term by production centers of various industrial products. OTOP production could be classified into six big groups as illustrated in Table 1. The six group products are progressing in terms of quantity, quality and types. Out of thousands products registered in OTOP Program, there are some considered as high quality products and included in the “star category” products. OTOP Champion introduced by the government (OTOP Committee) is implemented in the attempt to select the most valuable product with high quality for export purpose. All of these products were examined by independent committee to recommend several high quality products and eligible to receive star award (from one star - the lowest to five star - the highest). The independent committee personnel are coming from different background and expertise, depending on the product to be examined. They are working with their mandate and carry out their tasks in a professional way. Only those five-star products are a highly recommend and allow entering international market.

Table 1. Description of OTOP Champion Products

Groups of product	Coverage of the groups of product
1. Foods	Rice, dried fruits, rosella, sweet leguminous, banana jam, dried banana, honey, fried carp, dried fish, fish meatballs, egg, various crispy snacks, etc.
2. Textile, fabric, and clothes	Various fabrics/silk and batik, hand bags made of stingray skin, jewelry, etc.
3. Handicrafts and souvenirs	Artificial flower, paper and pineapple fiber, hand bags made of palm leaves, various carving crafts, various carving made of zinc/tin, copper, and other metal materials.
4. Beverages	Coffee, tea, milk, fruit juices, mineral water, and wine.
5. Ornaments	Photo frame, bamboo basket, hand bags made of local materials, such as jute, <i>pandan</i> , etc.
6. Herb and medicinal crops	Various face and body care products, including beauty powder, oil, shampoo, etc.

Source: www.thaitambon.com (Data retrieved on 13 January 2006)

The evaluations made to 2003 products indicate the short list of products eligible to compete in international market. The products awarded 5-star this year would not automatically be recommended to receive 5-star certificate for next year. The products would again be examined and the results would be immediately announced. This is the mechanism the independent committee carries out, so that the 5-star products in 2003 could be given the same certificate or even stepped down to the lower levels. Data presented in Table 2 indicate a trend of decreasing number of products from 5-star (2003) to the lower levels (2004), from about 66%

down to 57%. On the other hand, the 4-star products were increasing significantly and lifted themselves to 5-star products (from around 3% in 2003 to more than 9% in 2004). Similarly, 3-star products were also increase (from 0.76% in 2003 to about 5% in 2004). There are a lot of products to be examined indicating the highly enthusiasm of the people in the program. Depending on the registration made by the producers, the comparison of the percentage magnitude would not be relevant. Like or dislike, the comparative advantage of OTOP products have been entering the global competition and for this, the cooperation among the domestic stakeholders is the key point to improve quality of local products for the interest of international market.

Table 2. Type and Number of OTOP Champion by Category (Star), 2003 and 2004

No	Groups of products	2003			2004		
		5-Star	4-Star	3-Star	5-Star	4-Star	3-Star
1.	Foods	144 (209)	11 (359)	5 (298)	138 (251)	5 (187)	3 (186)
2.	Textile, fabric, and clothes	37 (124)	5 (276)	3 (345)	61 (121)	3 (90)	11 (118)
3.	Handicrafts and souvenirs	87 (105)	7 (181)	0 (180)	23 (30)	11 (101)	8 (166)
4.	Beverages	27 (30)	1 (87)	0 (99)	19 (30)	6 (58)	0 (34)
5.	Ornaments	83 (110)	14 (230)	1 (192)	67 (86)	38 (173)	22 (310)
6.	Herb and medicinal crops	22 (29)	0 (92)	0 (55)	8 (38)	0 (56)	0 (50)
Total Champion Products		400 (607)	38 (1225)	9 (1169)	318 (556)	63 (665)	44 (864)
		65,89%	3,10%	0,76%	57,19%	9,47%	5,09%

Notes: - Figures in bracket are total products by its groups type in its own category

- Percentage figures at the bottom line show the magnitude of OTOP champion products compared to similar total products in its own category

Source: www.thaitambon.com (Data retrieved and processed on 13 January 2006)

Table 2 also indicates that the number of products categorized as “star products” is quite a few compared to the others. Based on information obtained, it reveals that not all products are examined at certain category although the products are feasible to be examined. It is all depending on the products owners, whether they register their products or not at the *tambon* level by the local committee before they recommend the products to the upper level committee for further evaluation. More interestingly is that there is no charge for such examination. The products are examined independently, evaluated openly with transparency results. This procedure is taken to educate the community about the

strength and weakness of their products. This is also make sense and highly appreciated in respect to clearly and fairly product competition. Government provides certain amount of budget to help those who need cash capital to improve the quality of their productions. This is part of the services and encouragement the government promotes to develop OTOP products in Thailand.

Data in 2004 illustrates the number of star products (5-star for export quality, 3-star and 4-star for domestic markets but could be improved to achieve 5-star) by development regions in Thailand (Table 3). For these four development regions, central region is the main OTOP production center to which the 5-star certificate is awarded. This is understandable because of the availability of varous facilities at this region, including higher accessibility to information compared to the other three development regions.

Table 3. Number of OTOP Champion Products by Category (star) and by Regional Development in Thailand, 2004

No.	Development region and main producers	5-Star	4-Star	3-Star
1.	<u>North</u> Main producer province: Chiangmai and Pitsanulok, out of 16 provinces	60	15	12
2.	<u>Northeast</u> Main producer province: Nakhon Ratchasima, out of 19 provinces	51	6	7
3.	<u>Central</u> Main producer province: Bangkok, Nakhon Phatom, and Kanchanaburi, out of 27 provinces	177	38	22
4.	<u>South</u> Main producer province: Phuket, out of 14 provinces	32	4	4
Total Champion products (out of 76 provinces)		310	63	45

Source: www.thai-otop-city.com (Data retrieved and processed on 13 January 2006)

Factors Affecting the Success of OTOP Program

Out many factors affecting the success of OTOP Program in Thailand, the following are among the main factors to learn:

1. There is a consistency of development plan since the first development planning stage more than 40 years ago up until the years of economic crisis (1997) when the government was enforced to work extremely hard to achieve certain level of recovery from the domestic economic turbulence. The community-based economic development was mainly take large portion of economic development planning to help the state out

of the disadvantage condition and especially in respect to poverty reduction (NESDB, 2001).

2. Awareness on the role of SMEs as the backbone of the national economy shown by the fact that the large companies were collapsed during the crisis but SMEs were steadily firm. Programs and projects in favor of SMEs were intensified and strategies in rural development planning were also thoroughly considered through three-way coordination concept in which the government, the private sectors and groups of community (including NGOs and other community organizations) take their respective significant role. Their inter-relationships have come to a more close interaction in community-based development cooperation (cluster development). With the support of SMEs along with the facilities and services by the government, synergy efforts lead to a fruitful result with profit and advantage. OTOP Program born in similar policy and strategy in which its development was continuously monitored, evaluated, and updated through various policy instruments for certain level of achievement.
3. Good coordination among the stakeholders. The key word is coordination which is embedded within leadership attributes. Leadership at central level down to the lower level of the governance has its harmonious development chained-relation. Close relationship between the leaders and the people have been considered as one of the key successes of the development. Community control on various programs and integrity of many development commissions within the regional and rural development were well guarded by keeping the communication, cooperation and coordination among these stakeholders. Coordination is, therefore, the main power in program implementation of sustainable development.
4. Thailand has patronage which might not be found in other countries, that is the King factor. King Bhumibol Adulyadej is the people's patron from any level and any groups of society in the country. This factor is a gift for Thai people. The people love the King, and the King dedicates all of his power to the people, and these two has merged to a strong synergy when it is translated into development. Lots of initiatives come from the palace and the King led the country to implement the King creation in the so called "sufficiency economy" concept (Satirathai and Piboolsravut, 2004). This creation was further elaborated in the national economic development planning in its aimed at a more practical and useful economic activities carried out by the people.
5. During the current global information era, the use of information technology resource should not be luxurious goods which are difficult to understand. Instead, information technology has become a required one.

The government took the decision to facilitate the people with this technology and support its utilization for the benefit of the people. The support of website services as well as the commercial transactions through e-commerce is noted as a good example of how the government encourages the people to keep the expansion of their business continues. The government is fully support the trade of OTOP products using various techniques including the use of computer-based information technology and educates the people to realize the economic global trend through business competition and opportunity.

LESSON LEARNED FROM OTOP PROGRAM WITHIN SMEs DEVELOPMENT

Rural development design needs data, information, and preliminary knowledge to achieve certain level of objectives and meet its target. In many countries, the uses of the three aspects are essential but Indonesia is unfortunate because these basic aspects are less available, sometimes invalid and inaccessible to many users. On the development context, an individual (planner), institutional management (governance), implementation procedures (rules and regulations), and its delegation (authority) are taken into account as necessary elements and play important roles in a development process.

Thailand establishes a committee to implement certain development at rural level. The committee's membership consists of local officials along with several local leaders and representatives of NGOs. There are also some institutions dealing with certain fields which form an integrated coordination (intergovernmental relations) for rural development. In this regard, three major lessons learned from the experience of Thailand in the implementation of rural development.

1. The government roles in development. The main responsibility of Department of Industrial Promotion, for example, is to encourage the development of SMEs and performs five tasks: (a) to encourage the relocation of urban industrial companies at rural and regional areas, (b) to support investment for SMEs, (c) to develop industrial networking (through coordination and promotion), to promote investment for potential industries, and (e) to improve industrial competitive level for export oriented goods. The strategies to carry out these tasks are clearly described in its mandate and, administratively, equipped by facilities and full support from the central government.
2. Formulation of comprehensive strategies to immediately solve two main problems since economic crisis, i.e., financial and marketing. These problems are approached through improvement of infrastructure and service sectors, business constraints reduction due to governance service weaknesses,

promotion of SMEs to grow healthy competition, potential entrepreneurship support and promote SMEs employee's skills, and encouraging cooperation among the society groups (cluster business). The latter is focused on problem solving approach for certain objectives: (a) to promote export businesses by creating highly economic value and highly competitive capability export commodities, (b) encourage new SMEs' entrepreneurs who are equipped by certain level of knowledge to increase added value of goods, open employment opportunity, and improve level of income, and (c) assist community/group of people to promote the use of natural resources and increase the society skills to produce goods and services and at the same time to create a conducive climate of cooperation.

3. An in-depth study of development program to create strong base of certain project implementation, such as OTOP Program. The involvement of the rural people to take part in any decisions is considered as a right decision showing the government position in favor of the society. The government has an obligation to serve, to facilitate, to support, to encourage, and to control various aspects of rural development according to its capacity.

This description shows the seriousness of the government to increase domestic production, including the distribution of production centers throughout the country, encouragement of foreign investment, and creation of business network. Knowledge improvement for people involve in SMEs affairs is also carried out, because skills are very close to the capacity of certain product to compete with the others. It is interesting to understand how the government of Thailand implements development approach. The central government determines development planning and its direction in a global format which is further fill in its detail requirement at regional and lower level of administration. In its implementation stage, the participation of the community is encouraged to accommodate top down and bottom up approach to perform synergy development. Necessary program adjustment is made to achieve certain target. Local government, with local commission and sub commission participation, is responsible in the implementation stage. This development model indicates its complexity but controllable program as it allow "close range" of evaluation by many stakeholders who, accordingly, guard the program for optimal achievement.

Many interesting experiences could be learned from the implementation of OTOP Program during the last five years, particularly in respect to poverty reduction. Other than successful factors, some important aspects in regard to entities embedded in the Program, among others, are:

1. Government role is in favor of the poor people shown by the evidence that the program was launched for the benefit of rural community. There is a commitment to reduce the people's poor condition and push the local economy through sustainable development. Private sector considered in a group of SMEs, a group of cluster community, local government, and other

communities organization/NGOs are respectively take their part in the development. The experts along with academicians prepared their contribution in thoughts, suggestions, and consultations; meanwhile, the government translates such supports in the form of policies, programs, and projects. The business actors grabbed the opportunity with available facilities and additional incentives provided by local government to create three-way coordination between the government, private sector and community groups. The results are the local economy movement to stimulate national economy impact. The national economy development is currently expanded to accommodate social development at the same level to maintain its equal development progress.

2. The consistent and sustainability of development in Thailand is maintained with backward linkage to determine future direction (forward linkage) of development (NESDB, 2001). Among the current development policy instruments are the agriculture sustainability development, availability of rural development fund, OTOP Program to stimulate people's economy, and community health improvement through low-cost health scheme. Local government authority is continuously improved to strengthen local administration to carry out various tasks along with inherent problems, including poverty reduction by the accommodation and facilitating the people's interests and needs using available resources. The feasibility of the needs would be determined by the people, not solely by the local government. Participation of the community is very important to make sure the continuation of the programs. This system is applicable to educate the community and to empower them up to the grassroots level.
3. Rural development is initiated using the availability basic database. Thailand has this opportunity as they have installed basic database for all regions and rural areas so that it is sufficiently supported to start program or project, including community-based projects (Pongquan, 2005). This basic database covers many fields and sectors and is prepared with common data, not very detail but could be easily accessed and read by those in need. Thailand experience in using this basic database has been appreciated as it will help development planning, ease communication, and simplify identification of certain target for development priority.
4. When similar to OTOP Program is to be launched in Indonesia, the program planning must be thoroughly conducted based on willingness and commitment to help alleviate the rural people from poverty trap. At the same time, the rural level database as well as the household level should be updated and adjusted as needed in the framework of rural development planning. The implementation strategy to replicate OTOP Program in Indonesia should also be formulated in detail along with its working program by a team headed by a well recognized with high commitment and integrity individual appointed by the government. In this respect, an inter-department committee has to be established, facilitated and fully endorsed with authority to carry out the tasks.

All attributes related to the role of this new committee (including legal actions, rules and regulations, jurisdiction boundary, administrative issues and other related matters) should be well prepared in advance so that the program is not launched for short term period but well designed for long term to achieve certain targets with dynamic and sustainable operation.

ADOPTION OF OTOP PROGRAM FOR POVERTY ALLEVIATION IN INDONESIA

It was reported that some years ago, Indonesia had introduced similar program with OTOP Program, namely primary products of Indonesia Prime Program. Some regions were once developed their indigenous wisdom to produce local specific commodities. These high economic value commodities were produced by the groups of local community with the highest group products called prime goods (1 the highest class, 2 mid-class, and 3 the lowest class). This category is more or less similar to OTOP Champion in OTOP Program with Prima-1 equal to 5-star of OTOP Program. It is very disappointed that the Prima Program was no longer considered in the national economy development. It was not appeared in the planning and was only introduced to immediately disappear from the national development program. It looks that this program was poorly socialized, less promotion, and lots of pitfalls, including the absence of communication, cooperation and coordination.

Now, if someone asks whether Thai's OTOP Program could be adopted in Indonesia, then the answer is very simple, yes Indonesia is capable in doing so. If Indonesia, had experienced similar program sometime ago, then it looks that it is only a matter of how the government strongly endorse the program. Program planning should be considered carefully from central level down to lower level of administration in the context of decentralization. If poverty alleviation is one of the main programs in each of the region, the interest of poor people in rural areas should be on top of all regional development. It means that development priority is in favor of the people. For this purpose, decision making process, should include the participation of the people and the government should provide necessary facilities, encourage and support any logical needs according to its purposes. Lesson learned from the experience of Thailand in OTOP Program would be very useful to understand the hard working but in the end earning the benefit the people could enjoy. This experience could be adjusted to local situation and adopt the program using appropriate approach without neglecting the interest of local community. Moreover, the implementation of three-way coordination should be based on mutual understanding of all stakeholders.

To support rural development, Department of Industrial Promotion, Ministry of Industry had successfully formulated the so called Rural Industrial

Development Support Program adjusted to the eight phase of Economic and Social Development Planning in Thailand (1997-2001) with main objective to improve the community welfare in rural areas (Anonymous, 2006c). Two main targets of this program are: (a) encourage community-based rural industries and manage and operate the industries while create local market as transaction place and (b) encourage private sector to relocate their businesses and production units to rural areas by applying three-way coordination (public sector, private sector, and groups of community/NGOs) to support local production. With the authority and facility the government has, Indonesia is suitable to promote rural development through similar program with OTOP Program. Figure 1 shows the position of institutions in three-way coordination scheme with conditions and benefits should the program would be carried out. Accountability of the organizations involved is described in Table 4.

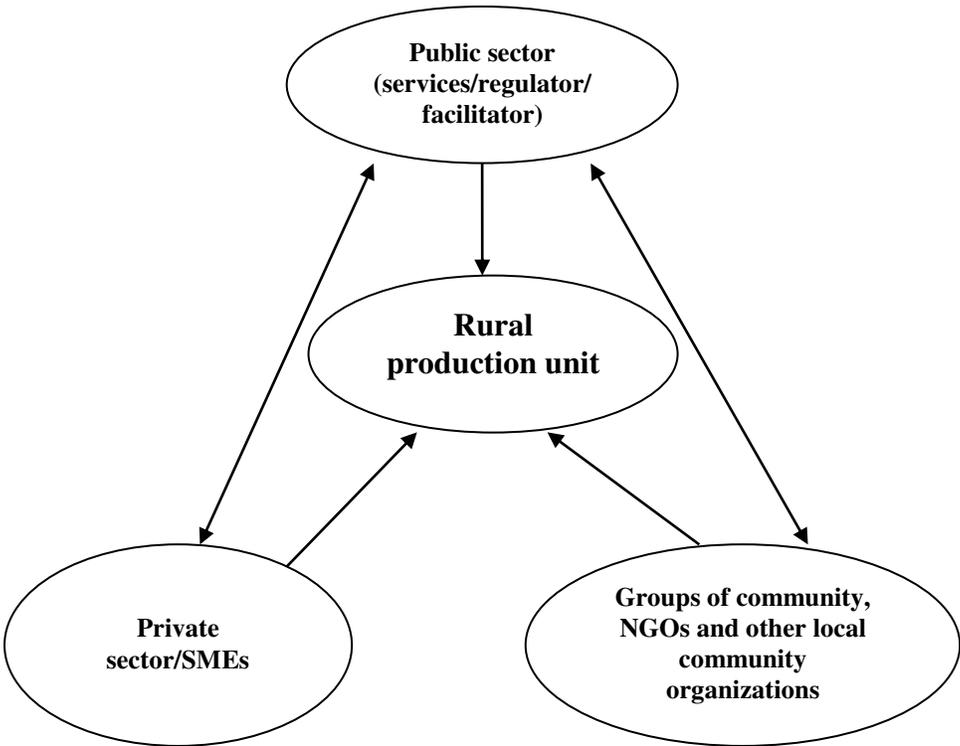


Figure 1. Three-way Coordination in Rural Industry Development in Thailand (Source: www.smethai.net)

Table 4. Task and Responsibility of Organizations in Three-way Coordination Scheme

Organization	Task and responsibility
Government Institutions	<ul style="list-style-type: none"> • Introducing and socializing the program • Encourage and mediate meeting between private sectors and community groups who have potential to relocate their respective productions (by government institutions or NGOs) • Provide training facilities for local community groups and at the same time reducing production costs (coordination with private sectors) • Prepare the availability of low interest financial credit to support investment of local community industries • Control and measure the achievement of the program
Private Companies	<ul style="list-style-type: none"> • Initiate coordination with government institutions about the transfer of company's management and production to local community groups • Provide support in terms of raw materials, technical production, other machineries, equipment and tools • Invest part of the capital in the community industries at the initial stage of its business activities • Allocate production activity to production units in rural areas • Help the community groups in distribution and marketing channels of their products
Groups of Community	<ul style="list-style-type: none"> • Participate in industrial production of the community groups • Make and keep firmly commitment to support investment and management of community-based industries

Source: www.smethai.net (2006).

Conditions as pre requisites that the private sector should meet would not be difficult to prepare, such as:

- In the stage of production and or independently distributing its goods and the products.
- Using technology that would be easily transferred to other rural areas.
- Availability of market for its products.
- Operating this business for at least three consecutive years.

Benefits that private sectors could obtain from the activity in the program are:

- Low investment for business expansion.
- Low wage rate causing reduction of production cost (labor's low cost could be maintained because working activities are organized within the business area).

- Low budget in personnel development (improvement of human resources skills).
- Bank credit incentives due to business relocation with provision of certain facilities to private sector that operate their business from rural areas.
- Increasing people's morale because they are working with their own community in their rural industries with benefit and advantage belongs to rural people.
- Good work and positive reputation for industries as it take part in rural community development and considered in the national development.

CONCLUDING REMARKS

The “Indonesia OTOP” Program is a challenge to promote various high profile products of Indonesia. The time has come to re-establish “Made in Indonesia” with new spirit using flexible yet more comprehensive design of program planning to be implemented in a synergy mode covering the government (various institutions), entrepreneurs (specifically SMEs), and group of the community (cluster society) and or NGOs (who have concern to help poor people). All of this agent of development are inter-related one another and tied by cooperation following the three-way coordination scheme for one objective, to stimulate and encourage people's economy and to prepare positive impact of rural development to help alleviate them out of the poverty circle.

Initial preparation should be done in its earlier stage. In-depth understanding about the program should always be prioritize to form step by step implementation with strong base model, including legal aspects following its development. Meanwhile, the construction of basic database covering necessary data at rural and household levels should be updated and adjusted to the needs of rural development program. Strategy to implement adopted OTOP Program is suggested to formulate by those who are interest to develop rural areas and those who have competence and capability in such difficult planning. In this context, the establishment of independent commission representing various ministries related to rural and regional development is very much encouraged. This commission should be facilitated and allowed to perform their mandate independently with authority and logical programs though these are subject to control and evaluate. All matters related to the implementation of the program should be carefully foresee, including legal aspects, rules and regulations, and jurisdiction boundary along with its representation rules. The program, once it introduced, should be taken into account that its presence is in favor of rural and poor people. This is very important to ensure the participation of all stakeholders, particularly the local community to the success of the program.

Three policy stages are suggested to consider in the establishment of the program, i.e., pre-program, mid-program, and post-program. In pre-program stage, careful and thoroughly planning is very important. A comprehensive and holistic approach is encouraged to reduce the program loss and avoid the unexpected failure. Strong planning would suppress new problems and initiate smooth connection between phases in the program. In mid-program, the implementation stage is taking place and the people in-charge is assigned to control the entire program. Knowledge and understanding about the capacity and availability of all resources (financial support, production techniques, inputs and raw materials, business management, etc.) is varying crucial in the overall program development. In post-program, policy covering evaluation, measurement of the success and failure, and the connection with other programs is very important to consider following it up to improve the next phase of its development.

We need to grasp the opportunity to promote our products at national level. Experience of failure in other programs should be taken into account in the implementation of this program. The available opportunity should be capable to create conditions that attract people's participation. In this regard, the formulation of policy instruments should adequately affect program sustainability. This description is trying to say that big plan or master plan in rural and regional development should be respected and all efforts should be made in response to the objectives of the plan. The appointed personnel at central and regional levels could come and go, but the master plan should not be easily changed but flexibly adjusted to the current challenges. Evaluation to improve future planning and development should always be in front of all interests and guard the program to achieve the most reasonable objectives. Lack in development program and failure in the implementation stage would always be valuable learning process, but willingness and commitment should not be left behind for the country's future promising and sustainable development.

In many aspects, Indonesia and Thailand have similarity, but Indonesia may have more comparative advantage, specifically with abundant of natural resources and typical ethnics creativity. Lesson learned from Thai experience in the implementation of their OTOP Program is subject to intensively re-evaluated and adjusted for suitable condition in Indonesia. Initiatives should come from the government (central and local) and bottom up approach should not be avoided. Moreover, patronage leadership is important as a prerequisite condition for rural development and poverty alleviation program, including for "OTOP Indonesia" Program or whatever its name in the future.

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