

**A COMPARATIVE STUDY: ONE VILLAGE ONE PRODUCT (OVOP)
AS AN ENGINE OF LOCAL ECONOMIC DEVELOPMENT
IN JAPAN AND INDONESIA**

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Abstract. *The One Village One Product (OVOP) is a voluntary local community movement that drives the Local Economic Development (LED) and the revitalization effort, which was initiated in 1979 in Oita prefecture, Japan. The research examines the OVOP approach by comparing the OVOP program in Indonesia, particularly the case study of OVOP in Sragen regency, Central Java province, to the original OVOP program of Oita prefecture in Japan. This study takes Oita as the observation, since Oita is considered as the region in which the OVOP concept is conducted successfully. For that reason, this research is aimed for taking a lesson to be learned and to be applied in Indonesia, in which in Indonesia the respective concept has not so far succeeded. The key feature of the OVOP implementation in Oita is the bottom-up approach that is well adapted in Japanese experience of local economic development. The case studies illustrated that, when it was transferred to Indonesia, the principles of OVOP were not directly copied from the OVOP in Japan. In Indonesia, OVOP was reconfigured into a government program with a top-down approach. This study will mainly focus on comparing both study cases qualitatively. However, this paper found a few studies which focus on the particular role of private companies in initiating and maintaining the OVOP programs, as distributors and suppliers, this topic become main research object for the research.*

Keywords : *One Village One Product (OVOP), Local Economic Development (LED)*

Abstrak. *Konsep One Village One Product (OVOP) atau satu desa satu produk adalah gerakan masyarakat lokal yang secara sukarela bertujuan untuk mendorong pembangunan ekonomi lokal (PEL) dengan upaya merevitalisasi yang dimulai pada tahun 1979 di Oita prefektur, Jepang. Penelitian ini meneliti OVOP dengan pendekatan membandingkan program OVOP di Indonesia, studi kasus OVOP di Kabupaten Sragen, Jawa Tengah, disandingkan dengan program original OVOP yang berasal dari Oita prefektur di Jepang. Untuk itu, penelitian ini bertujuan untuk mempelajari keberhasilan OVOP di Oita dan bagaimana hal tersebut bisa diterapkan di Indonesia yang sejauh ini dianggap belum berhasil dalam penerapannya. Kunci utama dari pelaksanaan OVOP di Oita adalah pendekatan dari bawah ke atas sebagaimana dalam pengalaman Jepang ketika melaksanakan pembangunan ekonomi lokal. Studi kasus menggambarkan ketika diadaptasi ke Indonesia, prinsip-prinsip OVOP tidak serta merta diimplementasikan seutuhnya. Di Indonesia, OVOP menjadi program pemerintah dengan pendekatan dari atas ke bawah. Penelitian ini akan melakukan kasus studi kualitatif. Pada umumnya ulasan penelitian OVOP adalah seputar sejarah program OVOP di Oita, studi tentang OVOP di negara lain yang mengadopsi OVOP dan studi yang membandingkan program OVOP di beberapa negara. Meskipun demikian penelitian ini lebih menekankan pada peran penting perusahaan swasta sebagai pihak yang menjalankan fungsi distributor dan pemasok, dalam memulai dan menjalankan program OVOP.*

Kata kunci : *One Village One Product (OVOP)/ Satu Desa Satu Produk, Pembangunan ekonomi lokal (PEL)*

1. Introduction

The One Village One Product (OVOP) movement was initiated in Oita prefecture in Kyushu island, 1000 kilometres a south of Japan's capital city of Tokyo. The main concept of OVOP was to encourage local citizens active involvement in economic by making procedure which were unique to the region and developing them to national and global standards during late 1970s (Knight, 2014).

To promote the OVOP movement, the Oita Prefecture government, supervisor of OVOP provided various support including technical assistance and marketing support. Local actors or producer are expected to develop new products which the local economy and society of the villages. As a result after 20 years of implementation, OVOP is widely regarded as having successfully contributed to local development in Japan (Murayama, 2014).

Along with the OVOP success story of improvement local product as an engine of local economic development in Oita prefecture, Japan, it has made many developing countries learn and try to adopt the model, include Indonesia. In response to changing rural-urban demographics and its associated to migration and income gap, OVOP initiatives have offered hope for local government level responses to effectively address such problems. In the course of these transfers, OVOP was aimed at alleviating poverty. That is inconsistent with its original objectives which was aimed to eliminate rural depopulation. OVOP was seen as a creative way of make local communities to have sense being entrepreneurial and eager to create value-adding activities by improving local products and human resources in the frame of local economy (Kurokawa, et al, 2010).

Tadashi Uchida, President of International OVOP Exchange Committee explain The OVOP movement has spread across the world because of two main reasons. First, the problems and suffering of local communities are common challenges facing the whole world including developed countries and developing countries. Second, The OVOP movement is little affected by any country's political system or religion.

Furthermore, since degree of poverty is still high in Indonesia, it is need to accelerate the progress of poverty alleviation, one of the strategies is to promote Small and Medium Enterprises (SMEs) empowerment, through implementation OVOP in Indonesia. Indonesia officially introduced the OVOP model through Presidential Instruction No 6/2007, as a way to improve superior local products in each region in Indonesia. SME in Indonesia became a saviour when an economic crisis happened in 1998. At that time, many large enterprises laid off workers, as opposed to SMEs that were able to create jobs. This demonstrated the importance of the role of SME activities for economic development and poverty alleviation. For this reason, Indonesian government continues to direct its main attention to improving SMEs.

The Minister of Industry endorsed the implementation of law no. 78/M-Ind-PER/9/2007 about developing Small and Medium enterprises through OVOP centre. As a result of these initiatives, OVOP in Indonesia became an official government project. The purpose of this policy is to promote creative and innovative local products. In the longterm, the aims are intended to increase the number of SMEs in order to reduce unemployment, and

finally to alleviate poverty (Media Industri vol 4, 2007).

2. Literature review

The first type of study discusses the history of the Oita-Japan "One-Village-One-Product" program, from its beginning as a public policy initiative by a charismatic prefectural governor all the way to its current status as a collaborative effort of private enterprises with minimal dependence on government resources or direction. Yamazaki (2010) documents key features of the Oita OVOP program, and of some programs in other countries based on the Oita program and tried to identify the salient features of all such programs. Knight (1994) argues that the Oita program should be viewed as just one example of the village revival movement. The Oita program cannot be properly understood outside of the context in which it was launched. OVOP is one of movement that response to problem of social decline caused by the ageing problem and shift of rural young to urban. Hasan (2015) observes the particular resonance of OVOP program in Oyama town. He documents the rural development of the village through the postwar era using an ethnographic approach, and shows the role that the program has played in addressing the problems.

The second kind of study documents specific programs outside of Japan based on the Oita OVOP model, and evaluates reasons for their success or failure using the case method. Meirina (2013) contrasts the Oita program with a program based on it in Purwakarta, Indonesia, and identifies some important differences in the way the townprograms were actually implemented Santoso (2013) proposes a strategic plan for applying the

Oita OVOP approach to the promotion of small and medium enterprises Indonesia. Natsuda (2014) finding that in Thailand by One Tamboon One Product (OTOP) is a poverty alleviation program that different with OVOP Japan purpose. Desta (2002) tries to figure out how the town of Adwa, Ethiopia could create robust and competitive products and services. Parilla (2013) explores the attempt to apply for an Oita-like program in Thailand under the rubric OTO. One finding that all of these studies have in common is that the Japanese prototype (the Oita program) was a bottom-up effort, while the many attempts to implement such programs outside of Japan, including the Thai and Indonesian examples just mentioned, are basically top-down schemes led by the central governments.

The third type of study compares Oita-type programs across countries. Denpaibon (2012) questions what are crucial factors influencing the success of rural development in Japan and Thailand. Kurokawa (2010) compares three countries that implement OVOP, there are Japan, Thailand, and Malawi. In order to find the experience for providing implementation OVOP in Sub-Sahara African countries. Li (2013) explores the applicability of the Oita-type approach to the economic development on Guam, based on comparative analysis.

I could not find any study of Oita-type programs that focuses on the particular role of private companies in initiating and maintaining such programs, as distributors and suppliers. Nor do any of the studies shed much light on the necessity of leadership in initiating such a program and seeing it succeed. Nor is there much attention to the economic incentives of private firms in participating in such

programs or initiating them. All of these factors would seem to be important ones in assessing the viability of an Oita-type scheme in Indonesia and indeed for understanding the reasons for its apparent success in Japan.

The originality of this research is trying to identify important economic factors behind the success of a private company as OVOP producers and distributors of OVOP-branded products. This study will focus on key on leadership as the main factor in the success of the original OVOP in Oita, Japan. It also explore the role of private corporations in practical to coordinate their promotion, branding and marketing not simply passively relying on government effort and initiative. Finally, the particular economic context of Oita, Japan a possibly depressed, rural region in a developed country, is very different from the economic situation in the Indonesian villages in which the Indonesian government has attempted to implement Oita-like programs. These differences should command our attention.

3. Research Method

Overall this is a comparative study to find out strategy in Japan that can be applied in Indonesia and hopefully can help optimizing it. Even though developed and developing countries have different in political, social and cultural systems, there may be some strategies that are applicable for both. The research objective is to describe the unique characteristics of the OVOP movement as well as its limitations in both countries, Japan and Indonesia, analyze the economic mechanism of OVOP in Oita, and to understand the success story of the OVOP movement in Japan. The cases will be analysed

individually but the paper will mainly focus on comparing the cases qualitatively, to identify the factors that answer the research question. The variables that used in the comparison benchmark are based on result in indepth individual interview by open questionnaires, finding knowledgeable individuals who have experienced in leading OVOP movement, so that the researcher, in the end, can forge common understanding.

According to Creswell (2013) reason that a research conduct qualitative research because a issue needs to be explored through a complex, detailed and understanding of the issue. Moreover, the detail can only be established by method direct talking or interview, going to their homes or places or of work, and allowing them to tell the stories to find that researcher expect relevant with the theory.

Japan case (Interview on December 2015)

- Interview with President of International OVOP Exchange Committee, President of Oita Isson-Ippin co.ltd, Producers OVOP product in Oita,
- Field trip to Roadside station / machi no eki and Tokiwa department store (place for selling OVOP in Oita and Beppu), Yufuin town as one of success OVOP place

Indonesia case (Interview on August 2015 and April 2016)

- Interview with Director-General of Small Medium Enterprises of Ministry of Industry, Head of Indonesia Trade Promotion Center Osaka, officials of local government of Sragen regency, they are: Head of Economic Division in Local Planning Board (Bappeda), Head of Agricultural Counseling (Bapelluh) / Advisor Organic Rice Farmer Association, Head of Cooperatives Subdivision in

Industry and Cooperatives Agency/supervisor of OVOP project (Kemenkop&UKM), Manager of Galeri Batik Sragen (Division in PT. Gentrade), producer OVOP (Sarung goyor and organic rice).

- Field trip to OVOP home industry Sarung Goyor and Organic rice

4. Implementation OVOP in Japan and Indonesia OVOP in Japan

4.1. OVOP in Japan

Adachi (2005) described an interesting story about OVOP, for which it was a marketing experience for local products and services. One of the most impressive facts of the movement was that Governor Morihiko Hiramatsu who was elected in 1979 had been being the frontline to do the promotion and the sales for Oita's products in all over the country especially in the capital city, Tokyo. By the spirit "Let's sell the genuine taste of Oita products" Hiramatsu made a high effort publicity for the OVOP products.

OVOP was born by the will of the rural women and youth to improve their hometown as a way to avoid the depopulation and to increase per capita income. OVOP was initiated through three basic principles: First, "Local yet global" means although OVOP is a local product, but it could expand into the global market; Second, "Self-reliance and creativity", which means that OVOP is a self-help movement by the residents without subsidy from the government; Third, "Human resource development" by educated village people.

At the beginning, Oita products were rejected by the market because of a perception that the products of local farmers and fishermen are considered unhygienic. At that time, modern markets

such as department stores and supermarkets perceived that handmades by the villages were below their standard, also another reason for that was the lack of quantity and the low awareness to on-time delivery. Then by advocating the OVOP, Oita prefecture government and local governments within Oita prefecture tried to help by doing some action. The strong leadership of Oita governor had convinced many producers not to lose their faith in extending their production under the OVOP movement.

Japan is one of the world's frontrunners mass media communication, its become a a key to succes in the Japanese market (JETRO, 1980) for that reason, Oita government really took an advantage of mass media. In this matter, government tried to attract mass media to do the massive publication of the OVOP. On the other hand, the prefectural government also gave opportunity to the OVOP producers to promote their products in a prefecture television program. Besides, the prefectural government had worked hard to help on products development and to provide facilitation in local products exhibitions, gift fairs, internet shops and to gave wide access information. From the central government, there were also aid for technical assistance. In general, OVOP producers in Oita are united in cooperation so these condition make easier for them to do some coordination with the government.

Intervention by the government to the producers was gradually reduced after their products became well-known and the products from Oita became attributed to a guarantee of good quality. Finally in 2003, after 24 years leading Oita through six times winning the elections, Hiramatsu himself decommissioned all OVOP

instruments within the prefectural government before his resignation as the governor, and the movement was totally handed over to non-governmental organizations and private companies.

On Hiramatsu's speech (2005), he stated that because of OVOP's externalities impact, people from outside Oita are interested to come and to learn about OVOP, beside in promoting the tourism sector, investors also eager to invest in Oita. Major companies such as the Nippon Steel Co. Ltd. and Canon Incare interested to open their high-tech factories in the suburb area. This good news supports government's aim to reduce migration of Oita's youth to find jobs in big cities. He also mentioned how OVOP spirit has empowered women by affording them financial independence to support family income, women farmers in Oita became the pioneers of women empowerment, there are around 339 women groups exist and consistently run their business.

4.2. Oita OVOP Company. Ltd

The strong leadership of Oita's Governor had influenced the owners of 34 different investments and individuals from inside and outside of Oita prefecture to make a joint cooperative fund to build Oita Isson-Ippin (OVOP) company in 1988, a wholesale company with 100 percent private ownership with the total invest of 120 million yen with the major portion of its shares were subscribed by local business firms such as Tokiwa department store, mass media and local banks.

Tokiwa is the largest Oita-based department store and has been a prominent promoter of the OVOP movement. The rest of the shares were owned by several large trading firms, such as Mitsui,

Mitsubishi, Itochu and Tokyo Mitsubishi Bank. In the beginning, this company conducted a high-budget research to find what the effective way to develop OVOP

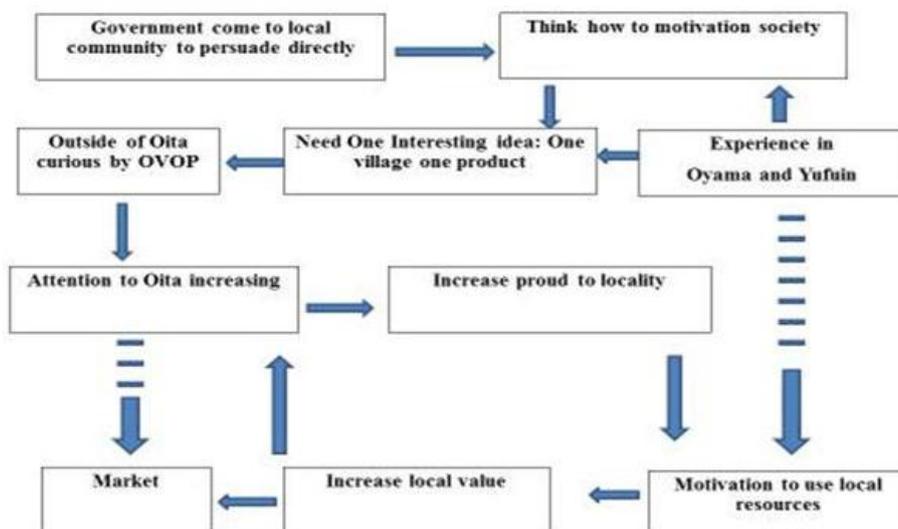
Oita product are, and 100% of the research fund was allocated from the company itself, and initially the company only hired three workers.

Oita government believed in the concept of pure private company which means that the company must take all cost and risk to sustain the company by themselves. If the company gains investment from the local government, the workers' incentives in the company for its independence and self-retainment will be reduced due to their low cost-consciousness and their expectations to have more investment from the local government. The limitation of the Oita government's role is aimed to encourage the awareness of the large companies as the stakeholders to advocate the home industry producers that encounter the problem of financial lack for penetrating the market.

Another reason is that this company purely emerges from the spirit to maintain the local potential to support local economic development. Oita is the home for the majority stakeholders of Oita OVOP company, and they eager to participate in accelerating the economic development for their hometown. So, when there were several years this company did not give any gain, the stakeholders took over to fund the operation of the company. For this reason, in more than 18 years this company is not profit-oriented. This company also gives light margin share only 30% from the price in the consumer. It is quiet low compared with other distribution companies, which in Japan has many layers and unique trading practices

that make small home industry is facing a barrier to penetrate into a big market. This company makes effort to fulfill business environment friendly for OVOP producers.

Oita's Pattern in Developing OVOP



Source: OVOP Movement (Gerakan OVOP) book, 2008

Oita OVOP achievements

Measurement	Achievement
Income per capita	Shifted income per capita from 1.3 million Yen (US\$11.200) in 1979, to 2.65 million Yen (US\$ 22,800) in 2003 (increasing sharply), rank 25 in all over Japan and the highest in Kyushu island.
Total farming product sales	Increase farming sales from 1.18 million Yen (US\$ 10,200) in 1979, became 2.46 million Yen (US\$ 21,200) in 2003
Fried Mushroom sales (Oita OVOP product)	Volume production in 2004 was 1,410 tons with sales 56 billion Yen, achieved 34% market share in Japan
Kabosu lime (Oita OVOP Product)	Volume production in 2003 was 4,550 tons with sales 1.014 billion Yen, achieved 100% market share in Japan
Barley Distilled Spirits or <i>shouchu</i> (Oita OVOP Product)	In 1975 volume production was 765 kl, the volume increase became 119.060 kl in 2003 with market share 30.7%
Mandarin Orange (Oita OVOP Product)	Volume production in 2003 was 5,180 tons, being number 4 producer in Japan
Tourism in Yufuin town, Oita prefecture	The tourists number in 1979 were 1.9 million visitors increasing two times became 3.88 million visitors in 2004 with the population only 11.611 citizens
Oyama town, Oita prefecture	Sales product achieved average 1,6 billion Yen annually with tourists number 1.9 million visitors
The number of OVOP product	In 1981 products items number initially were 143 increased more than two times became 336 products.

Source : OVOP movement book, (2008) and Kurokawa (2010)

4.3. OVOP in Indonesia

OVOP has a large potential domestic market since Indonesia inhabitants 250 million people that accounted as the fourth largest population in the world. From that number, around two-thirds of the Indonesian population living in Java island, the center of economic circle and political power. Unfortunately, in 2015 that 11.1% of the population or 28.5 million people still live below the national poverty line.

Based on President Instruction No.6/2007, the OVOP initiative is a top-down project that is carried out by the central government. It is hoped that the promotion of OVOP products could increase income for a region, open job employment, attract tourism, and increase human resource development. It is a regulation policy to accelerate SME by OVOP approach. Moreover, for a legal foundation to implement the policy is by Ministry of Industry Regulation No.78/M-IND/PER/9/2007 about Policy on Enhancement of EffectivSME Development through OVOP Approach. In addition, to provide a firm-based law to support that the OVOP movement could inline with industrial national policy, the central government enacted the President Regulation No. 28 years 2008. It mentions that OVOP is a part of creative industry.

Furthermore, Minister of Industry put OVOP program as one strategic priority program to increase competitiveness of SMEs in 2010-2014. It is conducted by deciding OVOP pilot projects and by defining SMEs products clusters that is divided into three categories, those are food, garment and handy craft. Besides, It introduced machine restructuration program for SME by giving 25-30%

discount for SME producers who buy new machines. In financing, government grants Kredit Usaha Rakyat (KUR) soft loan for business program that are dedicated for SMEs and cooperatives of which their enterprises are not yet bankable as a target for poverty alleviation efforts. OVOP became across sectoral when Ministry of Cooperation and SMEs also have OVOP program in their main work indicator year 2010-2014 by targeting cooperatives as the OVOP communities in 100 cities and regencies in Indonesia based on Law no 20/2008 about SME.

In its OVOP journey, The Indonesia's Coordinating Minister of Economic Affairs decided to conduct a review on OVOP that led by the Ministry of Industry. Then the result is term of OVOP should be supported by the Prospected Regional Product Development Program or Program Produk Unggulan Daerah (PUD) with is advocated by the Ministry of Home Affairs. Based on the letter from the Indonesian Minister of Home Affairs no 500/ 1404/5/ Bangda in June 30th 2009 to the regional governments about Guidelines in developing PUD by clusters, then to have law force, Minister of Home affairs issued the regulation number 9/2014.

4.4. Sragen Trading

Sragen Regency is located in Central Java Province, Java Island. It approximately lies 580,7 kilometres in distance from the capital city of Indonesia, Jakarta. Geographically, Sragen Regency locates in a valley of the river stream area of Bengawan Solo river with the population of 898,983 inhabitants. In 2007, one idea came from the strong initiative of Sragen regent in that era Untung Wiyono to have effort conducted by Government of Sragen

in order to develop the regional economy by increasing goods and services trading through trading and service consultant companies, PT. Gentrade (Sragen Trading and Investment Agency). Based on Sragen trading & Investment (2008), Gentrade is an trading agent, the bridge that connects producers and consumers in order to improve regional real income. It was founded to conduct the marketing for local products, established by the majority share of capital came from the government budget. Its Chief Executive Officer (CEO) is designated from the business professionals. As a consequence of its majority shares owned by the local government, the company profit will be the privilege of the government as a local revenue.

The establishment of PT. Gentrade was announced with the Regional Regulation (PERDA) of Sragen No.11/2007, that carries three main duties. First, holding marketing activities such as goods, services, location, properties for a domestic and export market. Second, serving as trading facilitator inter cities, inter-regional, and also international. Third, holding technical guidance in production management, marketing management, and also quality standardisation for business units and also government and private institutions.

PT. Gentrade is divided into several marketing division, First, agriculture and farming (organic rice, corn, tea, coffee), and traditional snacks, Second. furniture and handicraft, as the export facilitator of craft originated from Sragen. Three, Batik and fashion, there are 12,000 Batik craftsmen in Sragen which cancell their products through the establishment of Business Batik Center and Galery Batik Sukowati. Four, machinery and technology

by maintaining cooperation with technology vendors for official procurement such as light steel, solar cell, rice mill, wind power, and electric bicycle. Unfortunately, since 2012 most of the Gentrade divisions stopped the operations because of the impact of major drawback for operation cost in several years. Afterward, the OVOP producers with mostly have low-educational backgrounds must do the business by themselves without assistances. Until now, only one division that still exists, that is marketing division Batik named Galery Batik Sukowati which is located on the main road of Sragen regency.

Sragen has seven products in PUD program, the products are Batik, garment, household tools, furniture, cow brangus variety, and organic rice. During its journey, organic rice becomes the most prospect product to develop. Based on the Governor of Central Java Instruction no 518/23546 in 2011 about Prospected Regional Product Development Program / Produk Unggulan Daerah (PUD) by the OVOP cooperative approach in Central Java, Sragen has two OVOP products: weft garment named Sarung Goyor and Organic Rice. Then the basic law for its implementation is by Sragen Regent Regulation no 500/200/002/2011 about superior local products. Every year the Provincial government supports PUD by the allocation of around 100 million rupiah to improve local product through the implementation of FEDEP (Forum for Economic Development and Employment promotion).

Since 2001, it has been initiated by the central government the organic-based agriculture-related with back to nature movement especially in producing organic rice. Started 2003, Sragen regent declare

Sragen become regency that consistent in support organic agriculture by developing technological organic agriculture. Along with it every village in Sragen plant by organic rice without using chemical fertiliser and pesticide and the group farmer gave training cultivate in an organic way. Then in 2007 establish an Association Organic Farmer in Sragen regency, in the first year its focus on the open new market in large cities. In 2008, this association received organic certification from accreditation board namely Organic Farming Certification (INOFICE) by implement Standard National Indonesia (SNI) system food organic SNI 01-6729-2002 (Organic Rice Farmer Association, 2009).

Sragen organic rice is high quality which able to go through the municipal markets such as Jakarta, Bandung and Surabaya. Organic rice is cultivated by the crop width of organic rice in 2006 is 3.256,77 hectares by the production of 19.439,78 tonne/year. The type of organic rice which is produced in Sragen regency is various from IR 64 type, Mentik wangi up to red rice. local owned enterprises PD PAL that concentration in production and distribution agriculture which is specified to organic rice reached 1.450 hectares harvest every year, Meanwhile to its marketing PD PAL has held cooperation with some sellers in largest cities. Organic rice produced by PD PAL by the trademark of PELOPOR has had regular consumer fixed market in Semarang, Jakarta, Surabaya and Denpasar. Monthly PD PAL should fulfil the order of these cities around 50 tonnes. Meanwhile, the organic rice demand in the shape of package reached to 8 tonnes/week. (Sragen trading & investment, 2008). Related with statute this company is local state-owned

sometimes facing difficulties in financial and mostly late to pay the crops to the farmer, the consequence is sometimes farmer must wait more than two months to get payment. This situation makes farmer get opportunity lost, they seem force to lend money to fulfil their needs. Cause of missmanagement inside of local state-owned, the decision to close the division of marketing rice have made many farmers could not sell their product including organic rice. The impact is the producers could not enter the market and sell their products. The producers only wait for the buyers to come to buy at their house which limited the market to neighbourhood consumption. The demand actually is high but could not involve chain distributors because most of the farmers are low education. They do not have knowledge and experience to become marketing of their product.

Sarung is identical to honour and politeness which is common for casual wear athome for men and women throughout much of south-east Asia, Africa and Arabian sarong has also become one of daily clothing complement. This handmade product is an inheritance from Indonesia ancient that heritage the way of weft handmade from various material. It located in Sragen regency, Sambirembe village is the center in produce Sarung. Sarung goyor Sragen provide a variety of colour motifs elegant very comfortable and cool when used in all seasons. Producer sarung goyor in Sambirembe village around 250 craft women and men with production capacity 60,000 units/year.

Eventhough central government and local government has done high efforts to support it by giving tools production and several production training, recently, after

several divisions of regional state-owned enterprises Sragen Trading (Gentrade) are closed, the producer sarung goyor had difficulty in finding buyers, as an impact of high costs of raw material, and had no established distributor sales channel. Since last year, producers of sarung goyor in OVOP program stopped production because there is no order.

The particular economic context of Oita, Japan which concept for the rural region in a developed country, is very different from the economic situation in the Indonesian villages in which the Indonesian government has attempted to implement Oita-like programs. These differences should command our attention. This table summarises the essential factors of differences.

5. Comparison finding between OVOP in Japan and Indonesia

Comparative table of OVOP in Japan and Indonesia

APPROACH	JAPAN	INDONESIA
Principle	- Community initiative Self human resource reliance and creativity development think locally but act globally - Secondary income make emphasize on social aspects	- Central government initiative program with economic motives for poverty alleviation program - Basic income make emphasize on economic aspects
Purpose	- Community dynamism to avoid urbanization Secondary income for farmer - Increase rural entrepreneurs Reduce income gap between rural and urban area	- Encourage rose a number of SMEs - Rural economic movement - Open job opportunity Reduce income gap between rural and urban area

Source: Concluded based on interview with acknowledgement person of OVOP in Japan and Indonesia, 2015

According to of this table, even the movement is adopted from Japan, but its way of application in Indonesia quite far from its origin. The similar thing is both of them OVOP are located in rural for boost rural economic condition and they have the same purpose to reduce the income gap between rural-urban area by improve the local products.

In Oita’s experience when establish distributor wholesale company, the role and participation of government was limited only for brace up people to concern for their hometown. The subject is

community or people. On the contrary, in developing countries such as Indonesia government have played a very important role to activate economy. The subject is the government because of the lack of people’s initiative, the government work hard to make people actively involved to achieve economic growth. OVOP basically is a self-help movement for that reason, a country which is lacking community initiate making government intervention is necessary. The important point is an adequate mixture of local initiative from the bottom up and the involvement of government from the top.

Related to the type of distribution wholesale company OVOP in Japan and

Indonesia that have many differences. We can draw the differences by this table.

Comparison of OVOP trading agencies

Oita	Sragen
Initiative to establish company is from government	Initiative to establish company is from Government
100% capital stock from private	90% capital stock from government
Professional business	Public service
Leader and employee pure from private	Leader and employee are combine private and civil servantt
Cost and benefit comes to financial company	Cost and benefit come to local revenue
No government intervention in company policies	Government intervention influence company Policies
Durable and long life company	Some division only exist for 5 years

Source: Interview with President Oita OVOP co. ltd (2015) and Sragen trading & investment (2008)

Based on the table above, we can conclude that Gentrade has facing weakness to meet sustainability of the company. Despite it comes from spirit to make a perfect market by invested in joint ventures between the government that aim for making better public service and private sector who wants to involve the public sector.

6. Conclusion

Conclusion is that these differences of implementation OVOP in Indonesia and Japan arose because of the context in which OVOP was implemented in Indonesia, such as its lackof community initiation, lack of educated producer, lack of rural finance, lack of political will, the ambiguous of target project and also less acceptance market with SMEs product. These are the factors that made a bottom-up approach difficult in Indonesia.

The success of OVOP mechanism in Oita is a special case in the world, even though without any subsidy and special policy of the Oita. The secret revealed by strong and respected leader of Oita, Hiramatsu’s political leadership as one of the driving forces to start and to sustain the OVOP movement. He influenced owners of several big companies to make a cooperative fund to build Oita OVOP company which 100% capital from private. This company independence from any intervention in run business, to promote and market Oita local products. This company role is the reason why other prefectures and also other countries that adopted OVOP could not achieve the same success as Oita.

Indonesia government has played an important role to activate economy because of

the lack of people's initiative. OVOP basically is a self-help movement, considering that, government influence should put in proportion way, by not too much put amount of budget and intervention. Important point is an adequate mixture of local initiative from the bottom up and the involvement of government from the top.

The failure to make sustainable third sector company or local state ownership come from weakness in implement pure private management practices because of large government intervention. Although many aspects of OVOP are applicable in Indonesia, there are still many difficulties in implementing it there.

7. Policy Recommendation

Intervention by the government in Indonesia to help OVOP producers should be reduced as time goes by to incentivize local investors to build a wholesale private company without government budget, in order to help maintain promotion and marketing OVOP products. It is needed because SMEs as OVOP producers in Indonesia lack the financial and technical capability to enter national and international markets. The OVOP movement could become sustainable only as an independent entrepreneur movement with no government intervention in their business policies between producer and distributor.

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