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ARTICLE

The Role of Policy Entrepreneurs in Encouraging Partnership and Strengthening MSME Supply Chains in Indonesia

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Abstract: This study examines the role of public officials (politicians and bureaucrats) as policy entrepreneurs in initiating policies that encourage partnerships and strengthen the supply chain of MSMEs in Indonesia. This study used exploratory qualitative methods and collected data through semi-structured interviews with key stakeholders, selected through purposive sampling, and supported by secondary data sources. The result indicates that each public official plays a significant role through a specific strategic approach. Problem framing was carried out using strong arguments to raise public and stakeholder awareness regarding the structural challenges faced by MSMEs. Network expansion was achieved through forums connecting MSMEs with large companies, business-matching activities, and international collaborations. Advocacy coalitions were formed with universities, marketplaces, and the private sector through initiatives such as SMEXcellence, buyer missions, and the Inabuyer B2B2G Expo. Leadership by example was demonstrated through full institutional support for successful models such as Kopontren Al-Ittifaq, and by addressing external threats from imported goods. In an effort to foster transformative change, policymakers have introduced innovative programs such as the Joint Production House (RPB) and Red Edible Oil (M3), which aim to create a more inclusive and sustainable supply chain ecosystem. These findings demonstrate the importance of bureaucratic actors in driving policy innovation and enhancing the competitiveness of MSMEs.

Keywords: Policy Entrepreneurs; Supply Chain; Partnership; MSMEs.

1. Introduction

Micro, Small, and Medium Enterprises (MSMEs) are the backbone of the Indonesian economy. Currently, a total of 64.2 million (99.99%) MSMEs are registered with the Ministry of Cooperatives and Small and Medium Enterprises (Kemenkop UKM, 2023). They contribute 60.5% to Gross Domestic Product (GDP), 15.7% to total export contribution, and absorb more than 97% of the national workforce. (DJPB Kemenkeu, 2023; KADIN Indonesia, 2023; Kemenko Perekonomian, 2024). These figures demonstrate the strategic role of MSMEs in maintaining economic stability, especially in facing global crises such as the 1998 monetary crisis, the COVID-19 pandemic, and other major challenges that have hit this country (Komara et al., 2020; Mohammad Nur, 2020). Despite their significant contribution, MSMEs in Indonesia are still structurally hampered, especially in accessing global supply chains and partnerships with large businesses.

Partnerships and the supply chain are inseparable and interconnected entities. Partnerships play a vital role in the supply chain because they help reduce costs, increase efficiency, enhance quality and innovation, and build trust to achieve shared goals (Kmetec et al., 2019). Throughout history, MSMEs have played a vital role in the global value chain as they contribute to innovation, job creation, and poverty reduction, as well as increasing the efficiency and competitiveness of the global economy through the provision of diverse products and services, the development of local markets, and participation in the production and distribution of goods and services in international markets (Yuhua, 2014).

The low participation of MSMEs in Indonesia's Global Value Chain (GVC) is a major obstacle. Only around 4.1% of MSMEs are successfully connected to the global value chain network. This figure lags far behind other ASEAN countries, such as Malaysia (46.2%), Thailand (29.6%), and Vietnam (20.1%) (ADB Institute, 2020). This low level of involvement shows that Indonesian MSMEs have not been able to utilize global opportunities optimally, are still running their businesses, and are far from access to innovation and technology.

Despite the crucial role of MSMEs in national economic resilience, their integration into global supply chains remains very low, reflecting systemic barriers in policy design and implementation. This gap signals policy failure and structural inertia within public institutions, where efforts to promote inclusive economic participation are often fragmented and short-term. The persistent underperformance of MSME partnerships with larger firms and international markets highlights a strategic void that technical programs cannot address alone. Instead, it requires deliberate policy entrepreneurship from within the state apparatus—actors with strategic vision, political skills, and cross-sectoral networks to foster institutional innovation. The urgency of this study lies in its effort to uncover and understand how such bureaucratic policy entrepreneurs emerge, operate, and influence structural reforms within the MSME ecosystem.

Machado et al. (2024) recognize that most MSMEs face classic challenges, such as limited access to advanced technology, a lack of resources and skills, high initial investment costs, and difficulties in transforming operational processes to support economic, social, and environmental sustainability. These inadequacies hinder MSMEs from engaging in global value chains. Furthermore, strategic partnerships between MSMEs and large companies are still very limited. Only around 7% of MSMEs in Indonesia have successfully collaborated with large companies. Yet, these partnerships are crucial for increasing MSME capacity through the transfer of knowledge, technology, and broader market access (Fajriati et al., 2024).

High logistics costs are also a major obstacle. From an inbound logistics perspective, many raw materials are still imported, impacting cost efficiency and increasing dependence on external sources. Undeniably, Indonesia's Logistics Performance Index (LPI) ranks 61st out of 138 countries, with a score of 3.0 (World Bank, 2023). On the other hand, 75% of outbound logistics companies face challenges in shipping export products, primarily due to the frequently disrupted need for raw material continuity. The low competitiveness of MSMEs is an equally significant challenge. Indonesia's Ease of Doing Business (EoDB) ranking is stagnant at 73rd out of 190 countries. (World Bank, 2024), reflects the numerous bureaucratic and regulatory barriers that hamper the growth of MSMEs. Furthermore, many MSMEs do not yet meet international certification standards, limiting their access to global markets and export opportunities.

The challenges of integrating into global value chains are faced not only by Indonesia but also by countries in Asia and Africa. In Asia, key obstacles include limited access to financing, technology, and skills; difficulties in meeting international standards and complex trade regulations; and limited networks and connectivity to compete in an increasingly competitive global market (ADB & ADB Institute, 2016). In Africa, particularly in Nigeria, MSME performance is hampered by supply chain collaboration, such as lack of adequate information, low levels of trust and commitment between partners, limited access to information technology and funding, and poor infrastructure, all of which require government intervention through improved facilities and policies, as well as innovation from MSMEs to build effective collaboration to improve competitiveness, efficiency, and overall economic growth (Okon, 2018).

The challenges of partnerships and the supply chain demonstrate that while MSMEs have made significant contributions to the national economy, policymakers need to take strategic steps and engage in more intensive collaboration to enhance their role in the global supply chain. The challenges of partnerships and MSME involvement in the supply chain have become a serious concern for policymakers in Indonesia. The Minister of Cooperatives and SMEs, along with his team of expert staff, special staff, and relevant deputies, has focused on designing various policy alternatives aimed at addressing these obstacles.

These steps reflect a strong signal of the existence of Policy Entrepreneurs (PE), namely individuals or groups who actively drive policy change by exploiting opportunities, building networks, and promoting innovation (Kingdon, 1984; Mintrom, 2019a; Petridou and Mintrom, 2021). According to Kingdon (1984), Policy entrepreneurs are actors who drive new policies by combining three streams: issues, policies, and politics. They play a crucial role in opening policy windows, creating opportune moments for policy change, and offering comprehensive and acceptable solutions to various parties. Although policy is generally driven by actors outside of government, as noted above Wicaksono (2020), with the concept of Academic Administrative Entrepreneurs (AAEs)—university professors hired into public office because of their expertise—actors in the policy ecosystem also play a role in driving innovation. According to Kingdon (1984), policy entrepreneurs can come from a variety of backgrounds, including government officials, interest group members, and researchers.

Salas Gironés et al (2020). explains the importance of the role of policy entrepreneurs in Figure 1.

Figure 1 illustrates the role of policy entrepreneurs (PEs) at various policy stages. In agenda setting, PEs connect identified public problems (problem streams) with proposed solutions (policy streams), playing a key role in determining policy priorities.

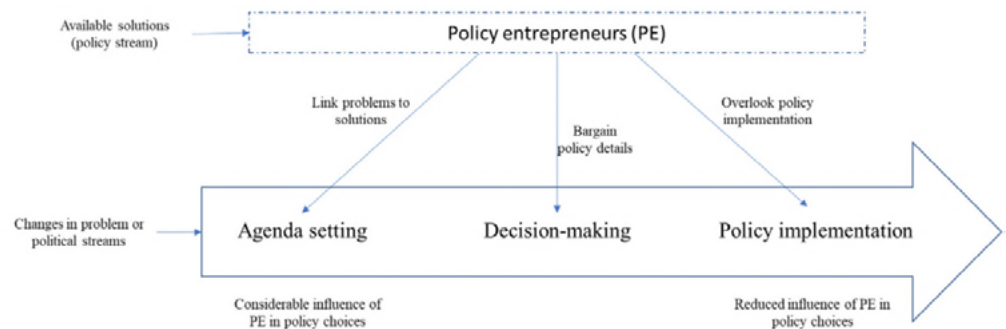


Figure 1. Multiple Streams Framework

In the decision-making stage, PEs design more specific policies acceptable to various stakeholders. Meanwhile, in implementation, PEs ensure policies are implemented according to their initial objectives, although their influence is reduced and shifted to more technical actors.

Besides that, Mintrom (2019) emphasizes that policy entrepreneurs possess attributes, skills, and strategies to drive policy innovation by challenging the status quo and catalyzing change in public policy. Mintrom illustrates this in Figure 2.

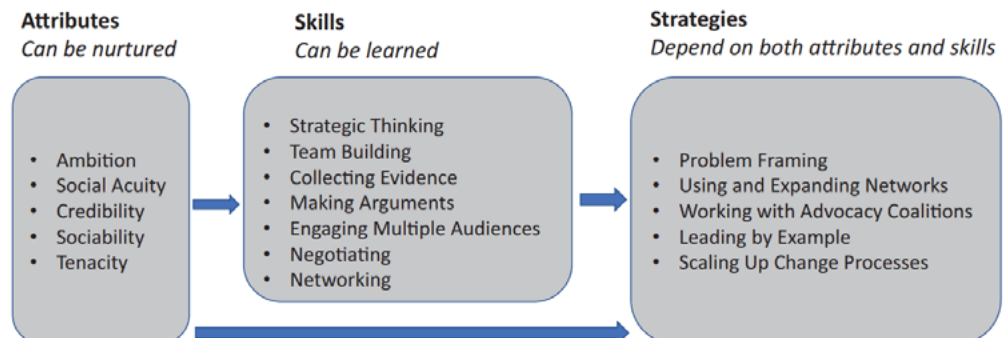


Figure 2. Common Attributes, Skills and Strategies of Policy Entrepreneurs

Attributes such as ambition, resilience, friendliness, credibility, and social sensitivity, combined with strategic skills such as strategic thinking, team building, gathering evidence, constructing arguments, negotiating, networking, and engaging with various public entities, can support the main strategy. The main strategy by Mintrom (2019) referred to: 1) Problem framing, how PE packages issues to make them relevant to the public interest. 2) Using and expanding networks by connecting resources to support innovation. 3) Working with advocacy coalitions, organizing groups (communities/businesses) with shared values. 4) Leading by example by demonstrating commitment through action. 5) Scaling up the change process by starting in one area and expanding the impact to others.

This article explores the role of public officials (politicians/bureaucrats) as policy entrepreneurs who initiate policy innovations to encourage partnerships and supply chains for MSMEs by focusing on the five main strategies proposed by Mintrom (2019). In addition to focusing on theoretical substance, this article also seeks to highlight various policy agendas of the Ministry of Cooperatives and SMEs during the 2019-2024 period in encouraging the expansion of MSME partnerships and strengthening their involvement in the global value chain.

While previous research has addressed the challenges of MSMEs and policy innovation separately, few have examined the concrete role of internal policy entrepreneurs within government institutions in shaping sustainable partnership models and supply chain integration for MSMEs. This study addresses this gap by

connecting Mintrom's strategic dimensions of policy entrepreneurship with real-world policy practices in Indonesia.

2. Methods

This research uses a qualitative and exploratory approach to understand phenomena or problems rarely researched deeply. By focusing on exploring new ideas, deepening knowledge, and formulating problems in greater detail, this approach opens up space for flexibility, creativity, and innovative thinking, which in turn is expected to make a significant contribution to formulating solutions to existing challenges (Aithal dan Aithal, 2023; Kyrö et al. , 2013; Sholihah, 2020; Thiel, 2022).

This research also falls into the category of public policy research, as it aims to support or encourage public policy, particularly in providing solutions. Its primary goal is to understand and explain social, political, economic, cultural, and other important issues requiring policymakers' intervention or attention (Aiyede and Muganda, 2023; Kilonzo and Ojebode, 2023) . According to Osifo (2015), public policy research describes problems and explores how and why they occur. This policy research aligns with a research locus that is not limited to a specific region, but focuses on the place where policy actors play a role in strategy and innovation, particularly the advancement of MSMEs and cooperatives.

Research data was collected through semi-structured interviews using a purposive sampling method. Informants were selected based on their strategic position, direct involvement in formulating MSME policies, and influence on program implementation. This purposive sampling aimed to ensure that each participant could provide in-depth insights based on experiences aligned with the analysis's focus on policy entrepreneurship. The target research informants included: 1) the Minister of Cooperatives and SMEs for the 2019-2024 period, Teten Masduki; and echelon 1 officials during Teten Masduki's leadership, namely: 2) Deputy for Small and Medium Enterprises, Hanung Harimba; 3) Deputy for Cooperatives, Ahmad Zabadi; 4) Expert Staff to the Minister for Inter-Institutional Relations, Muhammad Riza Adha Damanik; and 5) Special Staff to the Minister of Cooperatives and SMEs for Creative Economy Empowerment, Tubagus Fiki Chikara Satari.

In addition to interviews, this research utilized literature reviews and secondary sources, such as scientific journals, official reports, news articles, and trusted websites from relevant agencies or institutions. Observations were conducted before, during, and after the research to obtain more comprehensive data. Documentation was also part of this research to record evidence, the research process, and provide a clear track record. The research data analysis adapted by Creswell & Creswell (2018) consists of five stages: First, compile and prepare the data for analysis. Second, read or review all available data. Third, begin coding all the data. Fourth, develop descriptions and themes. The coding process is used to create descriptions of the informant's background or characteristics, as well as relevant categories or themes for analysis.

Fifth, present the descriptions and themes compiled by explaining how they will be presented in a qualitative narrative. To make it easier to understand, the author presents this in Figure 3.

In analyzing this research, researchers will use five main strategic dimensions. Mintrom (2019) as an analytical tool: 1) framing the problem, 2) using and expanding networks, 3) working with advocacy coalitions, 4) leading by example, 5) improving the change process.

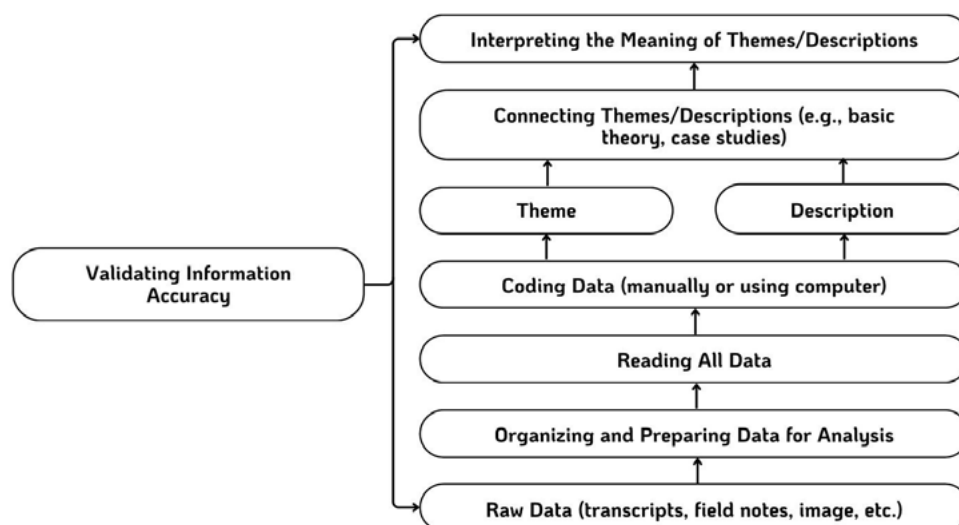


Figure 3. Data Analysis in Qualitative Research

3. Results and Discussion

3.1. The Ministry of Cooperatives and SMEs' Initiative to Promote Partnerships and Market Expansion

The Ministry of Cooperatives and SMEs has initiated various policies to encourage partnerships and strengthen the position of SMEs, both in domestic and international markets. One strategic step taken is facilitating Business Matching activities. In 2024, 23 SMEs were recorded as having the potential to export to three destination countries: Malaysia, the Philippines, and South Africa. These activities resulted in 72 Letters of Intent (LOIs) worth a total of Rp142 billion, and 28 sales contracts worth a total of Rp643 million. Meanwhile, in 2023, 23 SMEs had the potential to export to the same countries. These activities resulted in 42 Letters of Intent (LOIs) worth Rp275 billion. Overall, there was an increase in the number of LOIs from 2023 to 2024.

The Business Matching Program for SME Campus was also initiated to foster a business climate in academia and successfully recruited 64 SMEs with export potential to various countries, such as Malaysia, the Philippines, South Africa, Germany, Singapore, Hong Kong, Thailand, Australia, and the United Arab Emirates (UAE). The program secured 137 Letters of Intent (LoIs) worth Rp294 billion during the process. Furthermore, the program also resulted in 52 Sales Contracts totaling Rp9 billion. This demonstrates the success of SME Campus in encouraging local SMEs to connect with the global market.

To expand market access, the Indonesian government actively organized 70 domestic exhibitions, facilitating 1,756 MSMEs, and 13 international exhibitions, facilitating 81 MSMEs. Domestic transactions reached Rp2.2 trillion, while international transactions reached Rp500 billion. Data from the Deputy Assistant for the Ministry of Taxation and Customs and Excise as of December 17, 2024, shows the economic contribution generated by national and international events for MSMEs. In addition to organizing exhibitions to support market expansion, the Ministry of Cooperatives and SMEs collaborates with the Swiss Coordinating Ministry for Economic Affairs (SECO) to ensure the success of the Swiss Import Promotion Program (SIPPO). Since 2017, SIPPO has been run by Swisscontact, a business foundation focused on international development and cooperation. This program aims to support Business Support Organizations (BSOs) by enhancing their expertise and services in assisting export-ready companies through various trade promotion activities.

A brief history: In 2020, the Ministry of Cooperatives and SMEs was selected as one of the BSOs in the natural products/natural ingredients sector. The Assistant Deputy for Marketing participated in the ToT training (creating a company profile according to GRI standards). The following year (2021), a Standards and Sustainability Map training was held in collaboration with the International Trade Center (ITC), attended by more than 50 participants from PLUTs throughout Indonesia, SMEs, and SMESCO. From 2022 to 2024, buyer missions in Switzerland and the Netherlands were consistently conducted to support SMEs and cooperatives in the natural ingredients sector. In 2022, this activity facilitated six SMEs in expanding their international markets. Then, in 2023, the program covered two cooperatives and three SMEs focusing on supplier mapping. Furthermore, in 2024, buyer missions involved one cooperative and six SMEs, demonstrating a continued commitment to increasing the sector's export potential. The Inabuyer B2B2G Expo, initiated by the Ministry of Cooperatives and SMEs, aims to connect buyers from the government, state-owned enterprises, and private sectors with suppliers. By 2024, the event has recorded potential cooperation worth IDR 1.58 trillion, reflecting the significant economic value of ongoing transactions and collaborations. The exhibition featured 87 buyer booths from the private and state-owned sectors and 108 supplier booths, demonstrating balanced participation from both parties as key business drivers. Public enthusiasm was also high, with 5,613 visitors and over 3.2 million impressions on social media, confirming the effectiveness of the event's promotional strategy and digital exposure.

The Ministry also has the SMEXcellence program, which focuses on developing the human resources of MSMEs through an ecosystem-based approach, in collaboration with aggregators, large businesses, and exporting MSMEs. Over the past three years, this program has reached dozens of clusters. 2022 the program included 13 mentoring clusters, four in 2023, and nine clusters by 2024. All these initiatives aim to increase the competitiveness of MSMEs through collaboration, innovation, and technology, while strengthening their involvement in the global value chain (Madgavkar et al. , 2024). In the same report, a survey conducted in nine countries (Brazil, Mexico, Germany, Italy, Poland, Portugal, Spain, the United Kingdom, and the United States) showed that MSMEs operating in the business-to-business (B2B) sector tend to be more productive than those operating in the business-to-consumer (B2C) sector. There is a 40% gap between B2B and B2C MSMEs. This is due to the closer interaction between B2B MSMEs and larger companies, which makes them part of their supply chains(Madgavkar et al. , 2024).

Through the Ministry of Cooperatives and SMEs, the Indonesian government has also pursued strategic partnerships between MSMEs and eight large companies through collaborations and Memoranda of Understanding (MoUs). As of December 2024, this partnership has involved 1,189 MSMEs with a total transaction value of IDR 110 billion. Several large companies in this program span various sectors, including Tradio by Andalin (2023), AEON (2023), and MR. DIY (2024), Lulu Group (2022), Marriott (2022), Gramedia (2022), IKEA (2021), and UNIQLO (2021). The program has recorded significant contributions from each company. AEON partnered with 145 MSMEs with a transaction value of IDR 25.5 billion in 2023, while Lulu Group partnered with 50 MSMEs with IDR 4.2 billion in 2022. IKEA partnered with 231 MSMEs in 2021 with a transaction value of IDR 1.9 billion, while UNIQLO partnered with 416 MSMEs in the same year with a transaction value of IDR 2 billion. In addition, Gramedia also partnered with 9 MSMEs in 2022, with a transaction value of IDR 13 million.

3.2. The Ministry of Cooperatives and SMEs' Initiative to Encourage Partnerships Between Micro, Small, and Medium Enterprises (MSMEs) and Large Companies

According to a McKinsey Global Institute report, partnering with large companies is crucial to increasing revenue and productivity. In New York, USA, 7 out of 10 small businesses saw revenue increase within 2 years after partnering with a large company, while in Belgium, MSME productivity increased by 8% when supplying large companies (Madgavkar et al. , 2024). In the same report, a survey conducted in nine countries (Brazil, Mexico, Germany, Italy, Poland, Portugal, Spain, the United Kingdom, and the United States) showed that MSMEs operating in the business-to-business (B2B) sector tend to be more productive than those operating in the business-to-consumer (B2C) sector. There is a 40% gap between B2B and B2C MSMEs. This is due to the closer interaction between B2B MSMEs and larger companies, which makes them part of their supply chains (Madgavkar et al. , 2024).

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These partnerships cover food products, handicrafts, fashion, accessories, and the travel sector, particularly Hajj and Umrah services, focusing on Jakarta, West Java, Central Java, East Java, South Sulawesi, and West Sumatra. Through this collaboration, the government aims to expand the MSME market, improve product quality, and encourage innovation to make MSMEs more competitive in domestic and global markets. This program also strengthens synergies between MSMEs and large companies, thus supporting inclusive and sustainable economic growth.

Similarly, Lukman et al. (2022) highlight the importance of strategic partnerships between MSMEs in the automotive industry and large companies, through a subcontracting model, where MSMEs produce critical components for the larger companies' production processes. This partnership, based on the principles of mutual trust, mutual benefit, and mutual reinforcement, provides opportunities for MSMEs to obtain technology transfer, broader market access, and increased production capacity.

3.3. The Ministry of Cooperatives and SMEs' Initiative to Encourage Partnerships Between Micro, Small, and Medium Enterprises (MSMEs) and State-Owned Enterprises (BUMN)

The Ministry of Cooperatives and SMEs (KemenkopUKM) supports the facilitation of partnerships between MSMEs/SMIs and State-Owned Enterprises (SOEs) based on a Memorandum of Understanding (MoU) on MSME Partnerships in the SOE Supply Chain, signed in September 2021 by three ministries: the Ministry of Cooperatives and SMEs, the Ministry of Industry, and the Ministry of SOEs. The main objective of this program is to strengthen MSME involvement in the national supply chain, increase competitiveness, and create synergy between the MSME and SOE sectors.

This partnership covers a wide range of product and service categories, including housing construction, building materials, seed transportation, fishery products, agricultural products, mechanical spare parts, harvesting equipment procurement, machine fabrication and components, electronics, information technology software, laboratory equipment, medical equipment, and air conditioning equipment. In addition, this partnership also involves various services such as labor services, construction and renovation, expedition and packaging, event organizer (EO) services, and advertising services.

In terms of transaction value, this program shows significant growth. In the 2021-2022 period, the value of partnership transactions reached IDR 2.25 trillion. This figure increased to IDR 6.67 trillion in 2022-2023 and continued to grow to IDR 6.94 trillion in 2023-2024. The total transaction value recorded from 2021 to April 2024 reached IDR 16.14 trillion. This program has involved 254,583 MSMEs throughout Indonesia and established partnerships with 23 state-owned enterprises (SOEs). Some of the SOEs involved in this program include PT. Pertamina, PLN, PT. Krakatau Steel, PT. Kimia Farma, Bulog, PT. Telkom Indonesia, PT. Pupuk Indonesia, PT. INKA, Perum Perumnas, and PT. Garam. In the period from April 2023 to April 2024, the partnership between MSMEs and SOEs continued with a significant contribution to the development of the MSME sector.

In financing MSMEs, particularly micro-enterprises, the Ultra Micro BUMN Holding program is a strategic initiative resulting from a collaboration between the Ministry of State-Owned Enterprises and the Ministry of Cooperatives and SMEs. This program aims to integrate financing and mentoring services for micro-enterprises throughout Indonesia. Through the synergy of state-owned enterprises such as PT Bank Rakyat Indonesia (Persero) Tbk, PT Pegadaian, and PT Permodalan Nasional Madani (PNM), this holding provides easier, more affordable, and more inclusive access to financing for micro-enterprises.

Through these various steps and programs, the government hopes to strengthen the role of MSMEs in the national economy, improve supply chain efficiency, and open up broader market opportunities for MSMEs locally and globally. According to [Sedyowidodo & Djamaris \(2024\)](#), partnerships between MSMEs and state-owned enterprises (SOEs) are crucial for establishing international market access and becoming part of the supply chain. For example, state-owned enterprises like Bank BRI, through the BRIIncubator program, have assisted thousands of MSMEs by providing digital transformation training and international market access. Furthermore, PT Pertamina (Persero) involves MSMEs in providing goods and services related to the company's operations. In contrast, PT Kimia Farma (Persero) involves around 40 MSMEs, most of whom operate in the healthcare sector, by facilitating product marketing and becoming part of its business chain ([Kimia Farma, 2022](#)). This collaboration has an impact on

increasing the competitiveness of MSMEs and their integration into the BUMN supply chain.

3.4. The Role of Policy Entrepreneurs in Encouraging MSME Partnerships and Supply Chains

Effective policy makers, as emphasized by Mintrom (2019a), must be able to frame issues in a way that aligns with the public interest. Public issues are rarely straightforward; they are multidimensional, and how they are defined—what aspects are emphasized—shapes who pays attention and how urgently they respond (Stone, 2012). In the context of Indonesian MSMEs, Minister of Cooperatives and SMEs Teten Masduki, along with Deputy Minister Hanung Harimba, leveraged the momentum of the COVID-19 pandemic to reframe MSMEs not only as economic contributors but also as pillars of national resilience, particularly in a structurally vulnerable context. Through this narrative, they effectively elevated MSME integration into global supply chains as a public policy priority.

To strengthen his argument, Deputy Hanung consistently highlighted the low level of involvement of Indonesian MSMEs in global value chains—only 4.1%, far behind Malaysia (46.2%) and Thailand (29.6%)—and the limited number of MSMEs (7%) that partner with large companies. These statistics are repeatedly presented in public discourse to suggest that, despite their macroeconomic significance, Indonesian MSMEs remain disconnected from strategic production networks. This deliberate framing serves to mobilize broader support and shape institutional attention, thus justifying the implementation of key programs such as Business Matching, SME Campus, SMEXcellence, and broader partnership initiatives to improve market access and competitiveness. As a result, policy framing becomes a strategic gateway to securing the support of parliament, industry stakeholders, and development institutions.

While Kingdon's (1984) dual-stream framework offers a valuable explanation of how issues gain traction on the policy agenda, its application in a development bureaucracy like Indonesia's requires contextual sensitivity. Rather than passively awaiting policy windows through stream convergence, Indonesian policymakers often actively construct them—leveraging political capital, institutional authority, and symbolic narratives to justify timely interventions. Thus, the Indonesian experience illustrates that agenda-setting is not always reactive or accidental, but can be deliberately engineered by actors within the state with privileged access to elite networks and public communication channels.

In this case, the framework Mintrom (2019a) encompassing problem framing, network expansion, coalition building, leading by example, and enhancing innovation, is highly relevant in the Indonesian context. In governance systems often characterized by isolated institutions and rigid hierarchies, the ability of internal policy actors to adapt and maneuver through bureaucratic complexity is crucial. This study demonstrates how these actors not only apply theoretical strategies but also reinterpret and implement them to overcome institutional inertia, making Mintrom's model applicable and adaptable in developing country policy environments.

3.5. Using and Expanding the Network

According to Howlett et al (2020), policy entrepreneurship is effective in connecting resources and actors to support innovation. One concrete action taken by the Minister of Cooperatives and SMEs, Teten Masduki, and the Deputy for SMEs, Hanung Harimba, in expanding their networks and building strategic collaborations with various

stakeholders is by initiating the Small and Medium Enterprises (SME) and Small and Medium Industries (IKM) Partnership Forum. This forum is designed to bridge the needs of MSMEs with collaboration opportunities with State-Owned Enterprises (SOEs) and large corporations. Through this forum, the Ministry of Cooperatives and SMEs is building a collaborative ecosystem that brings together MSMEs and large corporations as strategic partners.

The forum was attended by various stakeholders, including representatives from state-owned enterprises (SOEs), large national companies, MSME associations, and local business players. The Minister of Cooperatives and SMEs leveraged his cross-sectoral network to encourage SOEs such as PT Pertamina, PT PLN, PT Kimia Farma, and large companies like IKEA and UNIQLO to open broader market access for MSMEs. As a key player, the Deputy for SMEs also utilized his networking expertise to connect technology, capital, and training resources from relevant parties to meet MSME needs. This initiative involved 17 SOEs and their subsidiaries, two large business players, and 850 SMEs/SMIs. It featured panel discussions, MSME product exhibitions, and business matching sessions directly connecting MSMEs with potential business partners.

The forum represented a small part of the Minister of Cooperatives and SMEs' larger initiative to connect MSMEs with large companies and SOEs, proven through transaction value and MSME engagement. Partnerships with state-owned enterprises (SOEs) recorded transactions worth IDR 16.14 trillion between 23 SOEs and 254,583 MSMEs between 2021 and April 2024. Meanwhile, as of December 2024, partnerships with large companies involved 1,189 MSMEs with total transactions reaching IDR 110 billion. The Business Matching Program is another successful example. By capturing the export potential of MSMEs to global markets such as Malaysia, South Africa, and the Philippines, the program demonstrated a significant increase in the number of Letters of Intent (LOIs) and sales contracts. International networks were also strengthened through buyer missions to Switzerland and the Netherlands, the Inabuyer B2B2G Expo, and other international exhibitions.

3.6. Working with the Advocacy Coalition

Working with advocacy coalitions is closely related to team building and leveraging network connections. Sabatier, (1988) defines an Advocacy Coalition as people from various positions (elected officials, institutions, interest group leaders, researchers, etc.) who share a particular belief system - e.g., a set of core values, causal assumptions, and problem perceptions - and who demonstrate a non-trivial level of coordinated activity over time. Roberts et al (1993), organizing groups based on shared values is key to building broad support. In this regard, the Ministry of Cooperatives and SMEs collaborates with academics, the business world, communities/associations, and the media to support strategic programs and create a more agile business ecosystem for SMEs. For example, the UKM Campus program was initiated to improve the competency of human resources (HR) in the cooperative and SME sector in Indonesia. Through the EDUKUMKM platform, the UKM Campus offers competency-based training and education designed to help business actors (cooperatives and SMEs) seize opportunities, determine prices, and export.

To strengthen the business foundation of the UKM Campus, the Ministry of Cooperatives and SMEs also collaborated with the marketplace Shopee to launch the "Shopee Export UMKM Campus" program, a training program designed to help Indonesian MSMEs prepare and improve their capabilities in exporting through e-commerce platforms. This program offers comprehensive mentoring, including

training in digital marketing strategies, operational management, and understanding export regulations. Shopee UMKM Campus is the most widely recognized MSME training program, with a knowledge level reaching 25.98% (CNN Indonesia, 2024; Tempo, 2023).

Through this collaboration, Shopee and the Ministry of Cooperatives and SMEs are striving to optimize the export potential of Indonesian MSMEs with a target of helping 500 thousand MSMEs export by 2030. This program has also significantly contributed, with more than 20 million Indonesian MSME products successfully sold in the Southeast Asian, East Asian, and American markets (Widiarini dan Mulyawan, 2023). This advocacy coalition is strengthened by an ecosystem approach involving aggregators, large businesses, and exporting SMEs in the SMEXcellence program, which has incubated 26 clusters over three years (2022-2024). This program provides training, mentoring, and international market access, helping SMEs understand global market dynamics and meet international standards. In addition to increasing SME capacity, the program contributes to policy changes that support exports. This approach aligns with the theory of Mintrom & Vergari (1996), which emphasizes that collaboration between actors can produce significant policy changes and have a real impact. Activities such as buyer missions to Switzerland and the Netherlands (part of the Swiss Import Promotion Program (SIPPO)) and the Inabuyer B2B2G Exhibition are also integral parts of the advocacy coalition designed to expand the reach of SMEs internationally. These buyer missions provide opportunities for SMEs to understand global market needs, while also demonstrating the international community's trust in the Ministry of Cooperatives and SMEs.

This reflects a solid track record of collaboration, good relationships between ministries, and the Minister of Cooperatives and SMEs' ability to leverage networks and build trust. Meanwhile, the Inabuyer B2B2G Expo creates a platform to connect buyers (private sector, state-owned enterprises, domestic and international) with suppliers (Indonesian SMEs). This collaboration creates a domino effect in strengthening partnerships and supply chains for SMEs nationally. It also confirms buyers are paying closer attention to this program, projecting benefits and long-term opportunities for their businesses and investments. The leadership of the Minister of Cooperatives and SMEs, Teten Masduki, and the program implementer, the Deputy for SMEs, Hanung Harimba undoubtedly reinforces this.

Sabatier's (1988) Advocacy Coalition Framework argues that sustainable policy change emerges from coordinated action among stakeholders with shared beliefs. This study recognizes such a coalition as a cross-sectoral initiative involving academics, e-commerce platforms, state-owned enterprises, and ministries. Rather than a temporary partnership, this coalition reflects a deeper alignment between normative and strategic goals, particularly in programs such as SMEXcellence and Shopee UMKM Campus.

3.7. Leading by Example

Leading by example is one way policymakers can effectively promote their proposals for policy innovation. Leadership by example helps make policy change efforts credible. (Mintrom, 2019a; Quinn, 2000). One concrete proof of exemplary behavior conveyed by the Minister of Cooperatives and SMEs is his direct involvement in supporting the Al-Ittifaq Islamic Boarding School Cooperative (Kopontren) in Ciwidey, Bandung, as a model of Islamic boarding school-based economic empowerment, including through affirmative policies in the form of funding from the Revolving Fund Management Institute (LPDB) and various other policies.

The Al-Ittifaq Islamic Boarding School Cooperative represents a best practice for farmer corporatization, where smallholder farmers unite in a cooperative. This model creates a more effective and efficient agricultural ecosystem, encompassing integrated financing, production processes, and marketing. The Al-Ittifaq Islamic Boarding School Cooperative has built a supply chain involving 91 Islamic boarding schools in West Java and other provinces as partners, empowering 270 farmers in nine farmer groups, and helping them manage 130 hectares of agricultural land. As a result, they can produce 126 varieties of superior commodities and distribute up to 6.8 tons of agricultural produce per day to various modern markets (Alatas dan Suyanto, 2022).

According to Teten Masduki, if MSMEs continue to handle the entire process from start to finish independently, they will struggle to compete with larger companies. By adopting the supply chain concept, MSMEs can form clusters or groups with a division of roles that support each other from start to finish in the production process (Rusqiyati dan Fardaniah, 2022). Al Ittifaq Islamic Boarding School Cooperative is a best practice of small-scale supply chain which, if implemented consistently, will transform into a larger scale.

In addition to fully supporting the Al Ittifaq Islamic Boarding School Cooperative, the Minister of Cooperatives and SMEs, Teten Masduki, has been actively promoting the digitalization of MSMEs to expand their markets and increase their income. Furthermore, blockchain technology is increasingly developing, with the ability to record every step in a product's value chain, thereby increasing transparency and minimizing the risk of data manipulation (Nofer et al., 2017; van Rijmenam dan Ryan, 2017).

By 2024, the Ministry of Cooperatives and SMEs is targeting 30 million MSMEs to be integrated into the digital ecosystem. As of December 2024, 25.54 million MSMEs had successfully onboarded into the digital ecosystem (Kemenkop UKM, 2022). The 2022 MSME Empowerment Report released a survey on the positive impact of digital transformation on MSMEs. The survey results showed that 84.2% of MSMEs experienced increased sales, 62.8% expanded market share, 50.7% experienced cost efficiencies, and 73% experienced increased operational effectiveness. (DSInnovate dan Tiktok, 2023).

However, the Minister of Cooperatives and SMEs, Teten Masduki, assessed that the biggest challenge for MSMEs today is not digitalization, but rather competitiveness in the domestic market (Arief dan Agustiyanti, 2024). During his leadership, Indonesian MSMEs faced quite serious challenges due to the onslaught of imported goods via cross-country e-commerce platforms (Damayanti, 2023; Kemenkop UKM, 2021). This phenomenon is exacerbated by predatory pricing practices, where goods are sold below cost to gain market share. Platforms like Shopee and Lazada have offered imported products at low prices, claiming to provide local products with direct access to export markets (Safitri dan Ika, 2024). However, in October 2023, the two e-commerce companies officially stopped selling products across borders (Permana, 2023).

In the same year, TikTok Shop, which initially operated as a social media platform, violated regulations by operating as an e-commerce platform without a business license (Anhar dan Kurniawan, 2024; Muna dan Santoso, 2024). Concerns grew with the emergence of Temu in 2024, a cross-border digital app from China that connects factories directly with consumers, offering low prices without going through distributors. This business model is considered riskier than platforms like TikTok Shop, as it doesn't involve intermediaries like resellers or affiliates, potentially threatening the existence of local MSMEs (Azzahra, 2024). To protect MSMEs, the Ministry of

Cooperatives and SMEs is working with the Ministry of Trade and Industry to strengthen import regulations by tightening import standards (Kemendag, 2023a). The Ministry of Cooperatives and SMEs has also officially decided to ban 14 categories of cross-border products from entering Indonesia to protect domestically made MSME products from competition from foreign products (Heppy, 2023). The Ministry of Cooperatives and SMEs adheres to the Regulation of the Minister of Trade Number 31 of 2023, which regulates the standardization of the circulation of goods in e-commerce, the regulation of trade practices in online stores, and the regulation of business competition to be fairer (Kemendag, 2023b).

Regarding the supply chain, the Minister of Cooperatives and SMEs believes that the onslaught of imported products at below-market prices can damage the MSME business ecosystem, including the value chain, particularly in production. One official within the Ministry of Cooperatives and SMEs who has firmly voiced this issue is Tubagus Fiki Chikara Satari, the Minister's Special Staff for Creative Economy Empowerment, who frequently addresses this issue in various discussion forums and media interviews.

Although the framework of Mintrom (2019a) offers a powerful tool for analyzing the behavior of policy entrepreneurs, it is largely rooted in the context of mature, institutionalized democracies. In developing countries like Indonesia, bureaucratic innovation often operates under constraints such as fragmented authority, regulatory inconsistencies between central and regional governments, and political patronage. Thus, strategies such as leading by example and expanding networks become managerial tools and mechanisms for gaining legitimacy, overcoming resistance, and building trust within and beyond formal institutions. This suggests that Mintrom's model requires contextual adaptation when applied to less institutionalized policy environments.

3.8. Improving the Change Process

This is done by starting from one scope/area and expanding its impact to other scopes/areas. (Perry dan Kingdon, 1985). Often, this requires starting by securing the desired change in one jurisdiction and then using that change as evidence to support the change in another jurisdiction (Mintrom dan Luetjens, 2017). Big ideas and an increasing scale of change are occurring in the concept of the MSME supply chain. Minister of Cooperatives and SMEs, Teten Masduki, sees the importance of involving MSMEs in industry, particularly in the supply chain. Big ideas and an increasing scale of change are occurring in the concept of the MSME supply chain.

"Not downstream, but in production. That way, we don't have to wait for foreign investors to build a manufacturing industry that can absorb jobs, so our jobs will be of higher quality," Minister Teten said Fajriati dkk (2024).

The concept of Joint Production Houses (RPB) was born from the idea of developing medium-sized industries from MSMEs. This idea is also continuously promoted by the Special Staff of the Minister for People's Economic Empowerment, Riza Damanik, who currently serves as the Minister's Expert Staff for Inter-Institutional Relations in various forums, including the 30th APEC Small and Medium Enterprises Ministerial Meeting (SMEEM) and the 58th APEC Small and Medium Enterprises Working Group Meeting (SMEWG) on September 9-13, 2024 in Pucallpa, Peru (Deny, 2024).

According to Riza Damanik, MSMEs have faced the following challenges: 1) limited business scale and quality of equipment, raw materials, financing, technology, human resources, certification, and permits; 2) the low number of MSMEs involved in partnerships, including networks in the global value chain; and 3) limited marketing

with MSME exports contributing only 14% of Indonesia's total exports, and 4) MSME development programs that have not been well integrated and coordinated between Ministries/Institutions. These challenges can be overcome with the presence of Joint Production Houses (RPB), which are intended to: 1) bring MSMEs closer to technological innovation through the construction of medium-scale processing factories managed by cooperatives; 2) increase the income of MSMEs and cooperatives; and 3) strengthen the business ecosystem through integrated supply chains and partnerships between MSMEs, cooperatives, and large businesses (Ayudiana dan Salim, 2024).

Within 3 years (2022 to 2024), at least 12 commodities will be developed in 16 locations. The RPB commodities include: 1) Patchouli Commodities in Aceh Besar, Aceh Tamiang, South Aceh, Nagan Raya, Gayo Lues, Aceh Province; 2) Chili Commodities in Batubara, North Sumatra Province; 3) Leather Commodities in Garut, West Java; 4) Rattan Commodities in Sukoharjo, Central Java Province; 5) Milk Commodities in Sleman, Yogyakarta Special Region Province; 6) Rubber Commodities in Tanah Laut, South Kalimantan Province; 7) Ginger Commodities in Kutai Kartanegara, East Kalimantan Province; 8) Cocoa Commodities in Jembrana, Bali Province; 9) Bamboo Commodities in West Manggarai, East Nusa Tenggara Province; 10) Cattle Commodities in Kupang, East Nusa Tenggara Province; 11) Salt Commodity in Pangkajene and the Islands, South Sulawesi Province, and 12) Coconut Commodity in South Minahasa, North Sulawesi Province.

Although in its implementation, many obstacles were encountered, such as problems with cooperatives, factories, and factory management, raw materials, off-takers, and local government support, RPB is one form of initiative to realize the downstreaming of MSMEs, where MSMEs are not only objects of large business capitalization, but also become major players in the supply chain.

In addition to the Joint Production House (RPB), the Ministry of Cooperatives and SMEs also initiated an innovative breakthrough as a solution during the edible oil crisis from the end of 2021 to March 2022, until it finally disappeared from the market (Primayoga dan Topan, 2022), namely Red Edible Oil (M3) which has stolen the public's attention since the inauguration of one of the M3 factories in Deli Serdang Regency, North Sumatra by President Joko Widodo on March 14, 2024. This study did not just suddenly appear out of nowhere, but was thought through in depth by policy makers from within the Ministry of Cooperatives and SMEs, starting from the Special Staff of the Minister for People's Economic Empowerment, Riza Damanik who now serves as Expert Staff to the Minister for Inter-Institutional Relations, to the Deputy in charge of Cooperatives, namely Ahmad Zabadi.

"The situation at that time was indeed ironic. As the world's largest palm oil-producing country, its people struggled to obtain cooking oil. Palm oil farmers, for example, with palm trees standing tall behind their homes, had to struggle to find edible oil," said Minister Teten in Fajriati et al. (2024).

As the first link in the national palm oil industry, palm oil farmers are the weakest because they have no control over prices. They merely act as recipients of a predetermined price. Yet, as many as 2.74 million households depend on the fresh fruit bunches (FFB) harvest from their plantations for their livelihoods. Currently, farmers control approximately 6.72 million hectares of oil palm plantations, accounting for 42 percent of the total national oil palm plantation area, spread across various provinces in Indonesia (BPD PKS, 2021; Fajriati dkk., 2024). Red Edible Oil is a solution to create a more efficient supply chain and stabilize fresh fruit bunch (FFB) prices for oil palm farmers. By producing red edible oil, the upstream-to-downstream supply chain can be shortened, simplifying distribution and reducing costs.

Furthermore, developing a cooperative-based red edible oil factory allows farmers to participate directly in the downstream processing of palm oil products. This not only increases added value for farmers but also ensures more stable and fair fresh fruit bunch (FFB) prices (Abdurrahman, 2024). To see the Red Edible Oil business model, the author explains as follows:

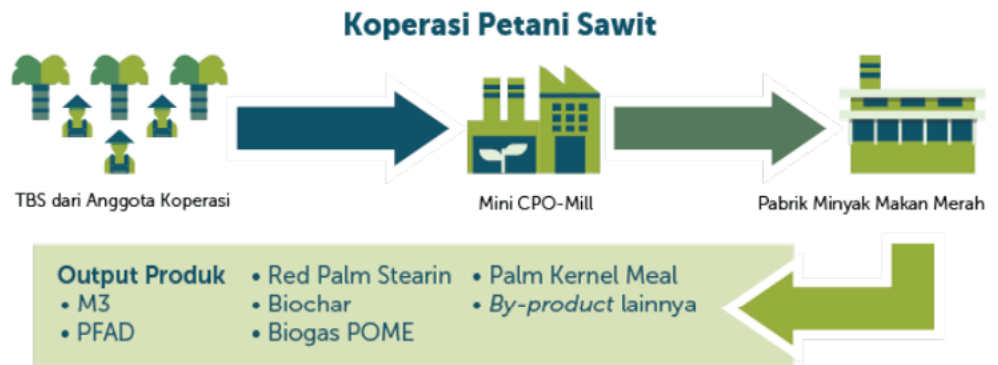


Figure 4. Ideal Business Model of Red Edible Oil Factory

In the piloting process of the Red Edible Oil Factory construction project, at least 12 agencies/institutions were involved, ranging from research institutions, ministries, universities, to banks with integrated roles as presented in Figure 5.



Figure 5. Stakeholders in Piloting Red Edible Oil Factory Project

The Palm Oil Research Center (PPKS) provides technology, detailed engineering design (DED), product distribution permits (SNI and BPOM), and quality control. The Ministry of Cooperatives and SMEs (KemenkopUKM) is the regulator, granting operational permits to factory operators. The PTPN holding company provides raw materials such as Crude Palm Oil (CPO), water, electricity, and land as needed. In terms of financing, the Palm Oil Development Agency (BPDPKS) provides investment support for factory construction in the form of grants, while the LPDB provides operational loans with 5% interest. BPOM and BSN oversee distribution permits and national standards, while cooperatives manage sales. ITS and Instiper support human resources, while Bank Mandiri offers financing through the "PROMANDIRI" program.

Gadjah Mada University (UGM) and USU (USU) play a role in product socialization. This synergy ensures the success and sustainability of the red edible oil factory.

Ultimately, these two policies became the most transformative breakthroughs in the five years of the leadership of Minister of Cooperatives and SMEs, Teten Masduki, supported by a pro-policy work team focused on increasing added value for MSMEs through downstreaming. The Joint Production House (RPB) and Red Edible Oil (M3) initiatives represent efforts to transform MSMEs and cooperatives into business actors by building an independent supply chain climate to enhance competitiveness.

Beyond Mintrom's strategic categories, the behavior of bureaucratic actors in this study can also be interpreted through the lens of "institutional work" (Lawrence & Suddaby, 2006), focusing on individual and group actions to create, maintain, or disrupt institutional norms and structures. The Joint Production House (RPB) and Red Edible Oil (M3) initiatives are not simply technical programs, but deliberate efforts to reconfigure the institutional logic surrounding the role of MSMEs—from policy targets to policy actors. This perspective highlights that effective policy entrepreneurship involves aligning interests and resources and reshaping the institutional structures within which policies operate.

This study contributes to theory building by demonstrating how the normative framework of policy entrepreneurship can be operationalized through concrete bureaucratic behavior. This study shows that in the context of the Global South, successful policy entrepreneurs must not only apply strategic tools but also perform a careful balancing act between innovation and political acceptance, reshaping theoretical assumptions about where and how policy innovation occurs.

4. Conclusion

Every public official plays a crucial role in any strategy to promote the best policies. Problem framing is carried out by emphasizing strategic issues such as the low participation of Indonesian MSMEs in the global value chain (4.1%) compared to other ASEAN countries and the lack of MSME partnerships with large companies. This argument is used to raise public and stakeholder awareness, thus placing these issues as policy priorities. Programs such as Business Matching and UKM Campus have successfully leveraged this momentum to garner support for expanding collaboration and market access for MSMEs.

This research shows that there is a decrease in the average value of the three indicators measured, namely the inventory management efficiency indicator, operational asset optimization indicator, and commitment to maintaining services. Meanwhile, other indicators, namely indicators of the effectiveness of BMD utilization, have increased.

In utilizing and expanding its network, the Ministry of Cooperatives and SMEs has successfully bridged MSMEs with state-owned enterprises and large businesses through partnership forums and business matching. International networks have also been expanded through buyer mission programs to Switzerland and the Netherlands and exhibitions such as the Inabuyer B2B2G Expo, which generated significant transaction value. These initiatives strengthen the position of MSMEs in domestic and global markets through access to strategic partners.

This advocacy coalition collaborates with academics, associations, and the business community to build an ecosystem that supports strategic initiatives such as Shopee MSME Campus and SMEXcellence. This program provides intensive mentoring, helping

MSMEs understand global market dynamics and meet international standards. This coalition expands export opportunities and encourages MSMEs to be more competitive.

Leading by example is reflected in the support for the Al-Ittifaq Islamic Boarding School, which serves as a model for cooperative-based economic empowerment and protection of MSMEs from the onslaught of imported products. This initiative demonstrates the importance of a concrete approach and policy integration, with the government directly involved in ensuring program sustainability. Efforts to scale up the change process are realized through major initiatives such as the Joint Production House (RPB) program, which integrates MSMEs into a structured supply chain, and the Red Edible Oil (M3) program to streamline the distribution chain and increase added value for palm oil farmers. These initiatives provide concrete examples of how MSMEs can become key actors in the supply chain.

This study acknowledges several limitations that offer opportunities for further investigation. First, the analysis focused primarily on the Ministry of Cooperatives and SMEs during the 2019–2024. It did not fully capture the role of other ministries, local governments, or non-state actors in shaping MSME development policy. Second, while a qualitative approach centered on key decision-makers provides valuable strategic insights, it may not fully reflect the practical challenges experienced by field-level implementers or MSMEs. Third, this study does not include a quantitative assessment of how these policies directly impact MSME performance regarding productivity, efficiency, or market reach.

Future research could consider combining quantitative methods and firm-level MSME data to more deeply evaluate the measurable impacts of policy entrepreneurship. It would also be valuable to explore how policy innovation evolves at the regional and local levels, particularly within decentralized governance frameworks. Furthermore, future research could investigate how collaboration between government agencies, business associations, large corporations, and digital platforms contributes to forming and sustaining advocacy coalitions. On the theoretical side, further integration of policy entrepreneurship and institutional work perspectives could offer richer explanations of how institutional change occurs in complex public policy environments.

Further research is recommended to provide more comprehensive data so that more indicators can be measured. In addition, with better data, it is possible to identify the weighting of the index to produce a better index. Future research can also be conducted to deepen the evaluation results by examining other factors that influence the evaluation results, both from internal and external factors.

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