

ASSISTANCE FOR RESTORATION OF MICROENTERPRISES AND MICROFINANCE IN ACEH (ARMMA)

TERMS OF REFERENCE "SUBSECTOR STUDIES"

1. BACKGROUND

Post-Tsunami Economic Growth in Aceh expand fairly rapidly as compared to previous year, where in year 2005 real GDP growth (excluding oil and gas) low namely as big as 1.2 %. Economic growths at Aceh fueled by donor and reconstruction activity.

In line with growth and reconstruction at Aceh, also happens local inflation that high enough preferably at Banda Aceh and points west along the coastal road. In two years following tsunami, consumer price index at Banda Aceh ascends 54 %, compare 30 % at Lhokseumawe and nationally.

Financial sector development at Aceh points out a good trend, that thing gets to be seen from increases it bank loan is more than 35% in years 2006 at compare with year 2005. That ascension a large part because of loan at construction sector, commerce, and consumptive loan that gave by particularly two government banks which is BRI and BPD Aceh. Meanwhile BPRs registered relatively slow credit growth (averagely less than 10 %) in 2006. Where it reflecting continuing funding problem and structural difficulties.

To helping micro scale economic growth at Aceh, Japan Fund for Poverty Reduction passes Asian Development Bank makes project “ Assistance For Restoration Of Microenterprises And Microfinance In Aceh ” by two main objectives: (1) to expand access to financial services in Aceh by developing four pilot programs in sustainable microfinance capable of being scaled up, and (2) to evaluate eight promising micro-scale economic (‘livelihood’) activities through applied subsector research documenting their *bankability*.

2. THE OBJECTIVES OF STUDY

- a. To analyze the *feasibility* and attractiveness of eight micro-scale activities for receiving micro credit.
- b. To analyze the *bankability* of eight micro-scale activities.

3. THE SCOPE OF STUDY

Subsector selected for study will be activities which :

- a. Appear to show good financial returns
- b. Are or can potentially be carried out by a large number of micro-scale farm or non-farm enterprises in Aceh
- c. Have substantial growth potential, but which
- d. Appear to receive very little micro-scale credit at present.

Identification of Subsector activities will be based on :

- a. Input and ongoing activities of other ADB “Livelihood”-focused projects, BRR
- b. Preferences and suggestions of the ‘Executing and Implementing Agencies’.
- c. Existing studied.

Based on input of aforesaid parties therefore specified Subsector Survey’s priorities and survey’s place region which is :

1. Oil palm farmer, location : Langsa or Western Aceh
2. Shrimp raising, location : East Aceh
3. Cacao farming, location : Gempang (Pidie)
4. Cattle fattening, location : Great Aceh or Center Aceh
5. Corn farming, location : South-east Aceh
6. Coffee farming, location : Center Aceh
7. ‘Bandeng’ (milkfish) raising, location : Bireng or Northern Aceh
8. Will be determined later.

4. THE BENEFITS OF STUDY

This studies will be benefit for :

- a. BPD Aceh and other commercial bank who gives microfinance's credit.
- b. Another financial institution that make microfinance's credit as market and their target.
- c. BPRs to expand their product.
- d. Donor and government institute that have bound up help program with microfinance and micro scale effort.
- e. Co-operations and farmer group that interest to microfinance
- f. BRR and the government of Aceh Province in order to look for financial institution that give financial support to superior trade goods and another micro scale effort.

5. METHODOLOGIES OF STUDY

The study methods will vary correspond to commodities and activity that will be analyzed, but is enabled for same in format as a whole and this study similar to a case study approach :

- a. Description / Observation of the Economic Activity
- b. Production cycle and inputs

- c. Market Demand and Pricing Characteristics
- d. Marketing and Market Supply Arrangements
- e. Past / present lending experiences with the activity
- f. Development potential and Goes To y. risk factors
- g. Cash Flow and Return on Investment Analysis
- h. Lender ' s Assessment.

6. COLLECTING DATA

The qualitative and quantitative data that will be using in this study is expected as combine of primary data, via survey and interview to prescribed respondent as sample of study (setting sample size point to rule in research methodology) with take respondent among 35 – 40 respondents, and acquired secondary data from institute concerning. Special for primary data collecting, the questionnaires that will be utilized in field survey and also parties who will be interviewed to have consultation with Subsector Specialist and Team Leader of Project.

Beside collecting data from farmers and fisher, will also take data of bound up business agent, adjusted by characteristic, business activity and economy activity from Subsector Survey.

Collecting data from banking party is done by undertaking interview to bankers with focused on banker's opinion about feasibility and

bankability of Subsector Survey. The activities of the participating bankers would be as follows :

1. Input regarding key questions from banker's perspective.
2. Participation in field observation/interviews
3. Discussion of field results and subsector analysis
4. 'Banker's opinion ' summary for inclusion in report
5. Participation in Presentation Panel

Design and preparing questionnaires especially focused on (i) description/observation of the Economic Activity, (ii) input and production cycle, (iii) cash flow and return on investment analysis and another aspects according to item 5 (methodologies of study)

7. DURATION OF STUDY

The duration of eight studies is eight months, from august 2007 until March 2008. So is expected one subsector that is analyzed is finished in the period of maximum one month. Observational time schedule will be arranged by researcher institute that is pointed and Subsector Specialist, and that schedule finalization has to get approval from Team Leader Project.

8. REPORTS

The final report of study is made in English and Indonesian languages in dual 10 espoused by *softcopy* and the result of studies will be presented in seminar correspond to time that is scheduled and study's executor party acts as presenter adjoined by Subsector Specialist and Project Team leader

9. COSTS OF STUDY

The cost of study is average USD. 3. 000 for each subsector survey, so for all subsector survey the total costs is USD. 24. 000 , that cost was included taxes accords prevailing rule.

10. LEGAL ASPECTS OF STUDY

About permit and all aspects of legality in order to observational performing shall correspond to prevailing rule at Aceh, and its will be handle and under responsibility of the executor of study.

11. OTHERS

Miscellaneous that was not managed in terms of Reference, will more manage in job Contract with the executor of study.

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Proposed by Researcher

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