CONTOH B

SMALL GRANT SUPPORT APPLICATION

USAID Project – Pemerintah Indonesia

1. Organization Name:

2. Principal Contact:

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8. Date Application Submitted: 10 October, 2002

9. Activity Start date: 1 November 2002

10. Activity End date: 28 February 2003

11. Estimated Budget (the complete budget is attached in the complete proposal): Rp 113,350,000, -

12. Amount of Assistance Requested from Proyek USAID: Rp 85,000,000,-

13. Responsible Organization's Contribution to Proposed Activity, co-participation:

13a. Financial Contribution: Rp 10,000,000,-

13b. In-kind Contribution: Rp 18,350,000,-

14. Other Donors for Proposed Activity:

14a. Organization Name, Description and Address: (None)

14b. Other Donor Funding, Description and Estimated Amount: (None)

15. Title and Objective(s) of Proposed Activity: STUDY ON RETAILING BUSINESS IN THE DECENTRALIZATION ERA

16. Deliverables/Reports:
   - Ministry of Trade and Industry Republic of Indonesia
   - Relevant Local Government
   - Ministry of Cooperative and Small-Medium Enterprises

17. Location of Proposed Activity:
   - X (West Java)
   - Y (West Java)
   - Z (West Java)

18. How Many People Might Benefit from the Proposed Activity and Who Would Benefit (Women, Students, Small Businesses, etc.):
   - Government officials should benefit from policy recommendations produced by the study
   - At least around 100,000 formal retailers in three research sites would benefit from expected better policy in retailing business if the government implement the better policy

19. List Other Groups the Your Organization will be coordinating with, for example other NGO's, government officials, other donors, student groups, etc.:
   - Faculty of Economics, Universitas Terkenal
   - LSM, UKM

STUDY ON RETAILING BUSINESS
IN THE DECENTRALIZATION ERA

1.Background
1.1. Development of Indonesia's Retail Industry

Like most Asian countries, Indonesia's retail industry has, over the past two to three decades, undergone an evolutionary transformation from wet traditional markets and pre-war shop-houses to modern supermarkets and mega-malls. Before the advent of shopping centers in the cities, retail businesses were centered on the marketplace and places where people congregate. These retail spots were developed and controlled by the local government to cater to the mass population. As population centers grew and expanded outwards, shop-houses developed to provide convenient places to shop for nearby residents and those passing through.

As the economy expanded and the population became more affluent, the upper class looked for better retailing facilities. Sarinah, the country's first department store opened in 1967. It was built at the behest of Indonesia's first president, Soekarno, and for many years served as the only shopping alternative to traditional markets and shop-houses in Jakarta.

There were no significant retail developments in the seventies except for Pasaraya department store, which pioneered the one-stop shopping concept in Indonesia with a wide variety of goods under one roof. While Pasaraya had been a pioneer, the chain with perhaps the greatest influence on the retailing scene was Indonesia's largest retailer, Matahari, which was first established in 1958 as a specialty store but gradually developed into a department store. Matahari and Ramayana, another local retail chain, found their market niches among the large low-middle income groups, and strategically located their stores near traditional markets and densely populated residential areas.

In the eighties, semi-modern shopping centers emerged in Jakarta. This period also witnessed the embryonic stages of supermarket chains like Gelael, Golden Truly and Hero. The concepts of anchor tenants and food courts only appeared in the nineties. The completion of modem malls in the CBD such as Plaza Indonesia in 1990, were followed by prominent malls in the suburban areas like Pondok lndah Mall (1991). The mid nineties witnessed the entry of mega-malls in excess of 90,000 sq. m net leasable area, such as Lippo Karawaci (1995), Pluit Megamall (1995) and Taman Anggrek Mall (1996). The trend spread to Surabaya, Indonesia's second largest city, embodied in the highly successful Tunjungan Plaza.

The latest retailing concept introduced to the local scene is the hyper-market, which began in the early nineties with Makro, followed by Goro, Alfa Super, Mega M Carrefour and Price-Smart stores. Most of these stores were aimed at larger percentages of food sales and for the low to middle income level.

1.2. Policies Governing Retail Sector in Indonesia

Since 1969, Indonesian law has disallowed direct foreign investments in the retail sector, except under franchises or technical assistance agreements with Indonesian companies. The underlying reason is to protect domestic retailers from foreign competition.

There are varying arguments as to the necessity of this legal restriction on foreign retail operations. As foreign retailer participation can still be allowed by

forming technical assistance or franchise agreements with local companies, the law has not been able to prevent significant foreign retail activity. In their quest to enter the Indonesian market, successful retail chains operations such as KFC, McDonalds and Toys 'R' Us have made franchise and technical assistance partnerships with domestic companies. Despite the presence of foreign retail names, local retail chains do not seem to have suffered. Instead, they have carved out niche markets for themselves, and become even more cost-effective.

Another regulation affecting retail operations surfaced in April 1997 which prevents large retailers from operating in regency towns. The larger retailers already in existence in regency towns have been called upon to co-operate or form partnerships with the local retailers. Eventually, big retailers will be forced to focus their expansion plans only on provincial towns, leaving small retailers to operate in regency towns. There is a negative side to this regulation, as it may result in small retailers becoming complacent and less competitive to future challenges.

The 1997 economic crisis is crippling most of the country's business sectors and retail has not been spared. The plummet of the Rupiah against the US Dollar has big implications for the retail industry .A positive development resulting from this crisis is the Government's decision to remove restrictions on foreign investment in the wholesale and retail sectors by March 1998. The decision was part of the Letter of Intent signed as an agreement with the IMP .The Indonesian government's willingness to do this was confirmed by Presidential Decree no.9611998 with removed retail trade from the negative list.

Retail industry in Indonesia continues to attract new and larger entrants because the local people have a natural tendency to buying and giving. They also have very few 'oases' to enjoy in the crowded cities. The implementation of UU no. 25/2000 on Regional Autonomy has been well-anticipated by foreign investor in the retail sector. Carrefour has planned to open outlets in Bandung and Surabaya. British investors has prepared to invest 250 millions poundsterling in various locations while Singaporean investors aim to enter Surabaya market and expand the market to the Eastern part of Indonesia.

Nevertheless, while the Regional Autonomy Law has been put into practice, licensing procedure for modern retail business has been still a question. In one hand, formally the procedure is still based on Joint Ministerial Decree signed by Ministry of Cooperatives and Small Business Development, Ministry of Home Affair and Ministry of Industry and Trade. A foreign investor who wishes to open outlet in local market has to apply for principal license from the Office of Local Mayor. The license has to find its way to Jakarta in order to obtain recommendation from the Ministry of Cooperatives and Small Business Development and also from the Ministry of Home Affairs. After it is approved by the Ministry of Industry and Trade, the principal license will be brought back to local office. But on the other hand, as released on some mass media, some regions have launched their own regulations regarding local economic development. There is a probability that such regulation will also affect retailing business sector in those regions.

2. Objective

As mentioned above, retail sector in Indonesia had been liberalized even before the Law on Regional Autonomy has applied. The Presidential Decree issued early in 1998 confirmed that foreign investors are allowed to possess 100% shares of a retail business operating in Indonesia. The Ministry of Industry and Trade had issued some operational guidelines (Juklak) to implement the Decree.

After the Law on Regional Autonomy has been implemented, some of these guidelines became obsolete. Basically, the local government has been given the authority to rule its local businesses (including licensing procedures) in order to satisfy domestic interests. There are uncertainties concerning retail business in many local areas. Some regions have issued new regulations while others remain implementing previous guidelines issued by the Ministry of Industry and Trade. The uncertainties will eventually influence retail business climate in local areas. Both new and existing investors will be adversely affected by this commotion. Hence the situation calls for a review.

In line with the background described above, the objectives of the study are as follow:

1. To review current and upcoming government regulation on retailing business, both at central and local level, especially regarding the procedure for getting license for the business
2. To collect information about the perception, respond and changing practices of retailers on the changing situation after the decentralization policy was implemented
3. To predict problems and opportunity for retailing business in the decentralization era, both for domestic and foreign investor

3. Methodology
3.1. Source of information and information to be collected

Government (both central and local) and retailer will be the main source of information in this study. From the central government, especially Ministry of Trade and Industry and Investment Coordination Body (BKPM), list of information to be collected is:

- investment procedure in retailing business for foreign investor
- investment procedure in retailing business for domestic investor
- figure of investment in retailing business
- procedure and condition for retailing business expansion
- list of regulations relevant to the retailing business
- other relevant information

From the local government, basically the study will collect information about the understanding on the regulations issued by central government and local regulations issued by local government that directly or indirectly influence the practices of retailing business. More detailed information to be collected is:

- understanding on the central regulations on retailing business
- figure of investment in retailing business at local level
- procedure for investment at local level
- procedure and condition for business expansion at local level
- list of regulation relevant to the retailing business
- other relevant information

Meanwhile, from both domestic and foreign investor, the study will collect data on the practices of retailing business in Indonesia such as:

- experience in getting permit to start up retailing business in Indonesia
- experience in expanding business at regional level
- perception on the decentralization policy by the government of Indonesia

- future plan regarding their business in Indonesia
- other relevant information

3.2. Data collection method

There are two types of data required in the study. The first is secondary data including list of regulation on retailing business that will be collected from some relevant agencies and publications as well.

The second is primary data that will be collected through interview with relevant respondent. In line with information to be collected, the respondent will be government officials, both central and local government, and the retailers. Interview guideline and questionnaire will be used in this step.

3.2. Analysis method

Analysis on government policies will be focused on getting a comparison before and after decentralization policy is implemented. That means that for almost all of information collected from the government side will be divided into two groups, those are before decentralization and after decentralization.

Most of the analysis will be done by producing some descriptive tables. From this step, there will be a conclusion whether or not new policy is taking place after the implementation of regional autonomy policy.

The conclusion will be used to seek response and perception of retailers on the changing policy. The implication is that the interview with retailer will be conducted latter than the interview with government officials.

3.3. Research site

This study will be conducted in 3 (three) regions in West Java, those are:
X, Y, and Z. X is a big city in West Java province. There are some foreign retailers there, so X will be one of the most interesting research sites.

Y is one of three satellite cities surrounding Jakarta, while the others are R and S. The retailing business there is also quite dynamic. That will be interesting to see whether the status may influence the retailing business.

Meanwhile, Z is one of the growing small cities in West Java. Its position is quite "neutral", because far away enough from X as large city of West Java and from Jakarta as the biggest city in country. It is always expected that there is a difference between bureaucratic behaviors between relatively big cities with the small ones.

3.4. Timeline

Approximately, the study will be completed in 4 (four) months, from November 2002 to February 2003. November 2002 will be time for preparing the study, and the rest of the month will be for data collection, analysis and report writing.

3.5. Budget

The study will require Rp 111,350,000, - of budget, including socialization event to be conducted in X. The detail of the budget required is attached.

BUDGET FOR RETAIL STUDY IN X, Y, and Z
2002-2003

Items	Description					
1 Professional Fee						
Coordinator	1 person X 4 months X Rp. 4,000,000 = Rp					16,000,000
Senior Researchers	2 person X 4 months X Rp. 3,250,000 = Rp					26,000,000
Assistant Researcher	1 person X 4 months X Rp. 2,000,000 = Rp					8,000,000
Sub Total Professional Fee					**= Rp**	**50,000,000**
2 Secondary Data Analysis						
Document Duplication	1 pack.		X Rp. 1,000,000 = Rp			1,000,000
Transport	2 person X	5 days	X Rp.	150,000 = Rp		1,500,000
Sub Total Secondary Data Analysis					**= Rp**	**2,500,000**
3 Data Collection						
a Data Collection in X						
Perdiem for Senior Researcher	1 person X	7 days	X Rp.	250,000 = Rp		1,750,000
Transport Jakarta-X (Return)	1 person		X Rp.	200,000 = Rp		200,000
Local transport and communication	1 person		X Rp.	500,000 = Rp		500,000
Perdiem for interviewers	2 person X	7 days	X Rp.	150,000 = Rp		2, 100,000
Fee for interviewers	2 person X	6 days	X Rp.	75,000 = Rp		900,000
b Data Collection in Y						
Perdiem for Senior Researcher	1 person X	10 days	X Rp.	250,000 = Rp		2,500,000
Local transport and communication	1 person		X Rp.	500,000 = Rp		500,000
Perdiem for interviewers	2 person X	10 days	X Rp.	150,000 = Rp		3,000,000
Fee for interviewers	2 person X	10 days	X Rp.	75,000 = Rp		1,500,000
c Data Collection in Z						
Perdiem for Senior Researcher	1 person X	10 days	X Rp.	250,000 = Rp		2,500,000
Transport Jakarta-Z(Return)	3 person		X Rp.	100,000 = Rp		300,000
Local transport and communication	3 person		X Rp.	500,000 = Rp		1,500,000
Perdiem for interviewers	2 person X	10 days	X Rp.	150,000 = Rp		3,000,000
Fee for interviewers	2 person X	10 days	X Rp.	75,000 = Rp		1,500,000
Sub Total Data Collection					**= Rp**	**21,750,000**
4 Data Entry and Processing						
Computer time	2 unit X	5 days	X Rp.	100,000 = Rp		1,000,000
Keypuncher fee	2 person X	5 days	X Rp.	100,000 = Rp		1,000,000
Data Analyst	1 person X	10 days	X Rp.	150,000 = Rp		1,500,000
Sub Total Data Entry and Processing					**= Rp**	**3,500,000**
5 Reporting						
Report Duplication	10 copies X		X Rp. 200,000 = Rp			2,000,000
Sub Total Reporting					**= Rp**	**2,000,000**
6 Socialization in X						
Meeting Package	100 person X		Rp	120,000 =Rp		12,000,000
Banners	2 unit X		Rp	500,000=Rp		1,000,000
Invitation	120 unit X		Rp	20,000=Rp		2,400,000
Seminar Kit	120 unit X		Rp	50,000 =Rp		6,000,000
Transportation for Researchers	4 person X		Rp	200,000 =Rp		800,000
Accomodation for Researchers	4 person X 2 days		Rp	300,000 =Rp		2,400,000
Fee for Local Partners	2 person X		Rp 1,500,000 =Rp			3,000,000
Sub Total Socialization						**27,600,000**
7 Secretariat expenses						
Office supplies	1 pack. X		Rp. 2,000,000 = Rp			2,000,000
Communication	4 months X		Rp. 500,000 = Rp			2,000,000
Sub Total Secretariat Expense					**= Rp**	**4,000,000**
GRAND TOTAL					**= Rp**	**111,350,000**

BRIEF PROFILE OF "THINK TANK "

1. **Name of Institution**   : THINK TANK

2. **Current Address**   : Satellite city
                                        Phone/Fax:

3. **Email Address**   : someone@dnet.net.id

4. **Contact Persons**   : Mr. EP
                                        Mr. SP

5. Background of the Organization:
   THINK TANK is a research institute establish in 1990's. The Center was set up as a response to some young researchers' concerns that researches are more often used to justify rather than serves as basis to policymaking process. As a result, researchers are frequently misled to serve short-term objective to keep their existence rather than foreseeing a more important longer-term goal which is to raise the significance of research contribution to decision-making process.
   It is also important to realize that short-term goal of research should go hand-in-hand with its long-term objectives. Research would should be able to prevail without sacrifying its integrity. Think tank is established to answer to the challenge. In addition to that, think tank aims to endorse business entrepreneurship, which seems to be lacking in Indonesia.

6. Vision and Mission
   Think Tank Center started out from a vision shared by its founding partners to identify Think Tank as an institution which participates in building integrity of research discipline by upholding academic truthfulness as its main principal. At the same time, the mission is taking part in contributing independent reviews to policy makers, economic agents, and other institution which are in need and also the society as a whole by conducting series of academic activities.

7. Organization and Staff Qualification

7.1. Organization
   Think Tank is administered under Yayasan Think Tank which has been formally established by a notary in one of satellite cities in Indonesia on bulan 2000. The center is managed by a man as managing director, another man as executive secretary and one other man as office manager. The center involves three senior researchers, two research assistants, three research associates, and some temporary staffs as needed.

7.2. Staff Qualification

Name	Status	Education	Expertise
A man	Senior researcher	Master of Economics (University Terkenal Dalam Negeri)	Labor economics, education economics, small medium enterprise
A man	Research associate	Master of Economics (University Terkenal Dalam Negeri)	Macroeconomics, capital market, economic modeling
A man	Research associate	Master of Economics (University terkenal Luar Negeri)	Macroeconomics, corporate finance
A man	Research associate	Master of Social Science (University Terkenal Dalam Negeri)	Demography, health economics, small medium enterprise
A man	Senior researcher	Engineer (Terkenal Dalam Negeri)	Socio-economic agriculture, demography, HIV/AIDS
A man	Senior researcher	"Sarjana Komputasi" (Universita Second Rank Dalam Negeri)	Data processing, programming, computer network
A student	Research Assistant	Student	-
A student	Research Assistant	Student	-

8. Activities and Experience Working with Donor Agency

There are three core activities at Think Tank, i.e.; research, training and consulting. The center focuses on socio-economic issues in broader framework, or other issues with socio-economic approach.

8.1. Current Activities

Time　　　　　: 1 month, 2002- Current
Partner　　　 : Team Luar Negeri at Government Financial Institution
Title　　　　　: Data processing on micro-finance study
Description　: Think Tank is responsible for data transferring to STAT A format and processing the data using STAT A program.

Time　　　　　: 1 month, 2002 -Current
Partner　　　 : LSM Luar Negeri, Jakarta
Title　　　　　: Data processing on micro-finance study
Description　: Think Tank is responsible for questionnaire development, data entry program development, data processing and discussing findings of the study. The study itself is funded by USAID

Time	: 1 month, 2002- Partner: (Self financed)
Title	: Developing sectoral small business association in city Y
Description	: Responding the lack of qualified business association at local level in one of satellite cities in Jakarta, is taking initiative to build small business association to improve their business performance as well as their capability to advocate themselves. is seeking support from donor agencies to speed up the process.

8. 2. Previous Activities

Time	: 2002
Partner	: LSM Luar Negeri, USAID
Title	: Study on "Impact of One Stop Services".
Description	: The study was conducted in -, and city X. The result indicates that there is no evidence that such services reduced or increase local revenue the one stop service. Regarding efficiency, one stop service is effective in reducing length of time in license processing but not significantly reduce the cost.

Time	: 5 Months, 200 1
Partner	: LSM Luar Negeri, Proyek USAID
Title	: Study on "Small Medium Enterprise Development in ASEAN Countries"
Description	: Think Tank's team visited Singapore, Malaysia and Thailand to get on the spot information about policy on the SME development in these countries. The result indicates the lack of market-oriented policy in Indonesia which is unhealthy for SME development.

Time	: 1 month, 2001
Partner	: Proyek USAID
Title	: Workshop on "The Decentralization Era"
Description	: The workshop aimed at raising responses of local government to the decentralization policy. The main problem faced by local government is the uncertainty in fund allocation from central that leads the local governments to the difficulties in planning local development.

Time	: 4 months, 2001
Partner	: Proyek USAID
Title	: Study on "Decentralization Policy and Its Impact on the Business Environment".
Description	: The study was conducted in Sulawesi, cities in Java. The researches sites are associated with specific small business centers namely "A" in Sulawesi, "B" in Java Island and C in Central Java. The result indicates that decentralization policy could improve or simultaneously deteriorate business environment depending on the properness of the local policies.

Time : 1999
Partner : Ministry RI
Title : Training on data processing using SAS program
Description : The training program consisted of processing and analyzing Sakernas 1994 data using SAS program.

Time : 1998
Partner : Local Government of NTT Province
Title : Developing "Investment Profile" of NTT Regency
Description : As requested by the local government, the team built the book contains information on local potentials for both domestic and foreign investments.