

# QUARTERLY REPORT

01 October– 31 December 2011

## INDONESIA DISASTER RISK REDUCTION PROGRAM FINANCIAL ACCESS

### Indonesia Liquidity Facility After Disasters (ILFAD)

Funded by  
USAID / Office of Foreign Disaster Assistance (OFDA)



COUNTRY CONTACT	HEADQUARTERS CONTACT	PROJECT SUMMARY
Erynn Carter Director of Programs Mercy Corps Graha STK, F Floor Suite F01 Jl. Taman Margasatwa No 3 Ragunan, Pasar Minggu South Jakarta, 12550 Phone: +61.21.788.42686 <a href="mailto:ecarter@id.mercycorps.org">ecarter@id.mercycorps.org</a>	Laura Bruno Senior Program Officer Mercy Corps 45 SW Ankeny Street Portland, OR 97204 Phone: +1.503.896.5833 <a href="mailto:lbruno@mercycorps.org">lbruno@mercycorps.org</a>	<b>Award no.:</b> AID-OFDA-G-11-00134-00 <b>Start date:</b> July 29, 2011 <b>End date:</b> June 28, 2012 <b>Report date:</b> January 31, 2012 <b>Total award:</b> \$375,000

## 1. Executive Summary

To date, ILFAD has focused efforts on recruiting MFIs in Jakarta, Yogyakarta, and West Sumatra to participate in the program. The targeted deliverable states that the program is required to cover 36 MFIs, and so far 25 MFIs which match the program criteria have shown interest in participating. ILFAD, together with the Microfinance Innovation Center for Resources and Alternatives (MICRA) and Bank Andara, are positive that the target number can be achieved.

During this quarter, significant challenges on partnership building occurred; however, most issues were resolved through extensive meetings and discussions. Based on this extended negotiation period, we believe there will be strong cooperation moving forward among the MFIs, MICRA, and Bank Andara within the ILFAD program.

ILFAD has initiated some fundraising activities to add to the liquidity fund at Bank Andara. One bank has offered to add liquidity and others have shown interest, particularly Bank Nagari in West Sumatera (see more details in the achievement and coordination section).

A desk study and field visits were conducted to gain more knowledge and insights for the program at all target sites. Consultative and coordination meetings also played important roles in achieving deliverables.

### **Achievements:**

In this quarter, Mercy Corps and MICRA signed a sub-grant agreement (Annex 1) that relates to mutually agreed upon scopes of work and deliverables. Also, MICRA has been researching and developing new loan products such as time-deposit loans and household rebuilding loans.

The ILFAD Program Manager attended a workshop on micro-finance and disaster management which was held by the BWTP network (Banking with the Poor) in the Philippines in November 2011. At that workshop, the ILFAD Program Manager met a representative from Bank Nagari who stated that the bank was planning to develop a special loan product for disaster risk reduction and was interested in having further discussions with the ILFAD project back in Indonesia. According to the bank representative, the idea for this product emerged after the earthquake in Padang in September 2009.

On December 12, 2011, ILFAD had a meeting with the Commercial Director of Bank Nagari, and asked the bank to participate in the program by contributing to the liquidity fund account at Bank Andara. Bank Nagari stated that they were interested, yet requested time for internal discussions with their board of directors. If the proposal is accepted, Bank Nagari would like to hold the liquidity fund for the program in West Sumatra rather than have Bank Andara fulfill this role. The official response from Bank Nagari will be reported in the coming quarter.

ILFAD has successfully recruited a Program Officer, Mr. Gatot Syafdiono. Mr. Syafdiono worked with Mercy Corps in Aceh on a financial access program, in Jakarta on the Western Union-funded Our World Our Family program, and has worked in private sector banking for

three years. He has also demonstrated experience and expertise in business development training, as well as building relationships with regional business/ financial networks, particularly with MFIs. Mr. Gatot will be responsible for all aspects of project implementation for the ILFAD program in the target MFIs, working closely with the staff of MICRA and Bank Andara on project acceptance, assessment, community mobilization and implementation of training/capacity building activities for target MFI partners.

Two coordination meetings with key partners were held on 28 November and 29 December 2011. The first meeting discussed the proposal materials to build common understanding, expected objectives, roles and responsibilities of each organization, and mutual collaboration in the program. Criteria for MFIs which are prospected to be part of the program were also established. The second meeting addressed external communications (one-pager for ILFAD program (Annex 2)), visiting schedule planning, MFI candidates, MoU planning between MICRA and MFIs, rating schedule, and mutual understanding/ agreement on the ILFAD scheme (Annex 3).

### **Challenges:**

In this quarter, several major challenges occurred which caused delays in implementation:

- When ILFAD held kick-off meetings with MICRA and Bank Andara to start the program, each party stated they were no longer familiar with the details of the program and needed time to review and consider their engagement. MICRA and Bank Andara thought the program had been cancelled due to the length of time between proposal submission and the award and the eventual program startup. Thus, the ILFAD Program Manager decided to resend the proposal and hold intensive discussions (in coordination and informative meetings) to reinforce their previous commitments on roles and responsibilities, strategies to be implemented, requested collaboration, and planned timeline.
- MICRA stated that it was impossible to accommodate the program in a very short period of time. MICRA representatives stated that at least two years are needed to accommodate the targeted number of participating MFIs. Several reasons were cited including: without concrete stimulus (grants, fund allocation in time deposit to strengthen liquidity, loan guarantees, and other related financial products), it would be difficult to invite MFIs' to join the ILFAD program; the training cost to be paid by participating MFIs would also add to their hesitation in joining. Thus, MICRA requested to reduce the number of MFIs targeted to only eight MFIs.
- These challenges eventually became the main topics of discussion in the subsequent meetings. Eventually, MICRA agreed to collaborate in achieving the originally targeted deliverables and signed the Sub-grant Agreement with Mercy Corps.
- Early this quarter, Bank Andara stated that they could not confirm participation and be actively involved in the ILFAD program – they were particularly concerned with the total initial fund required (USD 100,000). The main reasons given is that Bank Andara is still establishing their operational activities and because they have their own business to maintain.
- The aforementioned challenges were solved by persuasive approaches taken by the program through early December 2011. Bank Andara eventually decided to participate in ILFAD after hearing there was another bank (Bank Nagari) interested in joining the program and after discussions with senior decision-makers. Common agreement regarding the initial liquidity fund required has not yet transpired; however, this challenge is expected to be resolved in the next quarter given upcoming planned discussions with Bank Andara.

- Around the Christmas and New Year holidays, most employees of MFIs, Bank Andara, and MICRA were on leave. Thus, the ILFAD timeline should be adjusted in the next quarter to account for this lost time. In fact, when the verification visits to Padang and Jakarta were held, most of the stakeholders' board of management was not available.
- Challenges with M&E recruitment have meant delays in hiring that position; now scheduled to be online early in the next quarter.

## 2. Program Overview

ILFAD is building the capacity of Indonesian microfinance institutions (MFIs) to reduce the economic impacts of disasters and speed recovery efforts for affected communities.

Mercy Corps is working with MICRA to develop loan products specific to emergencies. To select and prioritize the types of products, Mercy Corps will draw on its own experience in disasters; hold workshops with key MFIs to determine their perceived needs; and also solicit ideas and lessons learned from the Latin America Emergency Liquidity Facility (ELF).

MICRA will train MFIs in these loan products, allowing them to implement smoothly after disasters. Mercy Corps and MICRA will also develop a locally appropriate disaster risk reduction toolkit for MFIs—including coursework, manuals, self-guided tutorials, and workbooks—adapting existing tools as appropriate. The toolkit is intended to mitigate the impact disasters have on the operational capacity of MFIs themselves, and will include simple, practical approaches to protecting assets, information, and functional capacity.

In order to reach the scale that will have an impact on restarting damaged economies, ILFAD will offer a loan guarantee mechanism to encourage the use of these products and the expansion of services to new clients during and after disasters. The mechanism will offer protection to MFIs, while allowing them to operate publically in as normal a manner as possible. Details of the mechanism's design are now under discussion with the partners as is the possibility of including additional banks in the liquidity fund.

The loan guarantee facility will be permanently housed in Bank Andara, which fits in with the Bank's role as a wholesale lender and service provider to the Indonesian microfinance sector. Upon discussion, it is possible that the program will change to have regional banks hold a liquidity for each province in addition to a national liquidity fund held by Bank Andara; this is all still in negotiation.

While emergency liquidity funds serve a crucial twofold purpose, preventing the collapse of the local micro-finance sector while enabling a quick start to the locally driven recovery process, these funds are far more effective if combined with capacity building measures to help MFIs prepare for, and respond more effectively to, disasters. Therefore the process of identifying and pre-qualifying MFI's (following the ELF model) will speed approval and disbursement of loans in the chaotic aftermath of an emergency. This will also ensure that the loans target the most appropriate institutions which have been pre-approved or have a certain rating. MICRA and Bank Andara have already compiled an extensive listing of MFIs in Indonesia, with assessments and ratings of their capacities. The next step is to sign MoUs with the MFIs and move forward with rating as well as the training.

The geographic focus is the greater Yogyakarta area, which has a sophisticated MFI industry but is still recovering from the continuing Merapi eruptions; urban Jakarta, where floods and fires are a common strain on community financing options; and West Sumatra, which is

extremely vulnerable to earthquakes, tsunamis, and landslides. Program implementation is progressing in all three program areas.

### 3. Performance Summary

<b>Sector #1: Economic Recovery/Market Systems</b>				
Beneficiaries targeted:	36 MFIs, 72,000 direct individuals; 360,000 indirect			
IDP Beneficiaries targeted:	35,000			
Beneficiaries reached:	0			
Geographic Area(s):	DKI Jakarta; Yogyakarta, Central Java; Padang, West Sumatra			
<b>Sub-Sector 1.1.: Microfinance Institutions (MFIs)</b>				
<b>Objective 1: MFIs providing emergency financial services to disaster affected clients</b>				
<b>Indicator</b>	<b>Baseline</b>	<b>Target</b>	<b>Progress to Date</b>	<b>Date</b>
#of disaster affected households replacing household and livelihood assets using loans and savings from MFIs benefiting from the ILFAD	To be determined	35,000	Nil	TBA after rating activity
#of MFI clients in disaster-prone areas reached with new post-disaster loan products	To be determined	To be determined	Nil	TBA after rating activity
#of MFIs receiving time-deposits	To be determined	36	Nil	TBA after rating activity
#of new specialized products offered for emergency recovery	To be determined	5	In progress	TBA after rating activity
#of MFIs trained on disaster risk reduction and recovery practices	To be determined	36	Nil	TBA after rating activity
% progress toward full capitalization of the Emergency Liquidity Facility Indonesia	To be determined	50%	Nil	TBA after rating activity

- **Identification of prospective MFIs in Jakarta, Yogyakarta, and West Sumatra**

ILFAD, in collaboration with MICRA and Bank Andara, has established criteria for MFIs that would like to participate in the program:

- The proposed MFI should be located in one of the ILFAD program target areas (Jakarta, Yogyakarta, and West Sumatra).
- It is preferred that the proposed MFI is located in a proven disaster critical area, e.g. earthquake in Padang, earthquake and eruption in Yogyakarta and Central Java, flood and fire in Jakarta.
- The proposed MFI has a minimum 1,000 active members/ clients. The proposed MFI is an active client of, or part of the future expansion plan of Bank Andara.
- Minimum eight percent for CAR (Capital Adequacy Ratio), as determined by Bank of Indonesia. CAR is the ratio which determines the bank's capacity to meet the time liabilities and other risks such as credit risk, operational risk, etc. CAR uses equity over assets instead of debt-to-equity; since assets are by definition equal to debt plus equity, a transformation is required.
- A Portfolio At Risk (PAR) of above 90 days, with a maximum rate of five percent, as determined by Bank of Indonesia. PAR is a standard international measure of portfolio quality that measures the portion of a portfolio which is deemed at risk because payments are overdue. PAR 90 means the portion of the portfolio whose payments are more than 90 days past due. PAR 90 above 5% or 10% is a sign of trouble in microfinance.

The following methods have been implemented to obtain information on MFIs according to the established criteria:

1. Assessing several MFIs which are already active clients or prospective clients of Bank Andara. The assessed MFIs are located in ILFAD working areas.
2. Listing several MFIs which are part of Mercy Corps' program (and/ or MICRA) in ILFAD's working areas, but are not yet active clients of Bank Andara.
3. Obtaining data from the local Cooperative Department, which acts as the official regulating umbrella for activities held by cooperatives and small and medium micro businesses.
4. Building collaboration with Bank of Indonesia.
5. Building collaboration with Perbarindo (Association of Indonesian Micro Banks).
6. Building collaboration with banks owned by the local government. For example, Bank Nagari (the local bank of West Sumatra) has shown positive interest.

To date, 25 MFIs in the program area have expressed willingness to participate in the ILFAD program. From those prospective MFIs, the projected direct beneficiaries totals roughly 97,000 clients, with average total assets managed of IDR 700 billion (about USD 800,000).

Following is the current list of MFIs who are interested in participating in ILFAD along with information about their clientele, assets and expertise:

**West Sumatra**

No	MFI	# of Clients	Asset (IDR)	Type of disaster experienced in the past
1	BMT At Taqwa	8,000	12,000,000,000	Earthquake
2	BMT Jasa Madani	1,255	2,500,000,000	Earthquake
4	PT. BPR Nurul Barokah	1,700	8,265,475,000	Earthquake
5	PT. BPR Berok Gunung Pangilun	3,000	34,126,707,000	Earthquake
7	PT. BPR Ganto Nagari 1954 (was: Lubuk Alung)	1,700	18,393,195,000	Earthquake
3	CU Binneka	1,000	TBA	Earthquake
6	PT. BPR Jorong Kampung Tengah (was: LPN Kampung Tengah)	7,000	11,803,218,000	Earthquake
7	Kop. BPR VII Koto	2,000	4,280,035,000	Earthquake
8	BPR Mitra Danagung		TBA	Earthquake
<b>Total</b>		<b>25,655</b>	<b>91,368,630,000</b>	

**Jakarta**

No	MFI	# of Clients	Asset (IDR)	Type of disaster experienced in the past
1	Kospin Surya Kencana	5,140	45,620,185,000	Flood
2	CU BinaSeroja	3,052	TBA	Flood
3	CU Sehati	4,608	28,051,874,833	Flood
4	PT.BPR Intidana Sukses Makmur	8,000	194,233,428,000	Fire
<b>Total</b>		<b>20,800</b>	<b>267,905,487,833</b>	

**Yogyakarta**

No	MFI	# of Clients	Asset (IDR)	Type of disaster experienced in the past
1	Kopdit Marsudi Mulyo	2,406	9,912,689,649	Earthquake
2	Kopdit Adil	2,215	11,400,000,000	Earthquake
3	PD. BPR Kulon Progo	2,000	145,473,762,000	Earthquake
4	KSP Merapi Mulia	2,000	TBA	Eruption
5	Kopdit Amrih Makmur	1,669	7,000,499,892	Earthquake
6	Kopdit Mendasar	1,531	6,941,244,849	Earthquake
7	Kopdit Gotongroyong	898	2,949,458,110	Earthquake
8	Kopdit Makmur Kasih	831	1,685,505,304	Earthquake
9	Kopdit Tri Tunggal	574	702,999,422	Earthquake

10	KSP Tekun	6,548	21,548,625,000	Eruption & Earthquake
11	BPR Mlati Pundi Artha	1,553	15,648,271,000	Earthquake
12	BPR Lumbungartha Muntilanindo	2,360	19,853,315,000	Eruption & Earthquake
13	BPR Bank Klaten	26,232	91,422,248,000	Eruption & Earthquake
	<b>Total</b>	<b>50,817</b>	<b>334,538,618,226</b>	

The number of MFIs participating will surely increase after the training program is implemented. As of this report, MICRA has rated eight MFIs which would be positioned as key MFIs under the ILFAD program.

### Sector Summary

Activities in this quarter that were prioritized focused on re-engaging our partners with the program and obtaining their commitment to their previously agreed upon roles and responsibilities. Although the Letter of Commitment had been signed, both organizations needed to be brought back fully into the program and re-affirm their active participation.

Not every targeted objective in this quarter could be achieved as planned due to the conditions explained in the challenges section.

Nonetheless, in the coming quarter, the baseline survey will be conducted with both an intensive desk study and field study, and program implementation will accelerate.

## 4. Monitoring and Evaluation

Unexpectedly, the recruitment process for an M&E officer took longer than planned as the process had to be conducted twice. The first recruitment effort produced five potential candidates. Two of them matched the qualifications needed, but their salary requirements were too high so the recruitment process had to be repeated. Seven potential candidates emerged from the second recruitment process. Three qualified finalists were selected and finally, one of the three candidates committed to join the team in the beginning of January 2012.

After discussions with MICRA and Bank Andara, it was decided that the baseline study will be implemented after the rating activity to get a better picture on the tools and needs of the program.

## 5. Coordination

To date, ILFAD has conducted regular, periodic coordination meetings with MICRA and Bank Andara and also held an introductory meeting with Bank Nagari to present prospective opportunities for the bank to join the ILFAD program.

Mercy Corps conducts monthly meetings with MICRA and Bank Andara to discuss and update everything related to ILFAD implementation and strategy. The objectives of the monthly meeting are:

- Updating information from respective institutions
- Discussing strategies related to the month's work plan.

- Planning tasks which will be executed in following month.
- Evaluating job performance in the prior month.
- Discussing issues related to MFIs and the government (i.e. Bank of Indonesia, Ministry of Cooperatives and Medium-Small Scale Enterprises, and their departments in the ILFAD's working areas).
- Obtaining additional information, inputs, and lessons learned (related to MFIs, loan products, economic conditions of the communities affected by disaster, etc.) which were shared by Micra and Bank Andara.

In this quarter, a monthly meeting was conducted twice (November and December 2011).

During the introductory meeting with Bank Nagari, the following was discovered/ discussed:

- Bank Nagari is a local regional bank owned by the government of West Sumatra.
- Bank Nagari has IDR 13 trillion earned assets, 106 branch offices (98 of all branch offices are located in West Sumatra, while the other eight are located in Jakarta, Bandung, and Pekanbaru).
- In addition to having millions of individual clients, Bank Nagari also has 53 BPRs (community credit banks) and hundreds of cooperatives as their active clients.
- Bank Nagari expressed interest to join and participate in the ILFAD program, but not as a common participant. Bank Nagari representatives stated that they prefer to take the position of holding the liquid fund and acting as facilitator and manager in West Sumatra (rather than have Bank Andara fulfill this role).
- Bank Nagari stated that they were interested, yet requested more time for internal discussion with their board of directors. Official response from Bank Nagari will be reported in the upcoming quarter.
- This issue will also be discussed in the program strategy discussion in the upcoming quarter.

Activities to network with relevant local and regional donors for investment in the Liquidity Facility are just now beginning because the team is still establishing the project framework. These activities will be discussed with Bank Andara in the coming quarter, the details of these discussions and plans will be updated to OFDA in the subsequent quarterly report.

## 6. Success Story

This quarter ILFAD managed to persuade MICRA and Bank Andara to actively participate as partners in the program despite their initial refusal during program startup.

MFI and beneficiary success stories will follow in later reports and program implementation will continue.

## 7. Conclusion

Unpredictably, in this quarter, the ILFAD program is still experiencing delays which have caused several significant activities to be postponed. These delays occurred because both partners of ILFAD were reluctant to be actively involved in program implementation despite their Letters of Commitment which had been previously signed. Therefore, key activities, like the development of the Toolkit and the cross-visit to ELF will happen later than originally planned. Now that agreements have been signed, we expect all program activities to move forward per the new work plan. However, significant adjustments and a possible solution in regards to the no cost-extension timeline may result (Annex 3; Annex 4) but will not be formally requested at this time.

## **8. Annexes**

Annex 1. Sub-agreement of ILFAD and Micra

Annex 2. ILFAD One Pager

Annex 3. ILFAD Scheme

Annex 4. ILFAD work plan update

**ATTACHMENT 2 -- Request for Funds and Status of Cash on Hand**

Attachment 2 is also provided to the recipient as an Excel file.

<b>Subgrantee Name:</b>	MICRA Indonesia Foundation	
<b>Subgrant Agreement No.:</b>	32013-001	
<b>Project Title:</b>	Indonesia Liquidity Facility After Disaster (ILFAD, Financial Access)	
<b>Cash Request No.:</b>	1	
<b>Subgrant Period:</b>	<b>From:</b> 22 November 2011	<b>To:</b> 15 July 2012

**1. Budget and Obligation Data**

A. Total Subgrant Budget:	IDR 897,666,000.00
B. Total Obligated Budget to date:	IDR 897,666,000.00
C. Cumulative Funds Received (excluding this request):	IDR 0
D. Remaining Obligated Funds (B-C):	IDR 897,666,000.00

**2. Status of Cash on Hand**

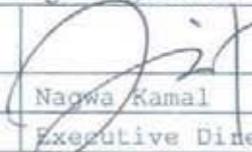
Funds Received from Mercy Corps (list dates and amounts; add lines as necessary):		
Cash Request 1:		IDR 0
Cash Request 2:		IDR
Cash Request 3:		IDR
Cash Request 4:		IDR
Cash Request 5:		IDR
Cash Request 6:		IDR
Cash Request 7:		IDR
Cash Request 8:		IDR
A. Total Funds Received from Mercy Corps (total of above):		IDR 0
B. Total Expenditures Reported as of the Last Financial Report:		IDR 0
C. Total Expenditures Incurred since the Last Financial Report:		IDR 0
D. Total Expenditures To Date (B+C):		IDR 0
E. Cash Balance on Hand at the End of the Period (A-D):		IDR 0

**3. Cash Request**

A. Amount of Funds Requested for the Current Period:	IDR 32,315,976.00	
B. Balance of Obligated Funds After This Request (1D-3A): (If amount is negative, an additional obligation must be processed.)	IDR 865,350,024.00	
C. Period Covered by the Current Request:	From: 22 November 2011	To: 22 December 2011

I certify that the requested funding above is for our immediate needs and that it represents the next 30 days' cash needs of the project.

The wire transfer will be made in accordance with the Subgrant Agreement. Please indicate any changes in your bank account specified in the Subgrant Agreement.

<b>Signature:</b>		
<b>Name:</b>	Naowa Kamal	
<b>Title:</b>	Executive Director	MICRA Foundation



Date : 22 November 2011  
To : Nagwa Kamal – Executive Director Yayasan MICRA  
From : Mercy Corps Indonesia  
Subject : Sub-grant Agreement No.32013-001

Dear Nagwa Kamal,

Enclosed please find the Sub-grant Agreement between Mercy Corps and Yayasan MICRA.  
As stated below, Yayasan MICRA should sign two (2) originals of this package to acknowledge the receipt and acceptance of the Sub-grant Agreement and the attachments. One original should be retained for your files and one original will be kept for Mercy Corps records.

Thank you for your cooperation and Mercy Corps is looking forward to working with Yayasan MICRA on this project.

Sincerely,

Paul Jeffery  
Country Director  
Mercy Corps Indonesia



## MERCY CORPS INDONESIA

### SUBGRANT AGREEMENT NO. 32013-001

Mercy Corps enters into a Subgrant Agreement (referred to as Subgrant) with Yayasan MICRA ("recipient") to fund activities under the USAID-funded program ("Indonesia Liquidity Facility After Disaster (ILFAD)") funded under Grant Agreement # AID-OFDA-G-11-00134-00

#### 1 Purpose of Subgrant

The purpose of this Subgrant is to provide support for the program described in Attachment 1 to this Subgrant entitled "Program Description." Any changes to the Program must be approved in writing by Mercy Corps. The recipient can only expend the Subgrant funds for the benefit of the Program. Recipient will refund to Mercy Corps any unused funds at the end of the Subgrant and any funds used for costs that do not meet the terms and conditions of the Subgrant.

#### 2 Period of Subgrant

- 2.1 The effective date of this Subgrant is 22 November 2011. The completion date of this Subgrant is 15 July 2012.
- 2.2 Funds obligated hereunder are available for program expenditures for the period 22 November to 15 July 2012.

#### 3 Amount of Subgrant

- 3.1 The total amount of this Subgrant for the period shown in 2.1 above is IDR 897,666,000.-
- 3.2 Mercy Corps hereby obligates the amount of IDR 897,666,000.- for program expenditures during the period set forth in 2.2 above and as shown in the Budget below. The Recipient will be given written notice by Mercy Corps if additional funds will be obligated. Mercy Corps is not obligated to reimburse the Recipient for the expenditure of amounts in excess of the total obligated amount.

#### 4 Subgrant Budget

The following is the Subgrant Budget. Cumulative transfers of funds among budget line items may not exceed 10% of the total budget without prior written approval from Mercy Corps.

Line Item	Total
MFI Identification Post Disaster Ongoing	32,315,976
Rating	284,201,056
Research and Product Design	210,915,603
Pilot Product Implementation	86,840,209
Product Refinement and finalization	16,157,988
Material Development Training	43,087,968
Preparedness Training rollout to MFIs	224,147,200
<b>Total Direct Costs</b>	<b>897,666,000</b>
Cost Share (Recipient)	
<b>Total Program Cost</b>	<b>897,666,000</b>



## 5 Payments

### 5.1 Advance Basis

Mercy Corps will advance funds equivalent to approximately one month expense on a monthly basis. Advances are requested by the recipient using the form provided in Attachment 2 "Request for Funds and Status of Cash on Hand".

### 5.2 Request for Funds should be delivered to:

Mercy Corps - Indonesia  
Sandy Mukhlisin, Finance Manager  
Graha STK, F floor Suite F01  
Jl. Taman Margasatwa No.3 Ragunan  
Pasar Minggu, Jakarta Selatan 12550.

Payment will be made in IDR by wire transfer to the following bank account:

Recipient Bank Name	:Bank Central Asia – KCP Kemang
Recipient Bank Address	:Jl. Kemang Raya No.60, Jakarta 12730
Account Name	:Yayasan MICRA
Account Number	: 286 301 3810

## 6 Program Income

All program income earned under this Subgrant may be added to funds committed by USAID/ Mercy Corps and Yayasan MICRA to the project or program, and used to further eligible project or program activities used to finance the non-Federal share of the project or proposal.

Program income is defined as gross income earned by recipient that is directly generated by a supported activity or earned as a result of the program.

## 7 Reporting and Evaluation

### 7.1 Financial Reporting

7.2 Financial reports are required to be submitted to Mercy Corps on a monthly basis. The recipient should submit Attachment 3 – "Monthly Financial Report" to Mercy Corps by the 10th working day of the following month.

Financial Reports shall include as an attachment a detailed schedule of the amounts being reported in the current period.

A final financial report shall be due no later than 30 calendar days following the end of the Subgrant period. The final report will use the format provided in Attachment 3.

All Financial Reports shall be submitted to:

Mercy Corps - Indonesia  
Sandy Mukhlisin, Finance Manager  
Graha STK, F floor Suite F01  
Jl. Taman Margasatwa No.3 Ragunan  
Pasar Minggu, Jakarta Selatan 12550

162



### 7.3 Program Reporting

The recipient shall provide full information relevant to their activity on a quarterly basis to Mercy Corps. The progress reports shall contain the following information:

Executive Summary  
Activity Description  
Progress against Performance Benchmarks and Indicators  
Challenges  
Activity Plan for the Following Quarter

Other information that could be included in the Annexes:

- Running inventory of program deliverables and products
- Success stories
- Photos including before and after for construction and rehabilitation sites

### 7.4 Final Program Report

The recipient shall submit a comprehensive final report to Mercy Corps. This report is due 20 calendar days after the completion date of this Subgrant. The report shall contain the following information:

Executive Summary  
Activities Undertaken  
Results Achieved Versus Performance Benchmarks and Indicators  
Program Impact  
Lessons Learned and Recommendations to Mercy Corps  
Inventory of Program Deliverables

All Program Reports shall be submitted to:

Mercy Corps - Indonesia  
M. Alfi Syahrin, ILFAD Program Manager  
Graha STK, F floor Suite F01  
Jl. Taman Margasatwa No.3 Ragunan  
Pasar Minggu, Jakarta Selatan 12550

### 8 Title to Property

Title to all property financed under this award shall vest in the Cooperating Country

### 9 Accounting, Records and Reports.

Recipient shall maintain records and accounts consistent with international financial accounting standards and provide for such fiscal control as is necessary to assure proper disbursement of, and accounting for, all Subgrant funds. Recipient shall obtain and retain receipts for all Subgrant disbursements. All accounts and supporting documentation relating to Subgrant expenditures will be adequate to permit an accurate and timely audit. Mercy Corps, or its designated representative, may make an audit during regular business hours upon notice to the recipient.

### 10 Access and Retention of Records

Mercy Corps and USAID retain the right access all recipient records pertaining to this Subgrant and to conduct a financial review, require an audit or otherwise ensure adequate accountability.

Recipient records pertaining to this Subgrant shall be retained by the recipient for a minimum period of three years from the date of submission of the Final Financial Report.



## **11 Special Provisions**

### **11.1 International Travel**

No international travel may be funded under this subgrant without the prior written approval of Mercy Corps.

### **11.2 Restricted Goods and Services**

No goods with a cost equal to or more than IDR 50,000,000 or equal to USD 5000 may be purchased without the prior written approval of Mercy Corps.

No funds received for this Subgrant may be used to pay, in whole or in part, for any of the following:

- military, law enforcement or surveillance equipment
- abortion equipment or services
- luxury goods
- weather modification equipment

No funds received for this Subgrant may be used to pay, in whole or in part, for any of the following without prior written approval by Mercy Corps:

- international air travel
- international training activities
- pharmaceutical products
- pesticides, seeds or fertilizers
- vehicles or used equipment

### **11.3 Implementation of E.O. 13224 - - Executive Order on Terrorism Financing (March 2002)**

The recipient is reminded that U.S. Executive Orders and U.S. law prohibits transactions with, and the provision of resources and support to, individuals and organizations associated with terrorism. It is the responsibility of the recipient to ensure compliance with these Executive Orders and laws. This provision must be included in all subcontracts/subawards/subgrants issued under this Subgrant.

### **11.4 Debarment, Suspension, Ineligibility, and Voluntary Exclusion**

The recipient certifies that neither it nor its principals is presently excluded or disqualified from participation in this transaction by any Federal department or agency.

### **11.5 Marking Under USAID-Funded Assistance Instruments**

As a condition of receipt of this Subgrant, marking with the USAID Identity of a size and prominence equivalent to or greater than Mercy Corps', the recipients', other donor's or third party's is required. In the event Mercy Corps chooses not to require marking with its own identity or logo by the recipient, USAID may, at its discretion, require marking by the recipient with the USAID Identity.

### **11.6 Mercy Corps Standard Provisions**

Mercy Corps specific standard provisions applicable to this Subgrant are included as "Attachment 4 - Mercy Corps Subgrant Standard Provisions". The recipient is required to comply with the Mercy Corps Subgrant Standard Provisions.

### **11.7 Amendments**

The recipient shall notify Mercy Corps in writing of any changes proposed in the Program, the purposes, the goals, the population served, the timing, the activities and the budget (as required per Subgrant section 4 – Subgrant

113



Budget) described in this Subgrant and proposal. Mercy Corps may accept or reject such changes, in writing, at its sole discretion.

## 12 Attachments

All Attachments listed below are incorporated by reference. Recipient certifies they have read and understand all attachments and will manage this Subgrant in accordance with the applicable regulations or provisions incorporated in the attachments.

Attachments:

1. Program Description & SOW
2. Request for Funds and Status of Cash on Hand
3. Monthly Financial Report
4. Mercy Corps Subgrant Standard Provisions – Non-US NGOs
5. USAID Certification Regarding Terrorist Financing

### Mercy Corps Finance Review

Signature

Mercy Corps

By:  \_\_\_\_\_

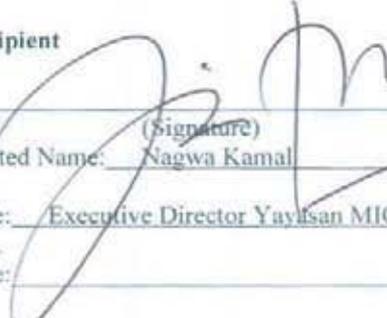
(Signature)

Printed Name: Paul Jeffery \_\_\_\_\_

Title: Country Director \_\_\_\_\_

Date: 24/11/11 \_\_\_\_\_

Recipient

By:  \_\_\_\_\_

(Signature)

Printed Name: Nagwa Kamal \_\_\_\_\_

Title: Executive Director Yayasan MICRA \_\_\_\_\_

Date: \_\_\_\_\_





## ATTACHMENT 1 – Program Description

### *Scope of Work:*

#### **Indonesia Liquidity Facility After Disasters (ILFAD) Mercy Corps Yayasan MICRA**

### **Background**

Indonesia is one of the most disaster-prone countries in the world, battered by earthquakes, tsunamis, volcanoes, flooding, and droughts on a regular basis. With more than 13,000 islands of varying sizes, many of them skirting the Alpidic belt and the notorious Ring of Fire, it is rare for a month to go by without a disaster occurring somewhere in Indonesia. Climate change impacts are exacerbating these risks and deepening the damage they cause, particularly among the most vulnerable populations.

While these disasters take a terrible toll of lives, assets, and trauma, beyond the scale of the immediate destruction lies a long-term hazard. Although immediate, life-threatening needs may be taken care of by relief agencies and governments, the disruption to market channels and deeper into poverty. A delay in reestablishing income streams leads to longer delays in returning to normal life. As people begin to rebuild, there is a growing need for capital to replace what was wiped out. It is important that the local institutions normally supporting economic growth are able to play an integral market role in facilitating the disaster recovery.

With experience in disasters around the world and specifically in Indonesia, including the Indian Ocean tsunami and the Yogyakarta earthquake, Mercy Corps is familiar with the pattern of impacts on MFIs in disaster-affected areas. After the initial disaster, affected households (and others suffering indirect effects, such as trauma) withdraw their savings from their financial institutions, usually MFIs, or take loans to cover immediate cash needs, if they are able. At the same time, many existing borrowers affected by the crisis delay loan repayments or are forced to default entirely.

MFIs therefore face an immediate short-term liquidity crunch following a disaster, during which they may need to take high-interest loans, may not be able to pay out savings accounts, or may in fact collapse. This affects both the MFI clients and potential clients, who are constrained by lack of credit in their own recovery efforts, as well as having a long-term impact on the MFIs themselves, with the risk of crippling the financial services sector in these areas for years to come.

At the same time, almost immediately after disasters MFIs see a rise in demand for small loans to fund repairs for damaged housing and businesses, replace assets, and restart small enterprises. Funds are needed for activities and populations not covered by relief donations, as well as for assets theoretically covered by government assistance programs which may be a long time in coming.

Therefore, Mercy Corps is developing a liquidity facility after disasters project for future post-disaster financial access intervention through microfinance institution. Functioning MFIs with sufficient loan capital can help to speed the rebuilding effort while building their own businesses. However, the majority of MFIs have little to no experience with housing- and construction-related lending or post-disaster lending, requiring training and support to enable them to take on this role. Many MFIs suffer damage to their own physical premises and lose staff, records, systems and clients during disasters. MFIs themselves are in need of both pre-disaster preparedness and immediate post-disaster support in order to stabilize their liquidity and operations, which will consequently allow them to help their communities respond to the challenge of recovery.

### **The Objectives of the Grant:**

The program goal is to build the capacity of Indonesia microfinance institution to reduce the economic impacts of disasters and speed recovery efforts for affected communities. Based on this goal, there are four main out-put that will be delivered by the end of program;

1. Key MFIs in disaster prone areas identified, and trained so they are eligible for immediate cash injections after emergencies;



2. New products and processes developed and disseminated to help MFIs provide more useful services post-disaster;
3. A disaster risk reduction toolkit developed for MFIs which will be made available to the sector at large; and
4. A permanent emergency liquidity facility created that will offer MFIs quick injections of cash after disasters to cover immediate liquidity needs and will provide a loan guarantee mechanism to enable MFIs to extend loans to speed the recovery process. The loan guarantee funds will be for a value of \$100,000.

#### **The Duration of Project/ Time Frame**

This program will apply in Three provinces in Indonesia, namely; DKI Jakarta, Yogyakarta and West Sumatera and will end on July 15, 2012.

#### **Roles and Responsibility of each stakeholders**

##### **1. Mercy Corps Roles and Responsibilities:**

1. Mercy Corps will provide grant in amount of **IDR 897,666,000**
2. Mercy Corps will be responsible on the Monitoring of the overall project to achieve the target

##### **2. Yayasan Micra Roles and Responsibility**

MICRA Foundation will conduct as follows:

- a. To conduct desk review and listing all potential MFIs partners in three provinces. Then, explain to the potential MFIs candidates what the purpose and the objectives of the program and what kinds of commitment are expected from all potential partners. Limited review would be conducted prior to field assessment. List of potential and committed MFIs would be shared to Mercy Corps prior to field assessment. MICRA may suggest candidates to be further assessed, but Mercy Corps would have to give its final approval. MICRA then would conduct field assessment to 8 MFIs, with the following division: 2 in DKI Jakarta, 4 in DI Yogyakarta and another 2 in West Sumatra. By applying the above described approach, MICRA will ensure that the following outputs and outcome are in place:
  - All potential MFIs partners understand what their commitment are and what their roles are in the projects;
  - All potential MFIs partners agree to be rated;
  - All potential MFIs partners are ready to sign commitment letter if their rating is acceptable
  - Rating reports of at least 8 MFIs and MFIs Mapping Report in four provinces.
- b. To conduct market research in areas that is appointed by Mercy Corps. The result of research will be used as input in developing MFI products (loan, saving or insurance) specifically cater to disaster emergencies. MICRA will provide:
  - Develop a research methodology and tools for approval by Mercy Corps that include sampling design, respondent/participants selection criteria, survey instrumentation and specific team assignments;
  - Develop a research rollout work plan
  - Conduct surveys that will answer all of the above objectives
  - The research result will be use to develop MFI products that cater specifically during disaster emergencies, together with the appointed MFI that will cater the clients' need the best.
  - Do product prototype test to MFI's client, to ensure the success of product roll out. Present findings of the research to Mercy Corps
- c. To develop a locally appropriate disaster risk reduction toolkit for MFIs, includes course work, manual, self-guided tutorials and workbooks-adapting existing tools as appropriate. And to train MFIs in theses loan products, allowing them to implement smoothly after disasters.

#### **Amount of the grant**

The amount of total grant will be **USD 100,000.00 or equal to IDR 897,666,000,-** and will be disbursed in several transactions according to Mercy Corps, sub grant policy.



#### **Deliverables**

1. Initial work plan and budget, including research methodology and tools.
2. Mapping report and eight eligible MFIs.
3. Eight (8) rating reports in bahasa and English
4. At least one (1) MFI product feature.
5. Initial presentation of findings in MFI product feature.
6. Draft Report of product development, in English and indonesia for comment from Mercy Corps
7. High quality, proof-read final report covering the objectives with analysis and recommendation.
8. At least three (3) MFIs want to roll-out of the emergency MFI products.
9. Toolkit of disaster risk reduction for MFIs, includes; manual, self-guide tutorials
10. Thirty six (36) MFIs attend the training of the on related topic to disaster respond and preparedness; and liquidity risks and management.
11. Final invoice, with evidence of necessary expenses



## ATTACHMENT 2 -- Request for Funds and Status of Cash on Hand

Attachment 2 is also provided to recipient as an Excel file.

Subgrantee Name:		
Subgrant Agreement No.:		
Project Title:		
Cash Request No.:		
Subgrant Period:	From: dd/mm/yy	To: dd/mm/yy

### 1. Budget and Obligation Data

A. Total Subgrant Budget:	[CUR]
B. Total Obligated Budget to date:	[CUR]
C. Cumulative Funds Received (excluding this request):	[CUR]
D. Remaining Obligated Funds (B-C):	[CUR]

### 2. Status of Cash on Hand

Funds Received from Mercy Corps (list dates and amounts; add lines as necessary):		
Cash Request 1:	(dd/mm/yy)	[CUR]
Cash Request 2:	(dd/mm/yy)	[CUR]
Cash Request 3:	(dd/mm/yy)	[CUR]
Cash Request 4:	(dd/mm/yy)	[CUR]
Cash Request 5:	(dd/mm/yy)	[CUR]
Cash Request 6:	(dd/mm/yy)	[CUR]
Cash Request 7:	(dd/mm/yy)	[CUR]
Cash Request 8:	(dd/mm/yy)	[CUR]
A. Total Funds Received from Mercy Corps (total of above):		[CUR]
B. Total Expenditures Reported as of the Last Financial Report:		[CUR]
C. Total Expenditures Incurred since the Last Financial Report:		[CUR]
D. Total Expenditures To Date (B+C):		[CUR]
E. Cash Balance on Hand at the End of the Period (A-D):		[CUR]

### 3. Cash Request

A. Amount of Funds Requested for the Current Period:	[CUR]	
B. Balance of Obligated Funds After This Request (1D-3A): (If amount is negative, an additional obligation must be processed.)	[CUR]	
C. Period Covered by the Current Request:	From: dd/mm/yy	To: dd/mm/yy

I certify that the requested funding above is for our immediate needs and that it represents the next 30 days' cash needs of the project.

The wire transfer will be made in accordance with the Subgrant Agreement. Please indicate any changes in your bank account specified in the Subgrant Agreement.

Signature:	
Name:	
Title:	



### ATTACHMENT 3 - Financial Report Format

Attachment 3 is also provided to recipient as an Excel file.

Subgrantee Name:		
Subgrant Agreement No.:		
Project Title:		
Grant Period:	From: dd/mm/yy	To: dd/mm/yy
Financial Report No.:		
Current Reporting Period:	From: dd/mm/yy	To: dd/mm/yy

Budget Categories	Approved Budget A	Prior Period Expenses B	Current Period Expenses C	Cumulative Expenses D = (B+C)	Budget Balance (A-D)
Reporting Currency	[CUR]				
Salaries					
Fringe Benefits					
Travel					
Equipment					
Supplies					
Contractual					
Construction					
Other Direct Expenses					
TOTAL EXPENSES					
Cost Share					
TOTAL PROJECT EXPENSES					

The undersigned hereby certifies that:

1. The information in this financial report is correct and detailed supporting information will be furnished by the Subgrantee promptly upon request by Mercy Corps;
2. All requirements outlined in the Subgrant Agreement through the date of this certification have been met.

Signature:	
Name:	
Title:	
Date Submitted:	



## **ATTACHMENT 4 -- MERCY CORPS SUBGRANT STANDARD PROVISIONS (Jan. 2009)**

### **Mercy Corps Standard Provision 1 – Assurances of Performance**

The recipient agrees that they will undertake the project described in Attachment 1 – Program Description and assumes responsibility of spending funds disbursed by Mercy Corps as defined and agreed in the Subgrant and the listed attachments.

Further, the recipient agrees they will follow the finance and progress reporting procedures as outlined by Mercy Corps. The recipient understands and agrees that in case of any failure/infringement during project implementation Mercy Corps has right to withdraw and/or confiscate monetary and material resources granted to the recipient for the purpose of the Subgrant.

The recipient declares the representations in Attachment 1 – Program Description are accurate in every respect. The recipient warrants that Attachment 1 does not contain false or misleading claims about the recipient, or use confidential information (except as permitted by this Subgrant), and that the recipient has not received improper assistance therewith.

### **Mercy Corps Standard Provision 2 – Cost Principles**

In applying and accounting for funds made available pursuant to this Subgrant the recipient shall adhere to the applicable cost principles of the U.S. Government Office of Management and Budget (“OMB”) Circular A-122 and its determination of reasonable, allocable and allowable costs.

The recipient’s financial reports will be analyzed on the basis of incurred expenses that are reasonable, allowable and allocable in accordance with the terms and conditions of this Subgrant and Circular A-122.

- i. Reasonable shall mean those costs that do not exceed those which would be incurred by an ordinarily prudent person in the conduct of normal business.
- ii. Allowable costs shall mean those costs which are necessary to the grant and have been approved in the pre-award discussion.
- iii. Allocable costs shall mean those costs that must conform to any limitations set forth in this grant.
- iv. Unallowable costs include, but are not limited to the following examples: bad debts, contingencies, entertainment, fines, penalties, interest, fund raising, investment management costs, losses on other awards etc.

### **Mercy Corps Standard Provision 3 - Account Record Keeping**

The recipient shall keep accurate and regular records and accounts of the implementation of this Mercy Corps funded project using a dedicated double-entry bookkeeping system per Mercy Corps requirements

### **Mercy Corps Standard Provision 4 - Special Reports**

Events may occur during the course of implementing the subgrant that have significant impact upon the program, which shall be communicated to Mercy Corps as soon as the conditions become known; including but not limited to:

- a) Problems, delays or adverse conditions that will materially affect the recipient’s ability to attain program objectives, prevent meeting time schedules and goals or preclude the attainment of work units by established time periods. The disclosure shall be accompanied by a statement of action taken or contemplated and any Mercy Corps assistance needed to resolve the situation.
- b) Favorable developments or events that enable time schedules to be met sooner than anticipated or more work units to be produced than originally projected.



#### **Mercy Corps Standard Provision 5 - Access to Records - Audits**

The recipient agrees to permit independent auditors to have access to the records and financial statements as necessary for Mercy Corps to comply with OMB Circular A-133.

While conducting its annual audit of Mercy Corps, USAID shall have the right to extend the audit to the recipient. In addition to these formal external independent audits, Mercy Corps has the right to conduct compliance monitoring visits of the recipient on a quarterly basis (or more frequently if required).

The recipient shall preserve and make available such records pertaining to this Subgrant for examination and audit by USAID, the Comptroller General of the United States, and Mercy Corps or their authorized representatives:

- a) until the expiration of three (3) years from the date of termination of the Subgrant;
- b) for such longer period, if any, as is required to complete an audit to resolve all questions concerning expenditures unless written approval has been obtained from Mercy Corps to dispose of records. The recipient agrees to make available any further information requested by USAID or Mercy Corps with respect to any questions arising as a result of the audit; and
- c) if any litigation, claim, or audit is started before the expiration of the three-year period, the records shall be retained until all litigation, claims or audit findings involving the records have been resolved.

#### **Mercy Corps Standard Provision 6 - Audit Report of Subawards awarded by the Recipient**

Sub-awards by the recipient should include an audit clause that, if a sub-recipient receives cumulatively \$300,000 or more per year of U.S. federal funds, such subrecipient agrees that it shall have an independent financial audit made of the funds provided under such sub-award. Such audit must be performed in a manner to meet the requirements of OMB Circular A-133. For all sub-awards to non-governmental organizations which receive less than \$300,000 per year, the subrecipient is expected to take reasonable care that systems are in place to ensure money expended under this award are used for the purposes described in the sub-award and can be properly accounted for

#### **Mercy Corps Standard Provision 7 - Financial Records and Access to Financial Records**

The recipient shall maintain at its principal offices full and complete records and books of accounts, in accordance with generally accepted accounting principles in the United States, or International Financial Reporting Standards, covering financial details applicable to the activities funded under this Subgrant. If required, these records shall include copies of all solicitations made for bids or quotations for commodities or services; bills of lading or other evidence of shipment for commodities and such other pertinent documents related to procurement or sales, other services/contracts and the recipient's substantiation for procurement.

The accounts for this Subgrant must be kept separately from those for any other funding source of program that the recipient is responsible for, and must detail all income and expenditure.

All records required to be kept under this section shall be maintained in a manner that will permit verification of the recipient's compliance with its representation, warranties, and obligations contained in all sections of this Subgrant.

#### **Mercy Corps Standard Provision 8 - Monitoring**

Mercy Corps will be involved in the monitoring of progress towards achievement of program objectives during the course of the program. Monitoring activities will include and are not limited to; on-site visits, periodic meetings and other measures necessary to monitor activities under this Subgrant.

The recipient and Mercy Corps will meet to review project progress, consultations, etc. as appropriate.

#### **Mercy Corps Standard Provision 9 - Environmental Impact**

If construction or repair work may be involved, the recipient will be required to prepare guidelines to ensure that possible environmental impacts, including health and safety issues, are given appropriate consideration in program



design and implementation. Mercy Corps will assist the recipient in developing appropriate guidelines for activities to be carried under this subgrant.

#### **Mercy Corps Standard Provision 10 - Effort Reporting**

The recipient shall maintain and reconcile records needed to verify that payroll charges to this Subgrant are based on approved time sheets or other documentation sufficient to confirm after the fact determinations of the actual activity of each employee working on the Subgrant.

#### **Mercy Corps Standard Provision 11 - Insurance/Indemnification**

Mercy Corps and USAID shall not be liable for any loss, damage or diversion of commodities or resources under this Subgrant. The recipient shall keep Mercy Corps and USAID both during and after the term of this Subgrant fully effectively indemnified against all loss, damage, injuries, accidents, expenses, actions, proceedings and demands where such loss, damage, injury or death is the result of wrongful or negligent actions on the part of The recipient or its agents.

The recipient is responsible for all of their staff liabilities and entitlements, e.g. salary and benefits that may be incurred whilst undertaking the project. This includes any loss, damage, injury or death that may be incurred whilst employed by the recipient.

Mercy Corps does not assume liability for any third party claims for damages arising out of this Subgrant.

#### **Mercy Corps Standard Provision 12 - Termination of the Program**

The Subgrant can be terminated in writing when:

- a) No additional funding is secured from USAID.
- b) Mercy Corps determines that the recipient materially fails to comply with the terms and conditions of the signed Subgrant.
- c) Mercy Corps and the recipient agree in writing upon the termination conditions and, in the case of partial termination, the portion to be terminated.
- d) The project is suspended and the situation causing the suspension continues for more than 60 days. Mercy Corps may terminate the Subgrant in whole or in part on written notice to the recipient and cancel any portion of the Subgrant, or funding hereunder, which has not been disbursed or irrevocably committed to by both parties.
- e) Either party sends the other written notice setting forth the reasons for termination, effective date, and in the case of partial termination, the portion to be terminated. If Mercy Corps determines in the case of partial termination that the reduced or modified portion of the Subgrant will not accomplish the purposes for which the Subgrant was made, it may terminate the Subgrant in its entirety.

Cost Principles to be applied to Suspension/Termination:

- a) The costs incurred by the recipient from obligations incurred by the recipient after the effective date on which suspension or termination began are not allowable unless Mercy Corps expressly authorizes them in the notice of suspension or termination.
- b) Costs resulting from obligations that were properly incurred by the recipient before the effective date of the suspension or termination, and are not in anticipation of it are allowable.

#### **Mercy Corps Standard Provision 13 - Debarment, Suspension, Ineligibility and Voluntary Exclusion**

The recipient certifies that neither it nor its principals is presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation in this transaction by Mercy Corps or USAID or any other agency.



#### **Mercy Corps Standard Provision 14 - Adherence to International Law**

No funds or other support provided hereunder may be used in a project or activity that contributes to the violation of the internationally recognized rights of workers in the recipient country, including those in any designated zone or area in that country.

#### **Mercy Corps Standard Provision 15 - Publications and Visibility**

Mercy Corps and USAID shall be prominently acknowledged in all publications, videos or other information/media products funded or partially funded through this Subgrant and the product shall state that the views expressed by the author(s) do not necessarily reflect those of Mercy Corps or USAID.

#### **Mercy Corps Standard Provision 16 - Conflict of Interests and Business Conduct Expectations**

Mercy Corps intends its business dealings with the recipient to be characterized by honesty and freedom from deception and fraud. Unethical behavior is unacceptable.

The recipient shall not permit any of its employees, representatives, or agents to engage in any activities, which might reasonably be considered to be contrary or detrimental to the interests of the recipient or Mercy Corps.

The recipient undertakes to take all precautions necessary to avoid conflicts of interests and shall inform Mercy Corps immediately of any situation, giving rise to or likely to give rise to any such.

#### **Mercy Corps Standard Provision 17 - Force Majeure**

Neither Mercy Corps nor the recipient shall be responsible for any failure to comply with, or for any delay in performance of the terms of this Subgrant Agreement, to the extent that such failure or delay arises from: (1) acts of God, (2) acts of war, (3) acts of the Government in its sovereign (and not its contractual) capacity, (4) fires, (5) floods/earthquakes, (6) epidemics, (7) quarantine restrictions, (8) strikes, (9) freight embargoes, (10) unusually severe weather, or (11) shortages of supplies or materials where such supplies or materials were unobtainable from an alternate source. In all such events where performance is delayed or prevented, the affected Party shall nonetheless use reasonable and diligent efforts to remove said causes and resume performance hereunder.

#### **Mercy Corps Standard Provision 18 - Resolution of Conflicts and Disputes**

Conflicts between any of the requirements of this Subgrant shall be resolved by applying the following in descending order of precedence:

- (a) Subgrant
- (b) USAID Mandatory Standard Provisions (attached to Subgrant)
- (c) Mercy Corps Standard Provisions (attached to Subgrant)
- (d) Attachment-1: Program Description

All disputes that might occur will be decided by the Mercy Corps Country Director after consideration of written evidence and consultation with USAID, as appropriate.

#### **Mercy Corps Standard Provision 19 - Taxation**

The recipient is responsible to account for and pay all taxes which may legally be due to the Government of the Cooperating Country. The requesting of any funds from the local or national revenue authorities by the recipient is the responsibility of the recipient. All tax refunds received by the recipient shall be considered the property of the recipient to be used exclusively to further project activities or objectives eligible under this grant after Mercy Corps has given its approval for the proposed use.



#### **Mercy Corps Standard Provision 20 - International Travel**

The recipient must seek permission from Mercy Corps for any international travel which will use funds from this Subgrant, except for international travel already approved in the Subgrant.

#### **Mercy Corps Standard Provision 21 - Refunds**

Funds obligated by Mercy Corps but not disbursed to the recipient at the time the Subgrant expires or is terminated shall remain with Mercy Corps, except for those funds committed by the recipient in legally binding transactions applicable to this Subgrant. Any funds received by the recipient but not expended by the recipient shall be refunded to Mercy Corps within 10 working days from the end of the Subgrant period.

If at any time during the life of the Subgrant, or as a result of the final audit, it is determined by USAID or Mercy Corps that funds provided by Mercy Corps under this Subgrant have been expended, but not in accordance with the terms of this Subgrant, the recipient shall refund such amount to Mercy Corps within 10 working days.

#### **Mercy Corps Standard Provision 22 - Enforcement**

If the recipient materially fails to comply with the terms and conditions of the Subgrant, Mercy Corps may in addition to imposing any of the special conditions outlined in various components of this Subgrant:

- a) Suspended subsequent disbursements to the recipient or other corrective measures may be undertaken pending correction of deficiency or compliance with the Mercy Corps' recommendations.
- b) Disallow all or part of the cost of the activity or action not in compliance.
- c) Wholly or partly suspend or terminate the current Subgrant.
- d) Withhold further awards for the project.
- e) Take other remedies that will be legally available.

#### **Mercy Corps Standard Provision 23 - Marking**

As a condition of this Subgrant, the recipient is required to mark program deliverables with the USAID Identity in accordance with Mercy Corps' approved USAID Marking Plan. Mercy Corps will notify the recipient of any subsequent waivers or modifications to this plan

#### **Mercy Corps Standard Provision 24 - Lobbying**

The recipient certifies that it will not and has not used Federal appropriated funds to pay any person or organization for influencing or attempting to influence an officer or employee of any agency, a member of Congress, officer or employee of Congress, or an employee of a member of Congress in connection with obtaining any Federal contract, grant or any other award covered by 31 U.S.C 1352.



## ATTACHMENT 5 - USAID Certification Regarding Terrorist Financing

By signing and submitting this application, the prospective recipient provides the certification set out below:

1. The Recipient, to the best of its current knowledge, did not provide, within the previous ten years, and will take all reasonable steps to ensure that it does not and will not knowingly provide, material support or resources to any individual or entity that commits, attempts to commit, advocates, facilitates, or participates in terrorist acts, or has committed, attempted to commit, facilitated, or participated in terrorist acts, as that term is defined in paragraph 3.

2. The following steps may enable the Recipient to comply with its obligations under paragraph 1:

a. Before providing any material support or resources to an individual or entity, the Recipient will verify that the individual or entity does not (i) appear on the master list of Specially Designated Nationals and Blocked Persons, which list is maintained by the U.S. Treasury's Office of Foreign Assets Control (OFAC) and is available online at OFAC's website : <http://www.treas.gov/offices/eotffc/ofac/sdn/t11sdn.pdf>, or (ii) is not included in any supplementary information concerning prohibited individuals or entities that may be provided by USAID to the Recipient.

b. Before providing any material support or resources to an individual or entity, the Recipient also will verify that the individual or entity has not been designated by the United Nations Security (UNSC) sanctions committee established under UNSC Resolution 1267 (1999) (the "1267 Committee") [individuals and entities linked to the Taliban, Usama bin Laden, or the Al Qaida Organization]. To determine whether there has been a published designation of an individual or entity by the 1267 Committee, the Recipient should refer to the consolidated list available online at the Committee's website: <http://www.un.org/Docs/sc/committees/1267/1267ListEng.htm>.

c. Before providing any material support or resources to an individual or entity, the Recipient will consider all information about that individual or entity of which it is aware and all public information that is reasonably available to it or of which it should be aware.

d. The Recipient also will implement reasonable monitoring and oversight procedures to safeguard against assistance being diverted to support terrorist activity.

3. For purposes of this Certification.

a. "Material support and resources" means currency or monetary instruments or financial securities, financial services, lodging, training, expert advice or assistance, safehouses, false documentation or identification, communications equipment, facilities, weapons, lethal substances, explosives, personnel, transportation, and other physical assets, except medicine or religious materials."

b. "Terrorist act" means-

(i) an act prohibited pursuant to one of the 12 United Nations Conventions and Protocols related to terrorism (see UN terrorism conventions Internet site: <http://untreaty.un.org/English/Terrorism.asp>); or

(ii) an act of premeditated, politically motivated violence perpetrated against noncombatant targets by subnational groups or clandestine agents; or

(iii) any other act intended to cause death or serious bodily injury to a civilian, or to any other person not taking an active part in hostilities in a situation of armed conflict, when the purpose of such act, by its nature or context, is to intimidate a population, or to compel a government or an international organization to do or to abstain from doing any act.

c. "Entity" means a partnership, association, corporation, or other organization, group or subgroup.

d. References in this Certification to the provision of material support and resources shall not be deemed to include the furnishing of USAID funds or USAID-financed commodities to the ultimate beneficiaries of USAID assistance, such as recipients of food, medical care, micro-enterprise loans, shelter, etc., unless the Recipient has



reason to believe that one or more of these beneficiaries commits, attempts to commit, advocates, facilitates, or participates in terrorist acts, or has committed, attempted to commit, facilitated or participated in terrorist acts.

e. The Recipient's obligations under paragraph 1 are not applicable to the procurement of goods and/or services by the Recipient that are acquired in the ordinary course of business through contract or purchase, e.g., utilities, rents, office supplies, gasoline, etc., unless the Recipient has reason to believe that a vendor or supplier of such goods and services commits, attempts to commit, advocates, facilitates, or participates in terrorist acts, or has committed, attempted to commit, facilitated or participated in terrorist acts.

This Certification is an express term and condition of any agreement issued as a result of this application, and any violation of it shall be grounds for unilateral termination of the agreement by USAID prior to the end of its term.

Signed: \_\_\_\_\_

  
Nagwa Kamal  
Executive Director Yayasan MICRA

\_\_\_\_\_ Date

## ILFAD (Indonesia Liquidity Facility After Disaster) Fasilitas Likuiditas Indonesia setelah bencana

### Latar Belakang:

Kecenderungan Indonesia mengalami bahaya alam begitu tinggi sehingga pertanyaannya bukan apakah bencana akan datang, tapi kapan terjadinya?. Indeks Risiko Bencana Alam Maplecroft 2010 (NDRI) memperingatkan Indonesia sebagai negara tertinggi kedua rawan bencana alam di dunia, setelah Bangladesh.

Mercy Corps dan USAID/OFDA telah mengambil langkah yang paling tepat untuk negara yang rawan terhadap bencana seperti Indonesia dengan melatih dan mempersiapkan LKM (Lembaga Keuangan Mikro) agar tanggap terhadap bencana yang suatu saat akan terjadi. Dengan adanya rencana kesiapan bencana, Mercy Corps, Micra, Bank Andara beserta LKM lokal dapat dengan cepat merespon, mengatasi efek dari bencana, mempercepat upaya pemulihan, dan menstabilkan sektor keuangan berbasis masyarakat dengan melayani masyarakat berpenghasilan rendah di daerah yang terkena dampak bencana tersebut.

### Strategi:

Program Indonesia Liquidity Facility After Disasters (ILFAD) menawarkan pendekatan yang menyeluruh dalam mendukung kesiapan LKM **sebelum** bencana, **selama**, dan **setelah** keadaan darurat. Program ini akan memanfaatkan sektor LKM yang luas dan canggih di Indonesia untuk mengurangi dampak ekonomi akibat bencana, mendukung upaya lokal untuk mulai membangun kembali sebelum bantuan pemerintah didistribusikan.

ILFAD juga akan membuat prosedur standar untuk pinjaman darurat dan deposito-berjangka bagi LKM yang membutuhkan suntikan dana jangka pendek hingga jangka menengah. ILFAD akan membangun dasar untuk fasilitas likuiditas darurat pada daerah yang berpotensi terhadap bencana.

Fokus geografis selama dua belas bulan awal adalah: daerah **Yogyakarta** yang memiliki industri LKM canggih dan baru pulih dari letusan gunung Merapi, masyarakat perkotaan **Jakarta**, di mana banjir dan kebakaran merupakan hal yang umum pada masyarakat; dan **Sumatera Barat** yang sangat rentan terhadap gempa bumi, tsunami, dan tanah longsor.

### Informasi Lebih Lanjut

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*Bencana yang terjadi menghancurkan perekonomian serta sendi-sendi kehidupan. ILFAD berupaya menggerakkan roda perekonomian masyarakat yang terkena dampak bencana di Indonesia.*

### Target Program:

Program ini akan mencapai empat hasil utama pada akhir program:

1. 36 LKM di daerah rawan bencana telah diidentifikasi, dan dilatih sehingga mereka berhak untuk mendapatkan suntikan dana tunai segera setelah keadaan darurat;
2. Produk dan prosedur baru dikembangkan dan akan disebarluaskan untuk membantu LKM menyediakan layanan yang lebih berguna pasca-bencana;
3. Sebuah alat pengurangan risiko bencana dikembangkan untuk 36 LKM dan akan disediakan buat LKM lainnya.
4. Sebuah fasilitas likuiditas darurat permanen yang akan memberikan suntikan dana tunai yang cepat kepada 36 LKM setelah bencana untuk menutupi kebutuhan likuiditas segera, dan akan menyediakan mekanisme jaminan pinjaman untuk memungkinkan LKM binaan memberikan pinjaman untuk mempercepat proses pemulihan kepada sekurangnya 72.000 Rumah tangga yang terkena bencana dan 360.000 lainnya.

### Donor



### Partner



# ILFAD (Indonesia Liquidity Facility After Disaster)

## Background:

Indonesia's tendency to suffer natural hazards is so high that the question becomes not whether another disaster will strike, but when. The 2010 Maplecroft Natural Disaster Risk Index (NDRI) ranks Indonesia as the second highest natural disaster prone country in the world, behind Bangladesh.

Mercy Corps and USAID/OFDA believes it is appropriate in a disaster-prone country such as Indonesia to train and prepare MFIs for the disaster that will eventually strike. With a disaster-preparedness plan in place, Mercy Corps, Micra, bank Andara and local MFIs can quickly respond, cushioning the effects of the disaster, speeding recovery efforts, and stabilizing the community-based financial sector serving low income populations in affected



*The disaster destroyed the economy and people's livelihood. ILFAD attempts to restore back the disaster affected community's livelihood in Indonesia.*

## Strategy:

The Indonesian Liquidity Facility After Disasters (ILFAD) program will offer a comprehensive approach to support MFIs' disaster readiness **before, during, and after** emergencies. The program will leverage the extensive and sophisticated MFI sector in Indonesia to reduce the economic impact of disasters, supporting local efforts to begin rebuilding before government assistance is distributed.

The Indonesian Liquidity Facility After Disasters (ILFAD) will also include provisions for emergency loans and time-deposits for MFIs who need short- to medium-term cash injections after an emergency. The ILFAD will function on a revolving basis and will continue to fund-raise for additional working capital. It will also form the basis for a potential regional emergency liquidity facility that will support community-level liquidity after disasters across Asia.

The geographic focus for the initial twelve months will be: the **Greater Yogyakarta** area, which has a sophisticated MFI industry that is still recovering from the continuing Merapi eruptions; urban **Jakarta**, where floods and fires are a common strain on community financing options; and **West Sumatra**, which is extremely vulnerable to earthquakes, tsunamis, and landslides.

## For more information:

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## Target of Program:

This program will achieve four main results at the end of the program:

1. 36 MFIs in disaster prone areas identified and trained so they are eligible for immediate cash injections after emergencies;
2. New products and processes developed and disseminated to help MFIs provide more useful services post-disaster;
3. A disaster risk reduction toolkit developed for 36 MFIs which will be made available to the sector at large; and
4. A permanent emergency liquidity facility created that will offer 36 MFIs quick injections of cash after disasters to cover immediate liquidity needs; and will provide a loan guarantee mechanism to enable MFIs to extend loans to speed the recovery process to at least 72,000 affected household and other 360,000.

## Donor:



## Partner:





## **Remarks:**

1. Mercy Corps together with Micra and Bank Andara will identify and list MFIs which considered qualified to participate in ILFAD program.
2. Several MFIs have been identified.
3. Bank Andara provides initial liquidity which prepared to manage the financial situation upon a disaster. The objective is to finance MFIs, which have received training from Micra (through the ILFAD program), by using Reserved Liquidity Fund for Disaster Management.
4. Mercy Corps will promote the program to local and international NGOs/donors/companies to increase the emergency reserved liquid fund portfolio.
5. Micra will hold rating activity for 8 out of 36 selected MFIs. Yet, every MFI which confirmed to join the program will receive training from Micra.
6. The rating activity result will be distributed to Mercy Corps and Bank Andara to be used as reference overview for each province participated in the program.
8. Micra will develop a loan product which intended for disaster preparedness program. The loan product will come as a result from market research towards participating MFIs and inputs from Bank Andara.
9. Micra, together with Mercy Corps and Bank Andara, will review the loan product and SOP established.

## **When disaster happen:**

10. Bank Andara will disburse the emergency fund immediately to the participating MFIs. It is originated from the reserved fund allocated in the liquidity fund managed.
11. MFI will channel the loan directly to the community to enhance the economic recovery speed after the disaster incident, while waiting for aid from government or other related NGOs.
12. The community who receive the loan will repay the fund received on the due date.
13. The loan paid by the borrowers will be re-pooled in special account for emergency reserved fund in Bank Andara.

# Annex 4. ILFAD work plan for Q2

Objective: MFIs providing emergency financial services to disaster affected clients.

Output	Target / Indicators	Activity	Detail Activities	2011			2012								Remarks				
				Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug		Sep	Oct		
3 Partite Partnership	Subgrant agreement MC-Micra created & signed	Subgrant MC - Micra	Drafting & reviewing Subgrant Signing Subgrant	w2-4	w1-2														
	MOU between MC - Bank Andara created & signed	MOU MC Bank Andara	Drafting & reviewing MOU Signing MOU			w4	w1-3												
	ILFAD Partnership roles created	Design Scheme	Creating partnership scheme			w3													
			Creating roles & Responsibility		w4														
Cross visit to Emergency Liquidity Facility in Costa Rika							w3												
Key MFIs in disaster prone areas identified, and trained so they are eligible for immediate cash injections after emergencies;	- 8 Core MFI's selected to be rated & assessed - 1 Product research - 1 Recommendations From Identification Post Disaster Ongoing	Identification of MFIs in disaster areas and needs assessments	MFI's Identification post disaster ongoing		m	m	m												
			Stage I (IDI MFIs) :																
			a.Tools developments				w1												
			b.Tools approval from clients				w2												
			c.MFIs selection & approval from clients				w3												
			d.MFIs agreement				w4												
			e.Field & Logistic arrangement				w5												
			f.Field IDI					w1-2											
			g.Data analysis (input-analysis)					w3-4											
			Stage II (Product Development)						w1-2										
			Stage III (Product test-FGD clients)							w3									
			a.Tools developments							w4									
			b.Tools approval from clients							w4									
			c.Field & Logistic arrangement							w5	w1								
			d.Field FGD								w2								
	e.Data analysis (input-analysis)								w5										
f. Final recommendations									w5										
- 8 MFI's Rated	Rating	Rating 8 MFI's				w5	w1-4	w1-4	w1-4										
		Rating Report							w5										
New products and processes developed and disseminated to help MFIs provide more useful services post-disaster;	- 1 SOP Loan product for emergencies developed - 1 Emergency loan mekanisme developed - 36 MFI's trained the loan product for emergencies	Product Development	Module development of loan products for emergencies							w1-4	w1-4								
			Development of emergency loan mechanism							w1-4	w1-4								
			Review the module & mekanisme								w1-4	w1-4							
			Training preparation								w1-4	w1-4							
			Training of 36 MFIs										w1-4	w1-4					
A disaster risk reduction toolkit developed for MFIs	- 1 Disaster risk reduction toolkit developed, trained & tested to MFI's	Development of disaster risk reduction toolkit	Recruitment of consultant							w1									
			Development of MFI disaster risk reduction toolkit							w2-4	w1-4	w1-4							
			Training of MFI DRR toolkit										w1-4						
			Roll-out of MFI DRR toolkit											w1-4	w1-4				
A permanent emergency liquidity facility created	- 36 Emergency liquidity injected to Partner MFI's - 72.000 Emergency loan disbursed to beneficiaries	(still been discussing) Disaster Simulation (If no disaster in duration of program)	Creating emergency liquidity facility				w1												
			Injection of Emergency loan to MFI's												w2	w2			
			Disbursing loan to beneficiaries													m	m		
			Monitoring the prose													m	m		
			Loan repayment to Bank Andara																
Exit Strategy & Other output	1. Other MFI's in nationwide level identified to follow emergencies procedure 2. Other NGO, government or private sector to contribute in program	- Handover activity to Bank Andara - Report	Pre-identification of MFIs nationwide													m	m		
			Additional fundraising														m	m	
			Coordination meeting			w2	w1	w1	w1	w1	3								
			Loan guarantees released into emergency mechanism																
			Final Evaluation														w4	w1	
			Report to USAID OFDA (quarterly report)																
ILFAD Final report																m			

Will be continued by Bank Andara and Micra