

# QUARTERLY REPORT

01 January – 31 March 2012

## 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
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## 1. Executive Summary

In Quarter 3, the ILFAD program gained momentum, resulting in significant progress. Our initial partners (MICRA and Bank Andara) have acknowledged the extent of their roles, responsibilities, and functions in the program. The partners prioritized the success of ILFAD and affirmed the collaboration and their ability to support each other in the program. This situation is the converse of the previous quarter.

In this period, activities were focused on MICRA rating and research of the eight MFIs previously selected. Although a total of eight MFIs were rated there were several initial challenges with four MFIs refusing to be rated for various reasons, including miscommunication about the program's activities and benefits, and scheduling conflicts, e.g. the simultaneous holding of shareholders or annual budget meetings, and the implementation of the program's rating activity. Those four planned MFIs were substituted by other four MFIs in each respective location.

Despite these challenges, the program progressed in tangible ways. Bank Andara signed an MoU with Mercy Corps. Also, the ILFAD team altered the strategy for the Liquidity Fund by offering other regional banks owned by the local government (PT BPDs) to provide liquidity loans to MFIs affected by disaster in their geographic coverage areas.

OFDA visited the program in early February and made field visits to all the program sites. Discussions on strength and weaknesses of the program were held with OFDA representatives.

### **Achievements:**

1. In Quarter 3, MICRA conducted rating activities with eight MFIs chosen as the main partners/control group of the program:
  - In Jakarta: 2 MFIs, focusing on flood and fire products.
  - In DI Jogjakarta: 4 MFIs, affected by and focusing on earthquake and volcanic eruption products.
  - In West Sumatra: 2 MFIs, susceptible to earthquake and tsunami and interested in focusing on developing products around those two hazards.

The objective of the rating is to thoroughly investigate the quality and capacity of the MFIs to determine whether each MFI is eligible to receive and manage the liquidity facility, post-disaster. As of this writing, three rating results and recommendations are complete. The five remaining MFIs are in the final stages of MICRA's rating process (according to the workplan, the full rating report will be completed by the end of April, 2012).

MICRA also conducted a series of field studies to map the impact of previous disasters on MFIs and their clients. The field studies were conducted with 18 MFIs: 7 BPRs (community credit banks), 5 cooperatives, 2 syariah cooperatives (Baitul Mal wat-Tamwil – BMT), and 4 credit unions. Each field study included interviews with MFI personnel, general clients, clients who had experienced disaster in the past, and clients who lived in disaster-prone areas. The initial findings of the field studies will be reported in the next quarter after the data has been fully collected and analyzed.

2. Bank Andara signed an MoU with ILFAD on February 2, 2012 (Annex A). The bank is prepared to provide IDR 20 billion (about USD 2 Million) should a disaster occur. When

the interest rate was discussed, Bank Andara's representative stated that it would be difficult for them to lower the existing rate (13 % per year) as the risk level is quite high; however, if parts of the liquidity facility will be contributed by other parties (in addition to Bank Andara), then the interest rate could be lowered.

The following are key components of the MoU between Mercy Corps and Bank Andara:

- Mercy Corps' responsibilities:
    - To support the growth of immediate liquidity facility by conducting fundraising activities with NGO/INGOs, local/ international corporations, other donors or prospective partners.
    - To assist the growth of Bank Andara's capacity in developing and improving special loan products or time deposits to disaster affected MFIs by conducting a comparative field study with an Emergency Liquidity Facility (ELF) in Costa Rica.
    - To finance the capacity building of partnering MFIs. Mercy Corps has appointed MICRA to act as consultant to provide technical assistance in (but not limited to) rating activity, product development, SOP writing for disaster management, and training.
  - Bank Andara's responsibilities:
    - To establish a fund of IDR 20 billion (about USD 2 million maximum) to be given in emergency loans and time deposits to partnering MFIs in need of short- to medium-term liquidity injections in post-disaster periods. The loan size will be tailored to the needs of the affected MFIs or based on the MFIs' ability to re-pay the loans.
    - To develop loan products and time deposits to assist MFIs financial situation in post disaster period.
    - To recommend MFIs as ILFAD's partners. Every candidate MFI nominated should be an active client of Bank Andara or should be included in Bank Andara's framework.
    - In the long-term, Bank Andara will provide an account to pool additional funds forecasted to be raised from other resources, e.g. NGOs, the private sector, or government.
3. Follow up discussions with Bank Nagari (a regional bank owned by the local government of West Sumatra) in the previous quarter resulted in the framework for collaboration which is clearer for all parties. Verbally, Bank Nagari has pledged to provide IDR 1 billion (about USD \$100,000) to assist with the liquidity of MFIs in West Sumatra should a disaster happen. The MoU draft for Bank Nagari is still in the preparation phase; clauses are being developed and discussed. The result of these efforts will be presented in the following quarter.
4. OFDA visited West Sumatra, DKI Jakarta, and DI Jogjakarta, February 3 – 9, 2012. In each province small, yet significant, issues with beneficiaries were discovered. For example, in West Sumatra, the MFI visited stated that they did not recognize MICRA and the objectives of the program. We explained immediately to them during visit and they agreed to be rated. In Jogja there was one cooperative that did not want to be rated because they worried about confidential client data; the ILFAD team gave this information to MICRA to be followed up as soon as possible. On the positive side, the team learned a valuable lesson about how to improve the program, particularly in the areas of communication, and monitoring and evaluation.

5. ILFAD also conducted a needs assessment for a prospective project being proposed to USAID-OFDA. The intended project addresses capacity building for financial institutions (formal and non-formal) that both employ and serve the disabled. At present, the Concept Note has been prepared and will be submitted in the next quarter.
6. M&E Officer, Lusiana Rumintang, has been hired to work on the ILFAD program. Lusiana will be responsible for every task related to monitoring and evaluation activities. In 2011, she worked on three different Mercy Corps projects: Hati Kami (a USAID-funded Child and Maternal Health program), as well as assessment projects funded by Nike Inc. and Total Energy.

### Challenges:

Due to several factors, the team had to replace four prospective MFIs in the rating activity. The reasons these MFIs chose not to participate included: lack of information about the program's benefits, misinterpretation of information about the program which was delivered orally, and concerns about data confidentiality. Two of them refused to participate in rating activities because of scheduling conflicts (i.e., during the proposed rating period, the MFI was being visited by Bank of Indonesia, or holding a general meeting for shareholders, or preparing the annual members meeting). Thus, ILFAD, MICRA, and Bank Andara decided that those MFIs should be replaced to ensure the activity was completed on time. The following table presents the planned and the actual MFIs that participated in the rating activity.

Table 1. MFIs planned to receive rating

Province	DKI Jakarta (susceptible to flood and fire)	DI Jogjakarta (susceptible to earthquake and eruption)	West Sumatra (susceptible to earthquake and tsunami)
Planned MFI	<ol style="list-style-type: none"> <li>1. PT BPR Intidana Sukses Makmur</li> <li>2. CU Bina Seroja or CU Sehati</li> </ol>	<ol style="list-style-type: none"> <li>1. PD. BPR Kulon Progo</li> <li>2. BPR Lumbung Arta Mutilindo</li> <li>3. PD. BPR Bank Klaten</li> <li>4. KSP Tekun</li> </ol>	<ol style="list-style-type: none"> <li>1. PT BPR Jorong Kampung Tengah d/h LPN</li> <li>2. PT BPR Nurul Barokah</li> </ol>

Table 2. Actual MFIs that received rating

Province	DKI Jakarta (susceptible to flood and fire)	DI Jogjakarta (susceptible to earthquake and eruption)	West Sumatra (susceptible to earthquake and tsunami)
Actual MFI	<ol style="list-style-type: none"> <li>1. PT BPR Intidana Sukses Makmur</li> <li>2. Kospin Surya Kencana (<i>new</i>)</li> </ol>	<ol style="list-style-type: none"> <li>1. PD. BPR Kulon Progo</li> <li>2. KSP Adil (<i>new</i>)</li> <li>3. PD. BPR Bank Klaten</li> <li>4. KSP Merapi Mulia (<i>new</i>)</li> </ol>	<ol style="list-style-type: none"> <li>1. PT BPR Mitra Danagung (<i>new</i>)</li> <li>2. PT BPR Nurul Barokah</li> </ol>

Additionally, the fee MFIs are required to pay to join the training program was considered one of the program's major challenges and was a topic of discussion both internally within the team and with MICRA and Bank Andara. In MICRA's experience, even when training was offered free of charge, it was difficult to get MFIs to participate so MICRA doubted that MFIs would be willing to pay the contribution costs. After several tough discussions, it was

decided to discuss the payment requirement directly with the MFIs, which will happen in the next quarter.

A third key challenge is that the ILFAD working areas are located far from each other. This situation emerged as a challenge for the team, as there are only two staff plus one program manager available to visit each area periodically as scheduled. Thus, having a credible and reliable time management system is imperative, particularly for managing work in the field. Based on final mapping conducted, most of the program working areas are located in remote regions. To date, ILFAD is working in 14 districts at the *kabupaten* (District) level and *kotamadya* (City) level:

- 4 are located in DKI Jakarta, i.e. West Jakarta, South Jakarta, and East Jakarta which are susceptible to flooding, and North Jakarta which is susceptible to fire.
- 3 are located in West Sumatra, i.e. Padang, Pariaman, and Padang Pariaman.
- 8 are located in DI Jogjakarta and Central Java, i.e. DI Jogjakarta, Bantul, Kulon Progo, Sleman, Gunung Kidul, Boyolali, Klaten, and Magelang.

## 2. Program Overview

The geographic focus of the program is the greater DI Jogjakarta 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.

After the program strategy was improved and redeveloped in the previous quarter, several new approaches are being implemented to fulfill all indicators set for the program. For example, in order to socialize the liquidity fund and other disaster financial products for the beneficiaries, ILFAD is inviting regional banks in each working area and encouraging them to join as partners.

The main activity this quarter was building new partnerships, socializing the program, and completing the agenda as written in the workplan.

## 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%	over 100% \$2,000,000	31 March 2012

### **Sector Summary**

A baseline survey for the program has been initiated. The results will be presented after the data analysis has been finalized. There are plans to present the baseline survey results during the training in June 2012.

#### *MICRA's rating and research*

A key part of MICRA's business is to serve as a rating institution with valid standards as well as provide constructive inputs to MFIs to improve their business. The rating activity ranks the MFI's performance and financial management by examining financial reports and organizational management structure. The rating results are then used by commercial banks as a standard of consideration in giving credit facility i.e. program linkage to MFIs. Additionally, MICRA also undertook research on the potential impact of disasters on MFIs (including projections as well as data from past disasters) which is also necessary to complement the results obtained. Results from both rating and research will be used as

reference in designing tailor-made financial products to be used when disasters occur. Rating and research were highlighted and continuously monitored to have a clearer picture of the program's direct beneficiaries, and to provide necessary inputs. Rating, complemented by research activities, has been implemented in all eight selected MFIs.

Rating stages of the ILFAD program were:

- Opening meeting with MFIs' management (Board of Directors)
- Discussion with MFIs' Chairman (director for BPR, or manager of cooperative) on strategy implemented, vision and mission of the organization, and other aspects related to strategic management.
- Initial data collection, particularly data related to financial management.
- Discussion with accounting and operational departments on missing/ incomplete data.
- Discussion with supervisor of credit division, operational division, human resources division, and internal control.
- Selecting clients to be used as pilot participants, followed by visiting them the next day.
- Exit meeting with MFI's management (BPR or cooperative).
- Rating report writing.

The Research and Innovation Unit from MICRA conducted focus group discussions with 18 MFIs, and in-depth interviews with each selected client. In addition to ILFAD's partnering MFIs, neighboring MFIs that had experienced disaster in the past were included in the interviews to enrich the findings obtained. In the end, all MFIs received an offer to join the program if interested.

Cases selected for the research consisted of MFIs (to identify MFIs' needs in developing products for their clients in emergency situations; interview respondents were management representatives responsible for decision making) and the MFI's clients (to identify clients' needs for financial products in emergency situations and financial services provided by MFIs; interview respondents were MFI clients who live in disaster-prone areas or who had experienced disaster in the past). Interviews were conducted using focus group discussions as well as in-depth interviews. The report is not yet final, but initial results for three MFIs (BPR Mitra Danagung, BPR Bank Pasar Klaten, and Koperasi Surya Kencana) were prepared during this quarter.

Research was conducted in three areas:

Table 3. Research areas geographical coverage

Province	District	MFI type				Total
		BPR	Co-op	Credit Union	Syariah Cooperative	
West Sumatra	Padang, Padang Pariaman	3	0	1	2	6
DI Jogjakarta/ Central Java	<b>DI Jogjakarta:</b> Klaten, Kulon Progo, Bantul, Sleman <b>Central Java:</b> Boyolali	3	2	1	0	6
DKI Jakarta	<b>West Jakarta:</b> Tambora, Duri Utara, Kembangan <b>East Jakarta:</b> Cawang <b>North Jakarta:</b> Penjaringan <b>South Jakarta:</b> Pejaten	1	3	2	0	6
Total		7	5	4	2	18

Table 4. MFIs that participated in research activity

MFI type	West Sumatra	DI Jogjakarta/ Central Jakarta	DKI Jakarta
BPR	PT.BPR Mitra Danagung	PD.BPR Kulon Progo	PT.BPR Intidana Sukses Makmur
	PT.BPR Sentral Mikro	PD.BPR Bank Klaten	
		PT.BPR Candra Muktiartha	
Cooperative		KSP Merapi Mulia	Kopwan Sumber Jaya
			KSP Ciliwung Sejahtera
			Kospin Suryakencana
CU	CU Bhineka	CU Adil	CU Sehati
			CU Anggrek
Syariah cooperative	BMT At Taqwa		

Table 5. Summary of research activity

Method	Planned	Actual
Focus Group Discussion with MFIs	18	18
Focus Group Discussion with MFIs' clients	24	23
In-depth interviews	6	6

#### Additional Bank partners

Changes in strategy took place this quarter as a result of intensive discussion with MICRA, Mercy Corps management, and the USAID/OFDA visiting team (Gavi Rosenthal, Laura Meissner, and Erin Magee). Bank Andara is no longer the sole emergency loan lender to MFIs - other banks were invited to collaborate (particularly local government owned banks), including: Bank Nagari in West Sumatra, Bank DIY in DI Jogjakarta, and Bank Jateng in Central Java. This step is considered necessary based on the following reasons:

- To speed the loan process time for MFIs in need of the liquidity facility, particularly for DI Jogjakarta and West Sumatra, as Bank Andara has no branch office yet in those two provinces.
- To have improved market competition on interest rates, loan process management, and transaction simplicity.
- To provide more options to MFIs which need liquidity facility assistance post-disaster.

As a result of the discussion held with Bank Nagari in the previous quarter, a verbal pledge has been given by Bank Nagari's representative to provide IDR 1 billion (about USD 100,000) to be used as emergency liquidity facility for MFIs in West Sumatra. A MoU for Bank Nagari is being discussed and developed; this will be one of priorities to be completed in the following quarter.

Another discussion around change in strategy that is currently underway relates to the use of a loan guarantee mechanism in the ILFAD program. Upon discussion with the various banks and MFIs, it now seems a loan guarantee mechanism may not be as relevant as when originally proposed. And now that strategies have shifted to the inclusion of multiple banks it also may diminish the effectiveness of the loan guarantee as originally envisioned. This discussion is still ongoing and will evolve in the coming quarter.

#### **4. Monitoring and Evaluation**

A logical framework for the program was built following the objectives and indicators stated in the proposal.

Several MFIs have participated in the baseline survey, yet it is considered too early to present the results as the data collected must be further verified.

Desk study is continuously conducted to have a better understanding of how to improve the program.

#### **5. Coordination**

##### **Periodic coordination meetings with MICRA and Bank Andara**

Three coordination meetings were held in Quarter 3:

##### *Points of discussion in January 6, 2012 meeting:*

- Bank Andara's commitment to allocate IDR 20 billion for the liquidity facility.
- Preparation needed to receive USAID/OFDA visit on February 3-10, 2012.
- Selecting MFIs to receive rating and research activities.
- Discussion on research materials.

##### *Points of discussion in March 1, 2012 meeting:*

This meeting should have been conducted in February 2012, but schedule was overbooked, and eventually it was conducted on March 1, 2012.

- MICRA shared their experiences in disaster program recovery implementation in DI Jogjakarta circa 2006.
- Rating and research activities evaluation which held on February 2012.
- Socialization strategy in promoting ILFAD program to MFIs which located in disaster susceptible areas.

##### *Points of discussion in March 8, 2012 meeting:*

- Presentation and discussion of rating results.
- Presentation and discussion of research results.

##### **Points of discussion in meeting with USAID/ OFDA on February 9, 2012:**

USAID/ OFDA visited the program to observe the activities implemented by the team. Inputs and recommendations based on discussion with USAID/OFDA are detailed below:

- a. The OFDA team met with and discussed lessons learnt from MFIs, particularly on Indonesian MFIs' characteristics and business model.
- b. MICRA – The OFDA team opined that MICRA had not communicated (promoted) the ILFAD program properly to MFIs scheduled to participate in the rating activity. This

finding is considered valid as representatives from West Sumatra (BPR Mitra Danagung) and Jogjakarta (Bank Klaten and Kospin Tekun) were not familiar with the objectives and system of the program. Kospin Tekun in particular was reluctant to join the program at the time of the first meeting as they had significant concerns about clients' data confidentiality. Moreover, none of the MFIs visited were familiar with rating objectives and benefits received from the activity. As a result of these findings, OFDA requested that the Mercy Corps/ILFAD team conduct frequent monitoring of MICRA's performance. In addition the Mercy Corps team met with MFIs to carry out a follow up socialization of activities.

- c. Strategy – building on the positive development regarding Bank Nagari's potential involvement in the program along with other prospective local government owned banks. It was suggested the team continue to seek out more opportunities for collaboration to create competitive products and provide more options to MFIs.

## 6. Success story

The most notable success achieved in this quarter is not only Bank Andara's signing of the MoU, but also to have prospective partners join as regional liquidity assistance pillars for each working area. To date, the communication with Bank Nagari has been running smoothly and the program socialization and initiation in West Sumatra has been completed as well. The team anticipates that Bank Nagari will sign an MoU with ILFAD by the end of Q4. A similar approach and strategy is also being taken with Bank DIY and Bank Jateng. It is agreed that the next communication with Bank DIY and Bank Jateng will occur in the fourth week of April 2012. Hopefully, a positive collaboration will result in the near future.

## 7. Conclusion

In this reporting period the majority of scheduled program activities were accomplished. And some additional activities have been added to the work plan in line with the interest of other banks to participate in this program and expand the scale (such as visits to Bank DIY and Bank Jateng).

Rating activity for eight MFIs and research activity in three areas have been successfully completed.

The targets to be achieved in Quarter 4 are:

- Finalizing the rating and research report
- Formulating recommendations based on rating and research activities
- Developing pro-disaster financial products
- Marketing training products to MFIs located in disaster-prone areas
- Trainings for MFIs
- Finalizing collaboration with Bank Nagari, Bank DIY, and Bank Jateng
- Comparative field study to Costa Rica to visit ELF

## 8. Annex

**Annex A:** MoU between Mercy Corps and Bank Andara

**Memorandum of Agreement / Nota Kesepahaman  
Between/ Antara**

**First Party - Mercy Corps INDONESIA**

*And/dan*

**Second Party – Bank Andara**

**IN BUILDING THE CAPACITY OF INDONESIAN MICROFINANCE  
INSTITUTIONS TO REDUCE THE ECONOMIC IMPACTS OF DISASTERS AND  
SPEED RECOVERY EFFORTS OF THE AFFECTED COMMUNITIES/**

**DALAM RANGKA PEMBANGUNAN KAPASITAS LEMBAGA KEUANGAN MIKRO  
INDONESIA UNTUK MENGURANGI DAMPAK EKONOMI BENCANA DAN  
MEMPERCEPAT UPAYA PEMULIHAN MASYARAKAT**

Number/Nomor:	
<p>This Memorandum of Agreement, hereunto referred to as “Agreement” is entered into at its signature on February 2, 2012, in Jakarta, Indonesia, between the following:</p> <ol style="list-style-type: none"> <li><b>Paul Jeffery</b>, Country Director of Mercy Corps (MC) Indonesia, representative for, and in the name of, <b>Mercy Corps</b>, located at Gedung STK Lt. F No F01, Jl. Taman Margasatwa No. 03, Ragunan Jakarta Selatan, Indonesia. hereinafter referred to as <b>First Party and</b></li> <li><b>Don Edwin Johnston Junior</b>, Director, representative for, and in the name of Bank Andara, located at Plaza Bapindo, Citibank Tower 28<sup>th</sup> Floor. Jl. Jendral Sudirman Kav. 54-55 Jakarta 12190 hereinafter referred to as <b>Second Party</b>.</li> </ol> <p>Hereinafter jointly referred to as <b>Both Parties</b>.</p> <p><b>Whereas</b>, the <b>First Party</b> is an international non-profit organization based in Portland Oregon, USA, with staff in more than 35 countries throughout the world working to alleviate suffering, poverty and oppression by helping people build secure, productive and just communities. MC has maintained operations in Indonesia since 1999;</p> <p><b>Whereas</b>, the <b>Second Party</b> is a full-fledged commercial bank in Indonesia, which is focused solely on providing wholesale financial services, products and technology to Indonesian microfinance institutions. The mission of the Bank is to be the premier financial services partner of the Indonesian microfinance sector, working with all legal forms of MFIs throughout the country and providing flexible finance, liquidity management facilities, access to the payment system and new products such as microinsurance and international remittances, as well as access to branchless banking networks, including</p>	<p>Nota Kesepahaman ini, selanjutnya disebut “Kesepakatan” ditandatangani tanggal February 2, 2012 di Jakarta, Indonesia antara:</p> <ol style="list-style-type: none"> <li><b>Paul Jeffery</b>, Direktur Wilayah Mercy Corps (MC) Indonesia, sebagai wakil dari, dan atas nama <b>Mercy Corps</b>, bertempat di Gedung STK Lt. F No F01, Jl. Taman Margasatwa No. 03, Ragunan Jakarta Selatan, Indonesia, selanjutnya disebut sebagai <b>Pihak Pertama dan</b></li> <li><b>Don Edwin Johnston Junior</b>, Direktur, sebagai wakil dari, dan atas nama Bank Andara, bertempat di Plaza Bapindo, Citibank Tower 28<sup>th</sup> Floor. Jl. Jendral Sudirman Kav. 54-55 Jakarta 12190, selanjutnya disebut sebagai <b>Pihak Kedua</b>,</li> </ol> <p>Selanjutnya secara bersama-sama disebut <b>Para Pihak</b>.</p> <p><b>Bahwa</b>, <b>Pihak Pertama</b> adalah organisasi nirlaba internasional yang berkantor pusat di Portland, Oregon, Amerika Serikat, yang berkarya di lebih dari 35 negara di seluruh dunia untuk mengurangi penderitaan, kemiskinan dan penindasan dengan menolong masyarakat membangun komunitas yang aman, produktif, dan berkeadilan. MC telah menjalankan operasinya di Indonesia sejak 1999;</p> <p><b>Bahwa</b>, <b>Pihak Kedua</b> adalah bank umum di Indonesia, yang memfokuskan pelayanan di bidang penyediaan jasa keuangan, produk dan teknologi untuk lembaga keuangan mikro Indonesia. Misi Pihak Pertama adalah menjadi mitra jasa keuangan utama dari sektor keuangan mikro Indonesia, bekerja sama dengan semua bentuk hukum LKM diseluruh negeri dan menyediakan pembiayaan yang fleksibel, fasilitas manajemen likuiditas, akses ke sistem pembayaran dan produk-produk baru seperti asuransi mikro dan pengiriman uang internasional, serta akses ke jaringan perbankan tanpa cabang, termasuk ATM dan <i>mobile</i></p>

ATMs and mobile banking.

**Whereas**, Both Parties maintain a mutual mission to help the MFIs and communities living in disaster area, which will also include provisions for Emergency Loans and time-deposits for MFIs which need short-to medium-term cash injections after an emergency situation. Both Parties will function on continuity 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.

Therefore, Both Parties agree as follows:

**Article 1  
Objective**

The objective of this Agreement is to have the Second Party to provide the needed support by the First Party, which currently is implementing 36 projects in the scope of MFI capacity building; in which 8 of them are defined as MFI core partners in disaster-prone areas i.e. Jogjakarta, Jakarta, and West Sumatra. Support which will be provided by the Second Party is Emergency Fund provision to be transferred to the 36 MFI partners, respectively, when a disaster occurs. Maximum total funds to be provided by the Second Party IDR 20.000.000.000 (twenty billions rupiahs).

**Article 2  
Duration**

This Agreement is valid to be used in 8 (eight) months period, starting from January 27<sup>th</sup>, 2012 to September 27<sup>th</sup>, 2012 and will be effective from the signing date of the Agreement by Both Parties.

**Article 3  
Background of The Cooperation**

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 Alpide 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,

*banking.*

**Bahwa** Para Pihak menyatakan keinginan bersama untuk membantu LKM dan masyarakat yang berada di wilayah bencana, yang juga akan mencakup ketentuan untuk pinjaman darurat dan deposito-berjangka bagi LKM yang membutuhkan bantuan jangka pendek hingga jangka menengah setelah keadaan darurat. Para Pihak akan berfungsi secara bergulir dan akan terus meningkatkan dana untuk modal kerja tambahan. Juga akan membentuk dasar untuk fasilitas likuiditas darurat daerah potensial yang akan mendukung likuiditas tingkat-masyarakat setelah bencana di Asia.

Dengan demikian Para Pihak sepakat sebagai berikut:

**Pasal 1  
Tujuan**

Tujuan dari Kesepakatan ini adalah bahwa Pihak Kedua akan menyediakan dukungan bagi Pihak Pertama yang saat ini sedang melaksanakan proyek peningkatan kapasitas terhadap 36 LKM, dimana delapan diantaranya didefinisikan sebagai LKM mitra inti di wilayah rawan bencana yaitu Jogjakarta, Jakarta, dan Sumatra Barat. Dukungan yang akan disediakan oleh Pihak Kedua adalah berupa penyediaan dana darurat yang akan disuntikkan kepada ke 36 LKM mitra bila terjadi bencana. Total dana yang disediakan oleh Pihak Kedua adalah maksimal sebesar Rp 20.000.000.000 (dua puluh milyar rupiah).

**Pasal 2  
Jangka Waktu**

Kesepakatan ini berlaku untuk jangka waktu 8 (delapan) bulan, terhitung sejak 27 Januari 2012 sampai dengan 27 September 2012 dan efektif sejak tanggal penandatanganan Kesepakatan ini oleh kedua belah Pihak.

**Pasal 3  
Latar Belakang Kerjasama**

Indonesia adalah salah satu negara paling rawan bencana di dunia, yang kerap kali dihantam oleh gempa bumi, tsunami, gunung berapi, banjir dan kekeringan. Dengan lebih dari 13.000 pulau dengan berbagai ukuran yang sebagian besarnya mengitari sabuk Alpide dan Cincin Api, sangat jarang dalam satu bulan berlalu tanpa terjadi bencana di suatu wilayah di Indonesia. Dampak perubahan iklim pun memperburuk risiko dan kerusakan yang ada, khususnya di kalangan populasi yang paling rentan.

Sementara bencana ini menghancurkan beberapa

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 long-term damage caused by lost assets can compound over time, drawing survivors deeper 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. Indonesia has one of the most vibrant microfinance sectors on earth, made up of more than 50,000 microfinance institutions (MFIs) reaching more than 50 million low income people throughout the country. This sector could play an important role in the post-disaster recovery process, if they have the tools and support to do so.

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.

There are currently no permanent facilities with wholesale lenders in place in Indonesia to support MFI activities in post-disaster environments. Typically after a disaster the government provides credit lines to MFIs, but it can take some months to put them into place, often missing the most urgent time of need for both the MFI and their end clients. An emergency

sumber kehidupan, aset, dan trauma, terdapat bahaya jangka panjang tersimpan. Meskipun kebutuhan utama dapat dibantu oleh lembaga bantuan dan pemerintah, hambatan pada rantai pasar dan kerusakan jangka panjang yang disebabkan oleh aset yang hilang dapat menjadi semakin besar, membuat warga menjadi semakin miskin. Keterlambatan dalam membangun kembali sumber penghasilan akan menunda mereka untuk kembali ke kehidupan normal. Saat orang mulai kembali membangun, kebutuhan modal akan semakin meningkat. Lembaga-lembaga lokal yang biasanya mendukung pertumbuhan ekonomi dapat memainkan peran pasar integral dalam memfasilitasi pemulihan bencana. Indonesia memiliki salah satu sektor keuangan mikro yang paling dinamis di dunia, terdiri dari lebih 50.000 LKM mencapai lebih dari 50 juta orang berpenghasilan rendah di seluruh negeri. Sektor ini dapat memainkan peran penting dalam proses pemulihan pasca-bencana, jika mereka memiliki alat dan dukungan untuk melakukannya.

Pengalaman menangani bencana di seluruh dunia dan khususnya di Indonesia, termasuk tsunami Samudera Hindia dan gempa di Yogyakarta, Mercy Corps sering bekerjasama dengan LKM di daerah yang terkena bencana. Setelah bencana awal, rumah tangga yang terkena dampak (dan orang yang secara tidak langsung menderita efek, seperti trauma) menarik tabungan mereka dari LKM, atau mengambil pinjaman untuk menutupi kebutuhan pokok, jika mereka mampu. Pada saat yang sama, banyak peminjam aktif yang terpengaruh oleh krisis keterlambatan pembayaran atau pailit secara keseluruhan.

Oleh karena itu, LKM menghadapi krisis likuiditas jangka pendek langsung setelah bencana terjadi, dimana mereka terpaksa mengambil pinjaman berbunga tinggi, mungkin karena mereka tidak memiliki tabungan, atau mungkin bangkrut. Hal ini mempengaruhi klien LKM dan klien potensial, yang terbatas oleh kurangnya kredit untuk pemulihan, serta mengalami dampak jangka panjang pada LKM itu sendiri, dengan risiko lumpuhnya sektor jasa keuangan di daerah-daerah untuk beberapa tahun mendatang.

Pada saat yang sama, setelah bencana LKM melihat peningkatan pada permintaan pinjaman kecil untuk mendanai perbaikan rumah dan usaha yang hancur, mengganti aset, dan memulai usaha kecil. Dana yang dibutuhkan tidak dapat mengandalkan bantuan, adapun sebagai pengganti aset biasanya akan diganti dalam program bantuan pemerintah yang mungkin perlu waktu yang cukup lama untuk terwujud.

Saat ini tidak ada fasilitas permanen dengan pemberi pinjaman besar berada di Indonesia untuk mendukung kegiatan LKM di lingkungan pasca bencana. Biasanya setelah bencana pemerintah menyediakan bantuan kredit kepada LKM, tapi butuh beberapa bulan untuk mendapatkannya, sering kali melewati waktu yang paling mendesak untuk menutupi kebutuhan LKM dan

facility at Bank Andara will have the benefit of being ready at a moment's notice, nationwide.

**Article 4  
Role and Responsibility of  
Both Parties**

The First Party agree to :

1. Support the development of emergency liquid fund provision by conducting fundraising activities among NGOs/INGOs, local/international companies, donors, and partners.
2. Provide assistance to build the capacity of Bank Andara, in developing loan products or special time deposits which dedicated to MFIs affected, by conducting comparative study program of Liquidity Emergency Facility (ELF) in Costa Rica.
3. Provide financial support for the capacity building activity of MFI partners. The First Party has appointed MICRA as consulting institution which will provide technical assistance in the following areas but not limited to MFI rating activity, product development, SOP writing for MFI activities based disaster incident, and training for the planned activities.

The Second Party Agree to:

1. Set Emergency Fund provision of maximum IDR 20 billion (twenty billions rupiahs) which will be delivered as Emergency Loans and/or time deposits for MFI partners which need liquid Emergency Loan. The Emergency Loan provision will be available when emergency situation emerges. The Emergency Fund will be tailored in accordance to MFI targets' needs or based on the MFIs' ability to pay, which based on valuation result conducted by the Second Party.
2. Develop loan and deposit products which targeted to be used to finance MFIs after disaster incident occurs.
3. Recommend which MFIs to be considered as partners in the program. The prospective candidates should be priority of active clients or part of financial plan of Bank Andara.
4. In the incoming future, as a part of long-term planning preparation, the Second Party will prepare a special account which designated as reserve fund pool. The fund saved in the designated account will be raised from other sources, e.g. NGOs, private sectors, and government.

**Article 5  
Termination**

Termination of this Agreement may occur with the following reasons:

1. By First Party, with a written notice 10 (ten)

klienya. Fasilitas likuiditas darurat di Bank Andara sangat bermanfaat saat dibutuhkan di seluruh negeri.

**Pasal 4  
Peran dan Tanggung Jawab Kedua  
Belah Pihak**

Pihak Pertama sepakat untuk:

1. Mendukung pengembangan dana likuiditas darurat melalui penggalangan dana melalui NGO/INGO, perusahaan lokal/internasional, donor, maupun mitra kerja sama.
2. Membantu peningkatan kapasitas Pihak Kedua untuk dapat mengembangkan produk pinjaman atau deposito berjangka khusus untuk LKM yang terkena bencana dengan cara melakukan studi banding ke program Emergency Liquidity Facility (ELF) di Costa Rica
3. Membiayai peningkatan kapasitas LKM mitra. Pihak pertama telah menunjuk MICRA sebagai konsultan yang akan menyediakan asistensi teknis dalam bentuk, namun tidak terbatas pada, *rating*, pengembangan produk dan pembuatan SOP khusus bencana, serta pelatihannya.

Pihak Kedua Sepakat untuk:

1. Menyiapkan dana maksimal Rp 20 Milyar (dua puluh milyar) yang akan diberikan dalam bentuk pinjaman darurat dan/atau deposito-berjangka bagi mitra LKM yang membutuhkan pinjaman dana darurat jangka pendek hingga jangka menengah saat keadaan darurat. Dana Darurat akan disesuaikan dengan tingkat kebutuhan dari LKM sasaran atau berdasarkan kemampuan bayar yang dimiliki oleh LKM tersebut yang didasarkan atas penilaian Pihak Kedua.
2. Mengembangkan produk pinjaman dan deposito berjangka yang dikhususkan untuk pembiayaan MFI setelah bencana terjadi.
3. Merekomendasikan LKM-LKM yang akan menjadi mitra program. Setiap kandidat yang dicalonkan diprioritaskan merupakan nasabah aktif atau berada dalam rencana pembiayaan Bank Andara.
4. Dalam jangka panjang, akan mempersiapkan akun khusus yang akan diperuntukkan sebagai tempat berkumpulnya dana cadangan yang kemungkinan akan didapat dari sumber dana lain, baik itu NGO, sektor swasta maupun dari pemerintah.

**Pasal 5  
Pembatalan**

Pembatalan Kesepakatan ini dapat dilakukan:

1. Oleh Pihak Pertama, dengan menyampaikan

<p>working days short-notice for following reason:</p> <ol style="list-style-type: none"> <li>a. If the Second Party fails to comply with any of the stated obligations to the First Party, after having a discussion to find optimum solution for three times, and such failure remains unresolved for a period of 10 (ten) working days;</li> <li>b. Decisions on behalf of the Program Donor (USAID) and/or project finances.</li> </ol> <p>2. By Second Party:</p> <ol style="list-style-type: none"> <li>a. If the First Party were not able to perform official duties stated in this Agreement, after a maximum of 3 (three) mutual discussion between Both Parties.</li> <li>b. If Second Party shows evidence of criminal action to the First Party.</li> </ol>	<p>pemberitahuan tertulis dalam waktu 10 (sepuluh) hari, untuk setiap alasan yang mencakup:</p> <ol style="list-style-type: none"> <li>a. Apabila Pihak Kedua gagal memenuhi kewajiban-kewajiban yang telah dijanjikan kepada Pihak Pertama dengan terlebih dahulu melakukan pembahasan bersama maksimal 3 (tiga) kali oleh Kedua Belah Pihak, dan permasalahan tersebut tetap tidak terselesaikan dalam jangka waktu 10 (sepuluh) hari kerja;</li> <li>b. Keputusan dari pihak Donor Program (USAID) dan/atau pendanaan Program.</li> </ol> <p>2. Oleh Pihak Kedua:</p> <ol style="list-style-type: none"> <li>a. Apabila Pihak Pertama tidak memenuhi kewajiban sesuai dengan Kesepakatan ini dengan terlebih dahulu melakukan pembahasan bersama maksimal 3 (tiga) kali oleh Kedua Belah Pihak.</li> <li>b. Apabila Pihak Pertama menunjukkan indikasi pelaksanaan tindak pidana terhadap Pihak Kedua.</li> </ol>
<p style="text-align: center;"><b>Article 6</b> <b>Amendments, Modifications, and Disputes</b></p> <p>Amendments and modifications to this Agreement can be made by mutual consent, and must be in writing and attached as an inseparable addendum to this Agreement.</p> <p>Both Parties in this Memorandum of Understanding agree that all questions, disputes, and matters which arise between Both Parties regarding any aspect of this Agreement shall be settled, if possible, amicably and by negotiations conducted in the spirit of mutual cooperation and good faith.</p>	<p style="text-align: center;"><b>Pasal 6</b> <b>Amandemen, Perubahan, dan Perselisihan</b></p> <p>Amandemen dan perubahan atas Kesepakatan ini dapat dilakukan atas kesepakatan bersama, dan harus dibuat tertulis dan dilampirkan sebagai adendum tak terpisahkan pada Kesepakatan ini.</p> <p>Kedua pihak setuju bahwa setiap pertanyaan dan perselisihan yang timbul antara kedua pihak yang berhubungan dengan Kesepakatan ini akan diselesaikan secara kekeluargaan dan semangat kerjasama yang menguntungkan kedua pihak.</p>
<p style="text-align: center;"><b>Article 7</b> <b>Certification Regarding Terrorist Financing</b></p> <p>It is Mercy Corps' policy to comply with the laws and regulations of the United States Government, the European Union and the United Nations concerning ineligibility vendors, contractors and suppliers of services for reasons of fraud, corruption or terrorist activity. These laws and regulations prohibit Mercy Corps from doing business with or providing support to any persons or entities that have been found to be engaged in or provide support for any such activities.</p>	<p style="text-align: center;"><b>Pasal 7</b> <b>Sertifikasi Mengenai Pembiayaan Teroris</b></p> <p>Adalah kebijakan Mercy Corps untuk mematuhi peraturan dan perundangan pemerintah Amerika Serikat, Uni Eropa dan PBB mengenai kelayakan pemasok, kontraktor dan penyedia jasa sehubungan dengan penipuan, korupsi dan aktifitas teroris. Peraturan dan Perundangan ini melarang Mercy Corps untuk berbisnis atau memberikan dukungan kepada baik perorangan atau kelompok, yang ditemukan terlibat dalam kegiatan tersebut.</p>
<p style="text-align: center;"><b>Article 8</b> <b>Conflict of Interest</b></p> <p>The Second Party warrants that the Second Party does not have any actual or potential conflict of interest between the First Party and/or the employees of the First Party and any other person represented by the</p>	<p style="text-align: center;"><b>Pasal 8</b> <b>Konflik Kepentingan</b></p> <p>Pihak Kedua menjamin bahwa tidak ada konflik kepentingan antara Pihak Kedua dan atau karyawan Pihak Kedua dengan pihak manapun yang diwakili oleh Pihak Pertama. Pihak Kedua tidak mendapatkan</p>

<p>Second Party. The Second Party is not aware of any relationship between the Second Party and any other person that may present a conflict of interest with respect to this Agreement.</p> <p style="text-align: center;"><b>Article 9</b> <b>Entire Memorandum of Agreement</b></p> <p>This Agreement is complete in its entirety between Both Parties and supersedes all other verbal or written agreement made prior to or concurrently with this Agreement.</p> <p style="text-align: center;"><b>Article 10</b> <b>Severability</b></p> <p>If any provision of this Agreement is held to be unenforceable for any reason, the remainder of this Agreement shall remain in effect.</p> <p style="text-align: center;"><b>Article 11</b> <b>Interpretation and Governing Law</b></p> <p>This Agreement is written in both English and Bahasa Indonesia and entered into act and sign by Both Parties, and the content shall be bound by Both Parties.</p> <p>Should there be any difference or dispute concerning the interpretation of terms in this Memorandum of Understanding as between the English and Bahasa Indonesia counterparts, then the Bahasa Indonesia version shall prevail.</p> <p>This Agreement shall be governed under the laws of the Republic of Indonesia.</p>	<p>adanya hubungan apapun antara Pihak Kedua dan pihak lain yang memungkinkan timbulnya konflik kepentingan sehubungan dengan Kesepakatan ini.</p> <p style="text-align: center;"><b>Pasal 9</b> <b>Keseluruhan Nota Kesepahaman</b></p> <p>Kesepakatan ini lengkap dan menggantikan perjanjian lisan atau tertulis sebelum atau bersamaan dengan adanya Kesepakatan ini.</p> <p style="text-align: center;"><b>Pasal 10</b> <b>Pemisahan</b></p> <p>Apabila suatu ketentuan dalam Kesepakatan ini menjadi tidak dapat dilaksanakan karena suatu alasan, maka ketentuan-ketentuan lain dalam Kesepakatan ini akan tetap berlaku.</p> <p style="text-align: center;"><b>Pasal 11</b> <b>Penafsiran dan Hukum Yang Berlaku</b></p> <p>Kesepakatan ini dibuat dalam Bahasa Inggris dan Bahasa Indonesia, dan ditandatangani oleh Kedua Belah Pihak, di mana isinya akan mengikat Kedua Belah Pihak.</p> <p>Jika terdapat perbedaan interpretasi atas Kesepakatan ini, maka versi Bahasa Indonesia yang akan digunakan.</p> <p>Kesepakatan ini tunduk pada hukum yang berlaku di negara Republik Indonesia.</p>
<p><b>Both Parties:</b> In witness whereof, Both Parties, represented by their authorized representatives, hereby executed this Agreement on the day and year hereinbefore written and each party hereto shall respectively retain 1 (one) original thereof.</p>	<p><b>Para Pihak:</b> Para Pihak, diwakili oleh perwakilannya masing-masing yang berwenang tersebut di bawah, dengan ini menandatangani Kesepakatan pada hari dan tahun tertera di bawah dan masing-masing Pihak akan memegang 1 (satu) naskah asli.</p>
<p><b>First Party/Pihak Pertama:</b></p>  <p><b>Paul Jeffery</b> Country Director/Direktur Wilayah Mercy Corps Indonesia Date/Tanggal: February 2, 2012</p>	<p><b>Second Party/Pihak Kedua:</b></p>  <p><b>Don Edwin Johnston Junior</b> Director Bank Andara Date/Tanggal: February 2, 2012</p>