

QUARTERLY REPORT

1 January – 31 March 2013

INDONESIA DISASTER RISK REDUCTION PROGRAM FINANCIAL ACCESS

Indonesia Liquidity Facility After Disaster (ILFAD)

Funded by
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1. Executive Summary

This quarter marks the beginning of ILFAD program activities following OFDA's agreement to the program's **cost extension** and expansion into nine provinces (from the original three). Activities conducted this quarter included the recruitment of ILFAD program staff, pre-assessments of disaster-prone areas, pre-socialization for the program in West Sumatra, and the launch of the DRR savings product.

The savings product for disaster preparedness was successfully launched on February 24th, 2013 in Sumber Rejeki Baru and Sumber Jaya women's cooperatives in Penjaringan sub-district, North Jakarta. The product is called Tabungan PERMATA/PERMATA Savings. The launch of this event with two cooperatives was the startup of ILFAD program implementation in phase 2.

To date, six DRR products have been launched through four MFIs. Two of them are loan products and four are savings products.

Achievements:

- Pre-Socialization for ILFAD in West Sumatra
A Pre-Socialization activity was implemented on February 14th, 2013 in Padang, and was attended by 19 directors of rural banks (BPR)/cooperatives incorporated in the Academy for Microfinance Development in Asia (AMIDA) plus one representative from Bank Nagari. The ILFAD team presented the program activity plan, including:
 - Assessing working areas across the nine provinces
 - Planning a liquidity management training and disaster preparedness training for MFIs
 - Selecting three provinces for in-depth partnership
 - Generating liquidity funds from **MFI's** monthly participation, etc.

Most attendees, including Bank Nagari, enthusiastically welcomed the ILFAD program plan, and expressed hope that West Sumatra would be selected as one of the three in-depth partners.

- Launch of the DRR savings product at Sumber Rejeki Baru and Sumber Jaya women's cooperatives, Penjaringan sub-district, North Jakarta
The launching of DRR savings product in two women's cooperatives, Penjaringan sub-district, North Jakarta was implemented on February 24th, 2013. The event was attended by the district-level cooperatives government agency, the head of the village, the district-level BPBD (disaster management agency), some local NGOs interested in **women's empowerment**, as well as several local MFI representatives. The event was also attended by most members and clients of the two cooperatives. Approximately 1,000 people attended the event, and it was considered a great success.
- Pre-Assessments in North Sumatra and West Java
From March 4 - 9 and March 18 - 22, 2013, the ILFAD team conducted pre-assessments in North Sumatra and West Java. The main objective of the pre-assessment is to map the disaster prone area and the region's **capacity** to reduce economic impacts after disaster. Introductory meetings are also organized with stakeholders to gather input related to future ILFAD activities. Stakeholders included representatives of the provincial and district-level BPBDs, the

Department of Cooperatives and SMEs, the Bank Indonesia, potential APEX institutions (For example: local government banks, Bank Danamon, Bank Mandiri, Bank BTPN, Kospin Jasa, Bank Mamalat), PERBARINDO (association of rural banks), and some cooperative associations, such as PUSKPOPDIT (Cooperative Association) and PUSKOPSYAH (Islamic Cooperative Association).

Challenges:

- Natural hazards

One of the challenges the ILFAD team faced while visiting hazard-prone regions was actual natural hazard. A landslide occurred and caused disruption in road transit while one team was carrying out a pre-assessment in the Mandailing Natal district of North Sumatra province. A second ILFAD team, conducting the pre-assessment in West Java canceled the activity following another landslide in the Cililin sub-district. The team had been scheduled to meet with the BPBD, but due to their emergency response to the landslide, they cancelled suddenly. Plans for pre-assessments in both districts have been re-scheduled for next quarter.

- Challenges identified at the launch event for the DRR savings product in Sumber Jaya and Sumber Rejeki Baru women's cooperatives are as follows:

1. Age, status, and education level of clients: These variables were discussed as operational challenges in the Sumber Jaya and Sumber Rejeki Baru women's cooperatives. In both women's cooperatives, there are mothers with small children who care for their households, and in some instances are also employed as daily laundry workers. The age of these clients is mostly 40 - 60 years, and most have only completed elementary education. This context makes the preparatory process for launching the DRR product longer, relative to other MFIs where clients have higher levels of education. Initial disagreements and misunderstandings about the differing opinions among management members on the launch event created some challenges, especially in cultivating the sense of togetherness and developing their spirit and motivation towards cooperatives' **activities related to DRR products**. This is expected to improve continually as the interactions between stakeholders intensifies over the next calendar quarters.
2. Difficulty in determining a product launch venue: Penjaringan is one of the slum areas in Jakarta, predominantly inhabited by low-income factory laborers. The streets in this village are very narrow, and there is high population density. This created difficulty for finding a launching venue suitable for clients in this village. If this event held outside of this village, the Cooperative management believed that many clients would not attend the event. With help from the head of the village, a large warehouse owned by a local entrepreneur was secured for the product launch.
3. Determining product name: Because people are often hit by disasters like floods and fires every year, people feel a sense of ongoing trauma. When the cooperatives conducted a survey for the features and name of a DRR savings product, many respondents expressed distaste for product names related to disaster, such as "**disaster savings**" or "**savings for disaster preparedness**." This is because they feel these names seem to encourage future disasters. Finally, after several discussions, cooperative management agreed to the name, "**PERMATA savings**". PERMATA stands for PERempuan MATAng—"mature woman". This name was selected because the cooperative members felt savings were important for mature women of ages 40 and older; the name conveys a dual sense of being a savings mechanism for both retirement and disaster preparedness (See Annex 1 for product features).

2. Program Overview

Launching the New DRR Savings Product

The launch of the specialized disaster savings product was implemented in Sumber Rejeki Baru and Sumber Jaya women's cooperatives with the name fi PERMATA Savings. The ILFAD team worked closely with both cooperative's management for the launch preparation, including:

- Establishing committees with roles and responsibilities for before, during, and after the launch event
- Determining one launch event location for two cooperatives (This process also involved many parties from village to sub-district level)
- Designing banners and savings accounting books for the DRR product
- Advising on the agenda for the launch ceremony

The PERMATA Savings product was officially launched for Sumber Rejeki Baru and Sumber Jaya women's cooperatives Sunday, February 24th, 2013, from 10 AM to 3 PM. The event was attended by approximately one thousand people. This included representatives from the district-level cooperatives government agency, the head of the village, the district-level **BPBD, some local NGOs interested in women's empowerment**, as well as several local MFI representatives and most of both cooperatives' **clients**. Erynn Carter, Director of Programs for Mercy Corps Indonesia and Helen Ho of USAID/OFDA participated in the launch. The leader of Sumber Rejeki Baru Cooperative, Ibu Sumiatun, expressed appreciation and thanks to USAID/OFDA, Mercy Corps, and MICRA representatives. The Microfinance Innovation Center for Resources and Alternatives (MICRA) provided technical assistance and support for the implementation of the PERMATA Savings launch. Ms. Carter thanked the cooperative leader and community for the opportunity to attend the event and expressed her hope that the DRR saving product will provide benefits to the local communities, especially when a disaster occurs. Helen Ho hit the gong to officially inaugurate the PERMATA savings product.

Pre-Assessments

In this quarter, the ILFAD team conducted pre-assessment activities in two provinces, North Sumatra and West Java, to map the disaster prone area and the potency of the region to reduce the economic impact after disaster. Introductory meetings were also held with stakeholders to inform future ILFAD activities planned for the area. Preliminary data used as reference points were the Index of Disaster Prone Areas 2011-2012, and the National Disaster Management Plan 2010-2014 published by the BNPB (National disaster management agency).

North Sumatra Pre-Assesment (4 - 9 March,2013):

Based on the stakeholder meeting and collected information, potential hazards in the North Sumatra are landslides and floods. A total of 10,089 people were displaced and 2,348 affected by natural hazards during the two-year period 2011-2012. Mandailing Natal District had the highest number of cases, as many as 1,000 people. Data analysis will be completed in the next quarter.

West Java Pre-Assessment, (18 - 22 March 2013):

It is recognized that natural hazards frequently occur and are of great concern for the people in West Java province. These hazards include landslides, floods, and volcanic eruptions. The topography itself can also be challenging as some villages are located on the slopes of volcanoes. The preliminary data revealed that during the period of January - November 2012 there were 25,614 people affected by natural hazards in West Java.

This includes 19,537 victims in Bandung district, 3,538 victims in Garut district, and 2,000 victims in Sukabumi district. Data analysis will be completed in the next quarter.

2. Performance Summary

Sector #1 Economic Recovery/ Market System				
Beneficiaries targeted	90 MFIs, 270,000 direct individuals; 1,350,000 indirect			
IDP Beneficiaries Targeted	135,000 individuals			
Beneficiaries reached	0			
Geographic area	Aceh, North Sumatra, West Sumatra; West Java, DKI Jakarta, Yogyakarta, Central Java, East Java; West Nusa Tenggara, East Nusa Tenggara, Maluku			
Sub-Sector 1.1.: Microfinance Institutions (MFIs)				
Objective 1: Providing emergency financial services to disaster affected clients				
Indicator	Baseline	Target	Progress to Date	Date
# of disaster affected households replacing household and livelihood assets using loans and savings from MFIs benefiting from ILFAD	N/A	135,000	Nil	Will be determined*
# of MFI clients in disaster-prone areas reached with new post-disaster loan products	N/A	Will be determined	Nil	Will be determined*
# of MFIs receiving time-deposits	N/A	36	Nil	Will be determined*
# of new specialized products offered for emergency recovery	N/A	9	6	February 2013
# of MFIs trained on disaster risk reduction and recovery practices	N/A	90	39	June 2012
% progress toward full capitalization of the Emergency Liquidity Facility Indonesia	N/A	50%	More than 100% \$2,000,000	March 2013

*These dates are being discussed amongst MICRA and Bank Andara and will be finalized next quarter.

Sector Summary:

Indicator Progress Update

of disaster affected households replacing household and livelihood assets using loans and savings from MFIs benefiting from the ILFAD

- This indicator has no progress to report because no disaster has occurred in the project areas. If no disaster happens during program implementation, the indicator will be measured against a planned simulation.

of MFI clients in disaster-prone areas reached with new post-disaster loan products

- This indicator has no progress to report because no disaster has occurred in the project areas. If no disaster happens during program implementation, the indicator will be measured against a planned simulation.

of MFIs receiving time-deposits

- This indicator has no progress to report because no disaster has occurred in the project areas. If no disaster happens during program implementation, the indicator will be measured against a planned simulation.

of new specialized products offered for emergency recovery

- During the reporting quarter, two DRR savings products were launched by Sumber Rejeki Baru and Sumber Jaya women's cooperatives in Penjaringan Sub-district, North Jakarta.

of MFIs trained on disaster risk reduction and recovery practices

- To date, 39 MFIs have been trained on disaster risk reduction.

% progress toward full capitalization of the Emergency Liquidity Facility Indonesia

- This indicator was achieved during ILFAD Phase 1. It is expected that % progress will be increased significantly in Phase 2.

3. Monitoring and Evaluation

In this quarter, program monitoring was conducted simultaneously with the ongoing field activities, such as the pre-assessments. Evaluation on participating MFIs was conducted jointly with MICRA and Bank Andara. The analysis is underway and results will be discussed during next quarter.

4. Coordination

The ILFAD team conducted a coordination meeting on March 14th, 2013. The main topic was the evaluation of DRR products that have been launched.

Other topics discussed at the meeting included:

- Plan to meet and re-socialize the ILFAD program with the CEO of Bank Andara: Due to changes in management structure and roles, Bank Andara management requested a meeting with the ILFAD team to re-socialize and present the work plan. This meeting will be conducted in the next quarter.
- Comparative study to Emergency Liquidity Facility (ELF) in Costa Rica: It was agreed that the comparative study be temporarily suspended while the team actively seeks another example of ELF that is more **comparable to ILFAD's** work plan in 2013-2014.
- Natural disaster simulation: It was agreed among MICRA and Bank Andara that the natural disaster simulation will be postponed until 2014 to make the simulation exercise cost effective by including as many MFIs as possible (Of the 90 MFIs targeted).

- Information from Bank Andara: Bank Andara informed the ILFAD team that they will collaborate with two credit insurance companies, ASKRINDO and JAMKRINDO, as a liquidity placement guarantor from Bank Andara to cooperatives. This guarantee will provide additional assurance to banks and encourage confidence in providing access to liquidity to cooperatives after disasters. The ILFAD team has planned for a meeting with both of institutions to discuss the details about liquidity funds insurance during the next quarter.
- Updating information about liquidity facilities features after disaster with Bank Andara as APEX Bank.

5. Success Story

Sumber Rejeki Baru women's cooperative was established on July 12th, 1992 and obtained legal status in 2006, with the number 0346/BH/-1.82/XII/2006, and is located on Jl. Pluit Dalam RT 014/08 No. 15, Penjaringan, Jakarta Utara. While Sumber Jaya women's cooperative officially has a legal framework with the number 374/BH/XII.2/-1.829.31/VI/2012 and is located on Jl. Pluit Dalam RT 010/08 No. 20, Penjaringan, Jakarta Utara. At the beginning, the cooperatives had only 27 mother-clients, and provided only saving and loan activities for collecting funds with voluntary savings and obligatory savings actuated by Ibu Sumiatun (the leader of the women's cooperatives).

Sumber Rejeki Baru cooperative is located in a densely populated area of North Jakarta. This area is vulnerable to fires, while Penjaringan is also vulnerable to floods. A 2006 fire in RW 8 of Penjaringan caused the decline of third-party funds (savings) and increased the ratio of non-performing loans.

The Sumber Jaya **cooperative's office was also destroyed in** the fire. The two cooperatives now work together to improve their conditions and liquidity funds, as well as gain the trust of the community, especially in Penjaringan. The cooperatives are legally registered as two separate cooperatives. As of January 2012, the two cooperatives have more than 3,000 clients with total assets greater than IDR 4 billion.

With the launch of PERMATA Savings, both cooperatives feel more confident, optimistic about their future, and are ready to help their clients when disasters occur. The DRR savings product will have enough liquidity funds to keep cooperatives operating, even though unanticipated situations when most clients withdraw their savings suddenly after disasters. The **cooperatives'** management has also been equipped with technical skills for disaster preparedness. The **January 2013 floods in Jakarta provided a "test", and cooperatives'** were able to save their clients' data from being lost. The computer system, provided under ILFAD, has backup data on CDs and flash drives.

6. Conclusion

In this quarter, the ILFAD team provided support for the implementation of the PERMATA Savings launch event for Sumber Rejeki Baru and Sumber Jaya women's cooperatives. The management needed additional time to sensitize clients and develop a sound plan for savings product launch. Despite some challenges, the launch was successfully implemented and the event was attended by approximately 1,000 people.

In the next quarter, the ILFAD team will continue pre-assessment activities in Aceh, East Java, Maluku, and some areas that failed to conduct pre-assessments this quarter due to landslides. The tender process for selecting a consultant institution is expected to be completed in the next quarter. The terms of reference for will include a round table meeting, capacity building training for MFIs and cooperatives, and other technical assistance.

7. Annex

1. Features of the DRR saving product, Tabungan PERMATA/PERMATA Savings.
2. Photos of the launch event **at women's cooperatives in Sumber Jaya and Sumber Rejeki Baru.**

Annex 1: Features of the DRR saving product, Tabungan PERMATA/PERMATA Savings

Product Features	Product
Brand Objectives	TABUNGAN PERMATA/PERMATA savings Tabungan PERMATA is intended for emergency situations (disaster preparedness), including fires, floods, earthquakes and other natural hazards.
Client's requirement	<ul style="list-style-type: none"> ✓ Registered as a member ✓ Open to customers
Balance	<ul style="list-style-type: none"> ❖ Initial balance IDR 25,000 ❖ Minimum balance IDR 5,000 ❖ The final balance of Tabungan PERMATA should have a minimum total of IDR 1,000,000 within a period of 24 months of the account opening
Payment Period	<ul style="list-style-type: none"> ➢ Collection available daily by collection officers to member's house/business venue at least IDR 2,000/day ➢ Payment amount is agreed based on client's needs
Withdrawal Period	Tabungan PERMATA can only be withdrawn in the event of an emergency/disaster (fires, floods, earthquakes and other hazards)
Administration Fee	<ul style="list-style-type: none"> ❖ The cost of account opened from IDR 5,000 (cost to buy the book) ❖ The administration fee is IDR 1,000/month per client.
Annual Interest	0.25%
Client's Benefits	<ul style="list-style-type: none"> - Feel safe because they are saving lives through disaster preparedness - Prioritized to obtain financial assistance should a disaster occur - Getting a loan amount equal to their total in the Tabungan PERMATA - Financially guaranteed by Tabungan PERMATA - Savings collection is picked up by the officer at the client's house/business venue

Promotion	<p>Conducted through current MFI activities; cooperative member annual meeting, cooperative member meetings brochures, socialization by loan officers, socializing by community group leader</p> <p>Conducted in parallel with the disaster preparedness activities by or with other institution, e.g. when disaster preparedness training is held</p>
Collector	Target to be collected IDR 10,000 / week = IDR 1,000,000/month at least 50 customers per day

Annex 2. Photos of the launch event for women's cooperatives in Sumber Jaya and Sumber Rejeki Baru



The attendees, in front of the stage



The attendees, right of the stage



The attendees, left of the stage



Launch procession (Helen Ho, OFDA, hitting the gong)



Symbolic procession (Helen Ho, OFDA, gives savings books to clients)



The Management of the Women's Cooperatives