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QUARTERLY REPORT

July 2016 – September 2016

**INDONESIA DISASTER RISK REDUCTION PROGRAM
FINANCIAL ACCESS**

Indonesia Liquidity Facility After Disaster (ILFAD)

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



COUNTRY CONTACT	HEADQUARTERS CONTACT	PROJECT SUMMARY
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ACRONYMS

ABSIGAB	Association of Disaster Preparedness Rural Banks
ACA	Central Asia Insurance
AMiDA	Academy for Microfinance Development in Asia
Aswata	Wahana Tata Insurance
BNPB	National Agency for Disaster Management
BPBD	Regional Agency for Disaster Management
CU	Credit Union
BPR/BPRS	Rural Banks/Sharia Rural Banks
DISKOPERINDAG	Trade, Industry and Cooperative Local Agency
DM	Disaster Management
DRR	Disaster Risk Reduction
ILFAD	Indonesia Liquidity Facility After Disaster
IFC	International Finance Corporation, World Bank Group
KASIGA	DRR saving in ABSIGAB West Sumatera
LAPENKOP	National Institution on Cooperatives Education
MFI	Microfinance Institutions
MICRA	Microfinance Innovation Center for Resources and Alternatives
MoU	Memorandum of Understanding
NTB	West Nusa Tenggara Province
OJK	Indonesia Financial Service Authority
Perbarindo	Association of Rural Banks
Puskopdit	Credit and Cooperative Center
RAT	Rapat Anggota Tahunan – Annual Member Meeting
RISE	PT. Sentra Riset Inovasi Edukasi Indonesia
SinCan	Disaster Saving
TASIGAB	Disaster Savings Product

1. Program Summary

During the final quarter of program implementation, the *Indonesia Liquidity Facility After Disasters* (ILFAD) program focused on wrapping up all program activities implemented by partners, supporting uptake of disaster saving and insurance products and consolidating learning regarding the available pathways for building liquidity for MFIs.

To improve microfinance institutions' (MFIs) capacity in disaster risk reduction (DRR), ILFAD partner the National Institution on Cooperative Education (LAPENKOP) finalized the MFI business plan annexes on disaster micro-finance products, marketing strategy for micro-finance products, and Standard Operating Procedures on disaster risk reduction for MFIs. Together with ILFAD team, LAPENKOP presented and discussed the tools with MFIs in West Sumatera, East Java and West Nusatenggara. In order to finalize adoption of the tools, the MFIs will require approval through their annual board meetings.

Indonesia Cloud (I-Cloud), the service provider for cloud based-storage, continued to assist MFIs in improving their data back-up systems. After organizing a workshop on data back-up in the previous quarter, I-Cloud produced a user-friendly guideline and tutorial video on data back-up for MFIs and implemented on-line training with 13 MFIs.

At the close of program operations, 15 MFIs have developed disaster saving products and 8 MFIs are selling disaster micro-insurance products. Disaster savings is reaching a total of 2,429 clients (721 male and 1,708 female) and insurance has been purchased by 1,672 MFI clients (612 male and 1,060 female). ILFAD worked with the Credit and Cooperative Center (PUSKOPDIT) in East Java to launch an additional bundled disaster saving and insurance product to 10 of their Credit Union (CU) clients that is likely to reach more than 4,000 additional customers. In addition, ILFAD supported ASWATA and Swiss Re to sell parametric earthquake insurance for MFI portfolio protection to 3 MFIs.

ILFAD continued to work with the Association of Disaster Preparedness Rural Banks (ABSIGAB) in W. Sumatera, and with MFIs based in East Java to establish and expand pooled funds for increased access to liquidity after disaster. Bank Andara is engaged in on-going planning to support MFIs to create structured deposits linked to a voluntary resource sharing mechanism. ABSIGAB continues to finalize its internal governance and management system, including the process for requesting and distributing liquidity resources, and is working on a strategy to expand its membership to create a broader geographic distribution of risk. In the final quarter, ILFAD supported ABSIGAB to discuss its roadmap for a nation-wide pooled fund, to develop an MoU with Bank Andara and to initiate deposits from ABSIGAB members to Bank Andara

Finally, ILFAD continued to support research efforts aimed to better understand MFI and MFI client experiences of disaster and demand for disaster related products. Quantitative research in West Sumatera and Jogjakarta supported by Mercy Corps' Regional Resilience Fund is being carried out to develop an understanding of the needs and demand at the individual and household level for financial products to mitigate and recover from catastrophic disasters. This research is being conducted by the University of Sydney with support from a local consulting firm and will continue after the ILFAD program closes.

2. Performance Summary

Output 1.1: Improved Capacity of MFIs on DRR and Liquidity Management

As a follow-on to the disaster response simulation training conducted in the last quarter, LAPENKOP supported 21 MFIs in West Sumatera, East Java and West Nusa Tenggara to develop a disaster pre-

paredness and response standard operating procedure (SOP) using a generic SOP created by the ILFAD team. As part of the SOP, MFIs are encouraged to incorporate the Rapid Response Team as a standard part of their organizational structures tasked with maintaining disaster preparedness. Three MFIs have moved forward with the RRT and it is estimated that another 16 MFI's plan to propose the structure to their boards during annual planning.

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Output 1.2: "Cloud" System Established as a Data Storage for MFIs

In order to expand on the capacity building for 15 MFIs on data back-up and storage that has been conducted to date, during the final quarter, I-Cloud approached each of the MFIs individually to improve their understanding of how to correctly implement the data storage system. I-Cloud conducted a remote training session with each of the 13 MFIs. To help MFIs be more comfortable with the remote training platform, I-Cloud provided a tutorial video and user-friendly guideline on the cloud-based system which was provided before the training took place. ILFAD monitored target MFIs post training to guarantee that cloud data back-up is established in the six MFIs that have the correct server configuration to engage with the system. As of the program close, three MFIs are connected to the cloud system and are backing up client data on a daily basis. The team also worked with the other seven MFIs to find solutions to their server and internet connectivity challenges, but was not able to find sustainable solutions that would allow them to utilize the ICloud system.

Output 1.3: Liquidity Facility Cooperation Between OJK Authority, APEX Bank and MFIs for Disaster Liquidity Facility to be in Place

ILFAD continued to support MFIs to construct membership-based pooling mechanisms for increased liquidity after disaster in both W. Sumatera and in E. Java. This effort received increased support during the past quarter from both Bank Andara demonstrating their commitment by engaging with ABSIGAB to work to resolve the regulatory and structural obstacles to building a formal liquidity fund with an APEX structure and wider investment that offers liquidity products that MFIs can afford to join.

ABSIGAB and Bank Andara have formalized their partnership through an MoU, and several member MFIs have deposited funds in the bank to contribute to the pooled fund. In this quarter, funds from 11 of ABSIGAB members in total IDR 875 million (USD 67,750) has been deposited in separate individual account at Andara Bank. Under ABSIGAB's internal governance mechanism, individual members will be enabled to transfer funds to affected MFIs after a disaster. ABSIGAB and Bank Andara are still discussing the best mechanism to transfer the funds quickly to affected MFIs when needed. While Bank Andara cannot provide additional support to increase liquidity, provide loans or implement direct distribution to affected MFIs in the pooling partnership due to bank policy and current financial regulations, all agree that this is a good start towards a future mechanism with a larger distribution of risk and access to more liquidity.

With support from ILFAD, ABSIGAB has finalized its governance model and established an SOP for the management of its pooled fund which will be presented for approval at a future Board of Directors meeting. ABSIGAB has also shared the SOP with ILFAD partner MFIs in Malang, East Java, as a first step in building a national network of MFIs to engage in the liquidity fund.

Given the strong commitment of ABSIGAB and the demonstrated market demand from its members, Bank Andara plans to explore the feasibility of taking on the APEX role in 2017-2018, and to work with OJK to secure the necessary approvals. ILFAD supported the stakeholders to make progress toward this goal by mapping out a clear strategy and work plan to carry the work forward, past the close of ILFAD.

Output 1.4: Related DRR Saving, Loan and Micro Insurance Product is Accessed by the Community

1.4.1 Replication of Disaster Savings Product

To date, the program supported nine product launch events involving 26 MFIs in Jakarta, Aceh, West Sumatera, Jogjakarta and East Java Province. Fifteen MFIs have developed disaster saving products reaching a total of 2,429 clients (721 male and 1,708 female) or 80% of the program target. The majority of clients are coming from the 25-60 year old age group, which means that they are from the most productive age category. During the final quarter of program operations, ILFAD worked with PUSKOPDIT in Malang, East Java to support their member Credit Unions to develop and roll out disaster saving and micro-insurance products. On August 19, 2016, ILFAD and PUSKOPDIT jointly organized the launch event on disaster saving and micro-insurance products to members of ten credit unions in Malang District. It is estimated that more than 4,000 members of the credit unions will access the products, however, documentation will only be available in next quarter.

For rural banks, the OJK has not changed the regulatory restriction on bundled financial products that combine savings and insurance products. For ILFAD partner MFIs in West Sumatera, ABSIGAB is working with OJK W. Sumatera to change the regulation, but as of now there is no further information from OJK regarding approval. Although ILFAD worked with the new head of the banking division of the Regional OJK Office for approval of bundled products, he was unable to make a commitment to reaching an outcome by a specific date.

1.4.2 Development of New Micro Insurance Product

Currently, eight MFIs sell disaster micro-insurance products. There are two types of micro-insurance available: earthquake insurance in West Sumatera and Aceh; and volcanic eruption insurance in Jogjakarta. A total of 1,672 MFI clients (612 male and 1,060 female) have purchased a micro-insurance product, which is 21% of the program target. As with disaster saving, people ages 25-60 represent the majority of purchasers.

ILFAD has been working to expand access to volcano insurance in partnership with PUSKOPDIT in E Java. As of September 2016, ten credit unions member of PUSKOPDIT¹ in East Java have launched a bundled product offering volcano insurance and disaster savings. In addition, PUSKOPDIT and Japan Risk launched a bundled product that includes Japan Risk's life insurance product bundled with PUSKOPDIT's existing Permata product. The initial market for the bundled Permata/Life Insurance product is estimated at 20,000 people in Malang who are not currently covered.

¹ Koprads (cooperatives) are not restricted by OJK from offering bundled insurance and savings products.

With support from ILFAD, ASWATA and Swiss Re continued to promote the parametric earthquake insurance product for MFI portfolios launched in Padang in June 2016. As a result of ILFAD's support three MFIs have purchased the product including BPR Cempaka Mitra Nagari, BPR Lubuk Raya Mandiri, and BPR Nurul Barokah.

3. Activities and Coordination

ILFAD supported a quantitative research study on MFI clients in West Sumatera and Jogjakarta, funded by Mercy Corps' Regional Resilience Fund. The data collection with clients of MFIs in West Sumatera and Jogjakarta was completed in September 2016 but the analysis of the findings was still ongoing at the close of the ILFAD program.

In order to support transition of program supported activities to sustainable implementation by partners, ILFAD organized a stakeholder meeting with ABSIGAB board, Andara Bank Aswata, ACA Insuranc and a USAID representative. The meeting was organized to report progress, achievements and some required following actions after the program close. Learning from the program was also shared to the ASEAN Secretariat in August 2016, as the Secretariat is in initial stage of implementing new program on insurance for disaster risk reduction.

4. Internal Evaluation

The ILFAD team conducted an Internal Program Evaluation (end-line survey) on management of household finance of MFIs clients from July-August 2016. The evaluation included quantitative and qualitative data collection with five MFIs and 175 Individuals in West Sumatera and Jogjakarta provinces and explored 13 key questions. As a result of the evaluation surveys and interviews, it can be concluded that activities related to disaster micro-finance products have had a positive result for MFI clients on management of household finance, on flexibility on investment and on motivation to invest on disaster saving and micro-insurance. The number of micro-finance products accessed by MFI clients increased and women were found to be more likely to take a dominant-role in household-level decisions to invest on micro-finance products.

5. External Evaluation

Brooke Olster, an independent consultant, conducted an external evaluation of the ILFAD project from September 2 to September 30, 2016. Brooke visited two project sites and interviewed partners and client representatives as well as key MCI staff and technical advisors. At the time of this writing, Brook's final evaluation findings are not yet available, but will be incorporated into the program final report.



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Annex 1. Performance Summary Matrix

Level	Indicator	Target		Q12	Q13	Q14	Q15	Q16	Q17	Q18	Q19	Q20	Σ	Notes	Status
OUTPUT															
Output 1.1: Improved capacity of MFIs on DRR and liquidity management	Indicator 1.1.1: # of MFIs trained on DRR and liquidity management	135 MFIs		164	0	0	0	0	34	30	0	0	228	All training in DRR and liquidity management has been accomplished. 164 on the Q12 are from the total accumulation of Phase 1 and Phase 2	Green
Output 1.2: Cloud system as a cloud data storage is established for MFIs	Indicator 1.2.1: # of MFIs registered with the cloud system	14 MFIs		0	0	0	9	4	0	0	0	0	13	Until the end of ILFAD, 13 have been registered with cloud.	Green
	Indicator 1.2.2: # of MFIs clients' data are collected in the cloud system	Up to 42,000		0	0	0	69,643	0	-	-	-	-	69,643	The previously reported 120,071 was an estimate based on the number clients in 14 MFIs – this indicator may be adjusted further in the final report.	Yellow
Output 1.3: Liquidity facility cooperation between authority, APEX Bank and MFIs for disaster liquidity facility in place	Indicator 1.3.1: # of acknowledgement letter from authority	At least 1 letter		0	0	0	0	0	0	0	0	0	0	No acknowledgement letter from OJK regarding APEX, pooling fund, bundling product, etc. OJK supported ILFAD verbally.	Red
	Indicator 1.3.2: % progress toward full capitalization of the Emergency Liquidity Facility	100%		0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	There was no APEX mechanism established. Bank Andara has been a custodian bank for ABSIGAB members with deposits of USD 67,000	Red

Level	Indicator	Target		Q12	Q13	Q14	Q15	Q16	Q17	Q18	Q19	Q20	Σ	Notes	Status
Output 1.4: Related DRR saving, loan and micro insurance product is accessed by the community	Indicator 1.4.1 # of clients in disaster-prone areas reached with new post-disaster loans and savings products.	4,000		1,266	1,332	1,336	1,735	1,945	2,273	2,392	2,413	2,429	2,429	2,429 clients (60.7%) have accessed disaster saving products. Puskopdit launched a disaster saving product in August 2016 with 10 CU members but was not able to report on the number of new accounts by the program end date.	
	Indicator 1.4.2 # of MFI clients in disaster-prone areas are covered by DRR micro insurance products	8,000		0	91	236	374	931	1,301	1,607	1,672	1,672	1,672	1,668 (20.9%) clients purchased DRR micro insurance from 8 MFIs.	
ACTIVITY															
Activity 1.1.1: The selection of potential MFIs to receive further supports	Indicator 1.1.1.1: # of selection criteria document	1 document		1	NA	1									
	Indicator 1.1.1.2: # of MFIs that are accompanied	21 MFIs		0	0	0	19	0	0	0	2	0	21	2 MFIs joined the program in Q19 but were not reported at the time.	

Level	Indicator	Target		Q12	Q13	Q14	Q15	Q16	Q17	Q18	Q19	Q20	Σ	Notes	Status
Activity 1.1.2: Development of DRR SoP for MFIs	Indicator 1.1.2.1: # of DRR SoP for MFIs	14 SoP		0	0	0	0	0	0	0	0	14	14	The Disaster SoP manual was completed by LA-PENKOP in Q19 and socialized to 14 MFIs (100%) in Q20.	
Activity 1.1.3: Conduct DRR and liquidity management simulation for MFIs	Indicator 1.1.3.2: # of simulation	Up to 14 simulation		0	0	0	0	0	0	0	16	0	16	16 MFIs (114%) participated in disaster simulation. 2 simulations were held. 10 MFIs from Malang participated in the simulation in Malang, E. Java and 6 MFIs from West Sumatra participated in another simulation in Padang, W. Sumatera.	
	Indicator 1.1.3.1: # of rapid response teams are function	Up to 14 teams		0	0	0	0	0	0	0	0	3	3	While the program supported 21 MFIs with DRR SOPs which include establishment of Disaster Response Team, only 3 have established the teams while the other 18 still need time obtain approval from their boards to do so.	

Level	Indicator	Target		Q12	Q13	Q14	Q15	Q16	Q17	Q18	Q19	Q20	Σ	Notes	Status
Activity 1.2.1: Selecting vendor for the cloud system	Indicator 1.2.1.1: # of cloud system vendor that is selected	1 vendor		0	1	NA	1	Indonesian cloud has been selected to implement cloud system for selected MFIs.							
Activity 1.2.2: Development the cloud system's flow process for MFIs	Indicator 1.2.2.1: # of flow process for the cloud system	1 document		0	0	0	0	0	1	NA	1	0	2	The 'how to' manual guide, as a summary from previous guidance has been developed and distributed to 13 MFIs.	
Activity 1.2.3: Further coaching in using the cloud system for MFIs	Indicator 1.2.3.1: # of coaching on the cloud system implementation	Up to 14		0	0	0	9	4	0	0	1	0	13	Manual guide including a 'how to' video was delivered to MFIs and remote training was conducted. The MFI that joined in Q19 did not follow through with the process and is therefore not included in the total number of MFIs reached.	
Activity 1.3.1: Development of cooperation model of APEX Bank (pooling fund institution) for disaster	Indicator 1.3.1.1 # of MFIs signing letter of agreement on the cooperation model with APEX	30 MFIs		0	0	0	0	0	0	0	0	36	36	MoU between ABSIGAB (36 MFI members) and Bank Andara establishing Bank Andara as a custodian bank for liquidity deposits.	

Level	Indicator	Target		Q12	Q13	Q14	Q15	Q16	Q17	Q18	Q19	Q20	Σ	Notes	Status
Activity 1.3.2: Advocacy to OJK, BI, BNPB and BPBD on related micro insurance product for MFIs	Indicator 1.3.2.1: # of meetings with OJK, BI, BNPB and BPBD	no limit		NA	Coordination with OJK, BI, BNPB and BPBD was largely effective. But ILFAD was unable to convince OJK to make a decision on bundled DRR products sold through BPRs and established limited coordination with BNPB.										
Activity 1.4.1: Development of new micro insurance product	Indicator 1.4.1.1: # of new micro insurance product	1 product		0	0	0	1	1	0	0	0	0	2		
Activity 1.4.2: Disaster preparedness saving replication and launching conducted	Indicator 1.4.2.1: # of DRR products are launched for emergency recovery	21 MFIs (revised)		6	7	0	1	1	0	0	0	10	25	In Q20 10 CUs in East Java launched the PUS-KOPDIT disaster saving product called Sigara, which is bundled with micro-insurance	
Activity 1.4.3: Development of business model for disaster preparedness saving and micro insurance distribution	Indicator 1.4.3.1: # of business model	1 business model		1	0	0	0	0	0	0	0	1	2	LAPENKOP socialized the final model to 21 MFIs in West Sumatra, East Java and West Nusa Tenggara.	
Activity 1.4.4: Intensive mobilization of TA-SIGAB and micro insurance	Indicator 1.4.4.1: # of active accounts of DRR saving products are developed	3000 (revised)	M:	262	297	300	454	527	653	707	713	721	721	80.9%	
			F:	1,004	1,025	1,026	1,275	1,355	1,620	1,685	1,700	1,708	1,708		
			Total	1,266	1,332	1,336	1,735	1,945	2,273	2,392	2,413	2,429	2,429		

Level	Indicator	Target		Q12	Q13	Q14	Q15	Q16	Q17	Q18	Q19	Q20	Σ	Notes	Status
for community															

Note:

RED color means the indicator was not achieved

YELLOW color means the indicator was partially achieved

GREEN color means indicators were achieved