

Microfinance Initiatives in Indonesia





About the Real Medicine Foundation

Real Medicine Foundation provides humanitarian support to people living in disaster, post-war and poverty stricken areas, and continues to help communities long after the world's spotlight has faded. We believe that "real" medicine is focused on the person as a whole by providing medical/physical, emotional, economic and social support. By using a personal approach, Real Medicine Foundation forms partnerships with individuals and organizations throughout the world, allowing us to create effective models and sustainable solutions that can be applied globally.

Based on today's Best Practices Modern Medicine, Real Medicine Foundation utilizes a Comprehensive Integrative Primary Health Care Model, which also includes proven effective holistic methods. Programs addressing some of the developing world's most important issues, such as Maternal and Infant Mortality, Malaria, HIV/AIDS and Malnutrition are part of Real Medicine Foundation's commitment to treating the whole person and providing sustainable integrated solutions. We establish mobile and stationary health clinics employing regional staff and tailoring them to local needs. At home in the United States Real Medicine Foundation conducts healthcare outreach programs in Los Angeles and has provided aid to Hurricane Katrina survivors.

Driven by a focus on "one child at a time," and leveraging a streamlined organizational structure, in just four years Real Medicine Foundation has grown to operate in 13 countries across four continents around the world and has aligned with governments and international agencies, including the UN, to reach those most in need.



Deliberative Democracy for Social Justice

About KOMPIP

KOMPIP was founded in 1999 in Surakarta, Central Java, with the mandate of empowering disenfranchised Indonesians by promoting democratization and good governance. Having developed credibility and a broad base of support in central Java, KOMPIP has since diversified and added several components to its empowerment program including disaster risk reduction training, community participation, social advocacy and microfinance.

As Indonesia continues its push towards decentralization, KOMPIP's microfinance activities have been complemented by the "Third Fiscal Devolution" which aims to provide the country with a model that is capable of integrating funding mechanisms and micro-credit distribution channels to eliminate Indonesian poverty. To date, federal funding has been distributed through local municipalities and the fiscal devolution is poised to take this to the village and neighborhood level. The distribution of public finance lower on the proverbial social ladder has been empirically shown to reduce corruption and enhance the impact of every dollar spent.

At this juncture KOMPIP is working on two microfinance initiatives; a neighborhood endowment fund (NEF) and a Grameen-based cooperative.



KOMPIP disaster risk reduction session



KOMPIP democracy-building seminar



Neighborhood Endowment Fund

In 2006, DARMA-KOMPIP was established as the wing that would set up a revolving fund project known today as *Lumbung Dana Abadi RT*, or Neighborhood Endowment Fund (NEF). The NEF was created with the vision of providing micro-credit to members of impoverished communities that had little or no access to capital but promising and entrepreneurial ideas for micro-business. Traditionally considered “non-bankable” by the formal financial services sector, these communities quickly embraced the NEF initiative. Loan repayment percentage rates have been in the high 90’s and in all neighborhoods the revolving fund has consistently grown substantially larger, allowing increased access and larger loans.

With the help of Real Medicine Foundation, in just three years this fund has grown to serve 7,000 people across 193 neighborhoods in Klaten, central Java. Having achieved tremendous increases in economic empowerment, the local government of Surakarta has provided a substantial seed grant in order to facilitate replication of the NEF to the entire Surakarta area, encompassing 2,668 neighborhoods and approximately 500,000 people.

DARMA-KOMPIP is tasked with replicating this successful model that was built in collaboration with Real Medicine Foundation. This will include mentoring neighborhood-level fund administrators and field staff in areas such as financial reporting, organizational management and solidarity building. Concurrently, DARMA-KOMPIP will be training NEF borrowers in micro-business management and marketing.

NEF at a Glance: Key Facts and Figures

- KOMPIIP partnership with RMF, AusAid, Coca-Cola Foundation and Ford Foundation facilitated provision of micro-credit to 193 neighborhoods (7,000 people) in Klaten, central Java
- Micro-loan repayment rates have been near 100% and the endowment fund has grown rapidly. Between December 2008 and June 2009, each neighborhood’s fund grew between 20% and 80%, and aggregate NEF assets grew from Rp. 542,390,995 (US\$57,000) to Rp. 960,460,460 (US\$101,000)
- Documented success of NEF model has prompted partnership with the Government of Surakarta aimed at broadening scope and reach
- Current expansion to the entire Surakarta area will provide micro-credit services to an additional 2,668 neighborhoods and 500,000 people
- Each neighborhood receives 4-6 months of training and mentoring for clients and administrators before becoming fully self-sustainable

Savings and Loans Cooperative

In November 2009, the DAMAR-KOMPIP cooperative was founded to build on the success of the NEF model by supplementing the services currently provided. Acting as a legally independent microfinance institution, the cooperative will provide increased financial services to economically active members of impoverished communities, including savings, retirement, insurance and access to larger loans. Additionally, KOMPIP will use its decade of experience in grass-roots community empowerment to assist the cooperative's members to gain access to critical social services that have been pledged by the government, especially in the areas of education and healthcare.

The DAMAR-KOMPIP cooperative's working system will be based largely on the Grameen model. This model has been employed by *Mitra Bisnis Keluarga* (MBK), the most successful microfinance institution in Indonesia with whom Real Medicine Foundation is currently forming a partnership. A forthcoming collaborative effort between our two organizations will be instrumental in DAMAR-KOMPIP's implementation of a Grameen-based model.



A Look at Neighborhood Endowment Fund Clients and their Micro-Enterprises

Mr Gunawan (upper right photo) borrowed Rp. 500,000 (~US\$50) in June this year to expand his firewood business. Using the money to buy more raw materials and to increase his inventory, he has been better able to serve the demand for his product. This has allowed him to achieve increased turnover and he has created a strong network of regular buyers as a result. Additionally, Mr Gunawan has provided a livelihood for many people in his neighborhood.

Soon after Mr Gunawan took out his first loan, Mr Triwahyuti (lower right photo) also borrowed Rp. 500,000 to further develop his family's fried chicken business. Previously, Mr Triwahyuti's family only had enough capacity to serve a small number of irregular clients. The micro-loan funded the purchase of materials and tools that were used to increase production as well as establish a packaging system so that Mr Triwahyuti's products could be sent to buyers across central Java.

Both these micro-enterprises benefited from our training programs which teach marketing and financial management. Within less than six months, both men have repaid their loans and taken out larger loans to expand their operations further.

Interestingly, Mr Triwahyuti purchases all his firewood from Mr Gunawan. These men also help to expand their networks. Such interdependent relationships are not uncommon among the NEF neighborhoods and serve as examples of the empowerment that can be achieved through access to financial services at the grassroots level.



Mr Gunawan shows off his freshly produced firewood



Mr Triwahyuti walks us through his cooking process





From left to right; Akbarudin Arif (KOMPIP Director), Sahil Sondhi (Real Medicine Foundation), Joko Widodo (Mayor of Surakarta), Rudi Hadi Rudiyatmo (Vice-Mayor of Surakarta) and Pargito (KOMPIP Financial Officer)

How you can help

A partnership between the Government of Surakarta, KOMPIP and Real Medicine Foundation has resulted in an unprecedented government seed grant that will act as the capital base of newly formed NEF communities.

The expansion of our NEF model from 193 to 2,668 neighborhoods and 7,000 to 500,000 people will require training and mentoring of NEF administrators and clients in order to replicate the success that we have enjoyed thus far.

As we work to facilitate our expansion to the entire city of Surakarta, we are looking for funds to carry out these activities.

For more information, please visit us at:

www.realmedicinefoundation.org

www.youtube.com/realmedfoundation

And feel free to reach out to our microfinance consultant in Indonesia:

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