

# YAYASAN KOMPIPI/REAL MEDICINE FOUNDATION JOINT “COMMUNITY SAVINGS” PROJECT PROPOSAL

Biren Village, Klaten City, Central Java, Indonesia

September 2006

## ABSTRACT:

After spending time with employees of Yayasan KOMPIPI (YK) visiting past and potential project sites in Solo and Klaten Cities, it is the author's recommendation that Real Medicine Foundation (RMF) devote resources to expand YK's *Tabungan Rukun Tetangga* (TRT) program to Biren Village. A US\$10,800 grant to Kompip to be used on the behalf of Biren Village will directly impact an estimated 1,000 households or over 3,500 individuals. Judging from YK's past successes with the TRT program, the RMF grant will stimulate a multiyear process of economic growth that will actively fight poverty and redevelop the damaged community. The RMF grant is badly needed in the earthquake-affected region of Biren Village, where over 99% of homes were partially or entirely destroyed. Thousands of people's lives are currently paused, and despair-generated depression is beginning to take hold. The RMF grant will serve as a direct catalyst to revitalizing the community and returning village members' lives back to normal.

## THE PROGRAM:

Yayasan KOMPIPI (YK) is a Solo, Central Java-based non-governmental organization (NGO) committed to facilitating the democratic process and alleviating poverty on a grassroots level. YK has a proven commitment to developing community economic sustainability, working with marginalized peoples, and promoting the democratic process.

Since 2003, YK has developed and expanded a unique version of micro-lending which the organization calls *Tabungan Rukun Tetangga* (TRT, or neighborhood community savings). Through a three-step process, YK has begun to implement what it calls a “third fiscal devolution” of resources directly to RT (*Rukun Tetangga*, or neighborhoods) from the organization. The three-step process is as follows:

- 1) Poverty information system (PIS) mapping for each RT. Information on household income, education, health, and shelter is gathered and compiled at the community level.
- 2) Work-plan development for each RT. Priorities and location-specific plans are developed.
- 3) The allocation of a “stimulus grant” or *hibah*. Grants are usually in the amount of 2.5 million Rupiah or US\$250.

*The Grant and Loans:*

After the initial US\$250 grant from YK, community members contribute an initial additional 5,000 Rp or US\$.50 installment. Each subsequent month, community members contribute 1,000 Rp or US\$.10. Contributing community members can borrow up to 1 million Rp or US\$100 for emergencies, although most loans do not exceed 500,000 Rp. Over three years, one person in Boyolali Village required a 1 million Rp loan, and it was negotiated along special terms.

The compound interest rate on community loans is 2% per month, or 24% per year – identical to national banks. However, unlike national banks, dividends from the TRT are divided evenly each year and returned directly to contributing community members. If community members cannot repay their loans on schedule, individual special rates can be negotiated, although fellow community and family members are often willing to contribute to payments, and in Boyolali special rates have not been necessary to date. Money borrowed from the community fund is used for health expenses, to cover school costs, and to establish new entrepreneurial activities.

Such activities range from bread making to egg and fish farming to the processing of cow hide chips, a common Javanese snack food. The first 2.5 million Rp to Boyolali in June 2003 was divided between twenty-five community members. Today, three years later, the fund has grown to 8.7 million Rp and is shared by sixty-two community members, with many on the waitlist. Most people borrow only 100,000 Rp or US\$10, enough to open a *siomay* (soy meatballs) business or to buy a bicycle for deliveries. The annual dividend for Boyolali village is 23,000 Rp per person.

In Boyolali village, every 1,000 Rp is accounted for in a comprehensive set of journals kept and maintained by the village head. Loans are made regardless of age or family affiliation, meaning young people can escape the generational “cycle of poverty.”

In 2003, before the TRT program, poverty information systems maps indicate that Boyolali was home to no entrepreneurs. Today, thirty-one people, or half the contributing community members, sell products outside the village.

After an initial six-month monitoring period led by representatives of KOMPIP, Boyolali became financially independent. Members of Boyolali fondly refer to TRT as “*ora ngiro*,” or the unimaginable miracle.

## BIREN VILLAGE

Biren Village is an amalgamation of neighborhoods located ten kilometers or six miles from the mid-sized city of Klaten, Central Java. In the aftermath of the May 24, 2006 earthquake, forty-one villagers from Biren were found dead. Over 99% of the village’s houses were either severely damaged or destroyed, making the per capita destruction worse than Banda Aceh’s in the 2004 tsunami.

Most people in the village are still living in makeshift tents on the slabs of their former homes. The Indonesian government has in theory promised to rebuild 100% of the homes. Faulting their good intentions, international NGOs such as the International Organization for Migration, the Catholic Humanitarian Fund, OXFAM, and the Catholic Relief Service have pledged to fill-in the gaps.

Following natural disasters, after disease and burial of the dead has been taken care of, the three main priorities remain 1) housing, 2) psycho trauma treatment, and 3) the re-establishment of economic self-sustainability.

Because housing is nearly accounted for, and because most villagers claim that they require jobs more than treatment for mental trauma, the author recommends that RMF use YK's TRT program to facilitate the economic revitalization of Biren.

**COSTS:**

In order to support a Yayasan KOMPIP community savings project in Biren village for an initial four-month trial period, 108.6 million Rp or US\$10,800 is needed – an itemized budget is available on the following page.

- An honorarium of US\$250 per month will cover expenses of an expert YK field coordinator. An additional US\$200 per month will cover the expenses of two assistants for the expert.
- The team must be equipped with a laptop computer and printer, which YK can buy used for US\$600. The rental of office space, or lacking office, a weatherproof tent, will cost US\$500. Maintenance, food, and stationary for the team for the four months will cost US\$520.
- Village and neighborhood capacity building initiatives will cost US\$2,200 over the initial four months. These costs will cover orientation, monitoring, and evaluation meetings on the Biren village-wide level at three separate occasions, and each of the twenty-one neighborhood-wide levels once per month. KOMPIP employees assure that such meetings are pivotal to ensuring a smooth, efficient, and effective implementation of the TRT.
- The near majority of the costs will come from the Stimulus Grant. With US\$250 supplied to each of twenty-one neighborhoods within Biren, the grant will serve as the catalyst for economic recovery and independence for over 3,500 people. Each neighborhood is home to roughly fifty households. With an average of between three and four people per household, this means that the Real Medicine Foundation grant of nearly US\$11,000 will serve over 3,500 villagers, setting them on the path to economic and social recovery.

**ITEMIZED BUDGET:**

DESCRIPTION	UNIT	# Months	Price/UNIT	TOTAL
Honorarium field coordinator	1	4	2500000	10000000
Field staff	1	4	2000000	8000000
Laptop and Printer (Used)	1	1	6000000	6000000
Rental Office	1	1	5000000	5000000
Maintenance and Food	4	1	1000000	4000000
Stationary	4	1	300000	1200000
<b>Stimulus Grant</b>	<b>21</b>	<b>1</b>	<b>2500000</b>	<b>52500000</b>
Village Capacity Building*	3	1	1000000	3000000
Neighborhood Capacity Building*	21	3	300000	18900000
*Orientation, Monitoring and Evaluation				

<b>TOTAL</b>				<b>108600000</b>
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**CONCLUSION:**

Based on field experiences – which included visits to successful Yayasan KOMPIP *Tabungan Rukun Tetangga* (TRT) programs and to earthquake-affected villages in Central Java – it is the author’s recommendation that the Real Medicine Foundation grant KOMPIP a US\$10,800 stimulus package. The program will both supply down-and-out villagers with a new source of short-term economic independence, and will also provide Biren with a long-term path to sustainable development.