



Local Economic Development in Indonesia



International
Labour
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Reviving the community spirit

In the Tsunami devastated areas of the Indonesian archipelago, communities need to be rebuilt from scratch. This story shows that reconstruction involves more than building houses and infrastructure. Attention for the community economy as a whole is needed. When reconstruction is built on participation, local labour and resources, the community spirit revives.

Project facts

Project title:

Local Economic Recovery and Development Programme (LERD): Home-based Business Module Programme

Starting date:

February 2006

End date:

January 2007

Donor:

UNDP, Government of Finland

Implementation:

ILO Jakarta

Partners:

UNDP, UN-HABITAT

Location:

Sub-district of Meuraxa (Banda Aceh City)

Objectives:

To revitalize the community economy by improving economic infrastructure and facilities, developing new enterprises and generating employment for community members

Contact:

Julien Magnat, magnat@ilo.org

URL:

<http://www.ilo.org/public/english/region/asro/jakarta/aceh/index.htm>

In the aftermath of the Tsunami of December 2004, people in Meuraxa, a sub-district of Banda Aceh city, were struggling to take up their productive life again. The Home-Based Business Module (HBBM) Programme assisted selected households in (re) starting their home-based activities and in generating employment for other community members. The Programme had an integrated approach combining the reconstruction of economic infrastructure and support to business start-ups with a range of related support activities. The close cooperation with UN-HABITAT and the joint UN Programme facilitated this comprehensive approach. Also, beneficiaries, traditional authorities and the community as a whole actively participated in the Programme.

The Programme started by organizing social events to encourage the return of displaced community members to Meuraxa villages.

Box 1

Vulnerability of home-based businesses

For about 15% of the households in Meuraxa a home is both a workplace and a living space. Home-based businesses are typically involved in trade, production, services and coffee shops/ small restaurants. As they depend heavily on raw materials, equipment and stock, home-based businesses are particularly affected by the Tsunami which washed away their homes together with their productive assets. Reconstructing home-based businesses is especially advantageous for Tsunami widows and widowers who can more easily combine cost winner responsibilities with their family duties in this way.

Box 2

Access to micro finance and job creation

Baitul Quirad Baiturrahman (BQB) is an islamic financial cooperative run by women only. It targets poor entrepreneurs with little or no assets. The ILO has invested in BQB's human resources and in working capital in view to help BQB to improve its overall capacity and reach out to new clients. In the 11 months of its operation, the BQB loan portfolio reached 118 loans of 11 million Rupiah each. About 177 jobs have been generated through these loans.

These social, religious and sports activities also helped in the healing process and strengthened the sense of belonging among community members. Information on the Programme was provided through local media and during social gatherings.

The wide variety of home-based businesses resulted in complex space and equipment needs. Ideally, these needs should have been reflected in the design of each business unit. In practice however, the possibilities to accommodate individual

wishes were restricted because of financial constraints and the concern for equality. Hence, the Programme standardized the design in 3 types of business modules (shop, workshop and small restaurants / coffee shops) with the same cost of construction. Yet, varying degrees of finishing allowed for subsequent adaptations by the beneficiary. For example, one could deliver for equal costs a smaller finished-out module with ceramics, or, a large bare structure with a roof.

Two women-owned concrete block making enterprises were created with support of the Programme. They provided a large part of the bricks for the construction of the business units. Construction workers of the home-based business modules as well as of shelter construction, received on site skills training in order to improve their techniques. Community contractors, project staff and local authorities were trained in supervisory skills and occupational safety and health on construction sites.

Graph 1

Example of a home-based business type: shop



In addition, the Programme decided together with the community to design and build a rural market. The market was key in providing jobs for vulnerable entrepreneurs who did not comply with BQB loan conditions. This increased the local availability and sale of commodities at times of general scarcity due to the interrupted economic networks by the Tsunami. A local committee was set up to organize the construction, management and maintenance of the market. It was composed of representatives of the Mosque and Elders Committee, the vendors association and the market manager. Market rents were deposited on a BQB account. They covered operational costs, landowner rights and a contribution to the mosque. In this way, the market committee contributed to good local governance practices in Meuraxa.

Lessons learned

Cooperation between UN agencies

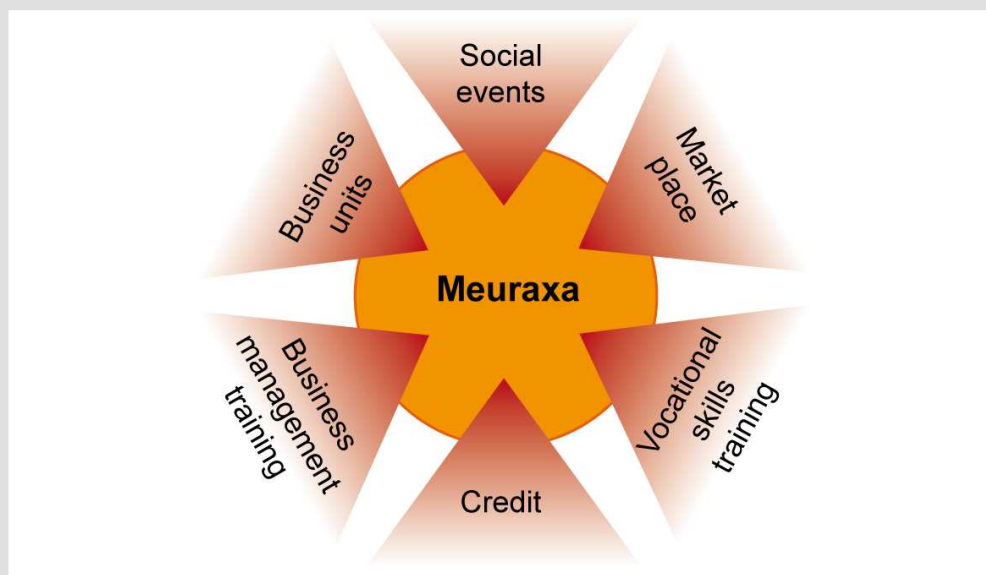
The close cooperation between ILO and UN-HABITAT enabled to link shelter and livelihood recuperation. This complementary approach was vital in addressing the diverse socio-economic recovery needs in the post-Tsunami context.

Involve traditional authorities

In Meuraxa, it was necessary to involve - besides representatives of the political and administrative village structure- also traditional authorities such as elders, the mosque and the village chief. Even their tacit approval and support enhanced the social enforcement of conditions or regulations set by the Programme.

Graph 2

HBBM Programme in Meuraxa: an integrated approach to reconstruction





Match individual needs and general standards

In order to promote equality in the attribution of HBB modules, it was important to design differing module types of equal value. This allowed beneficiaries to choose in line with their real and immediate needs.

Make construction subject to the business potential

The HBB Programme had introduced two effective ways of assessing the business

potential of future beneficiaries. Firstly, it made construction subject to a business management training and validated business plan. Secondly, each beneficiary should obtain a loan. The loan condition indicated an entrepreneurial motivation on behalf of the beneficiary in accessing a HBB unit. The fact that the loan approval was done by an external micro-finance institution added to the neutrality of the screening process.

THE AUTHOR: Carlien van Empel

*Carlien van Empel is
an international consultant
on Local Development and
Pedagogical Engineering
e-mail: Carlien@vanempel.fr*

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www.ilo.org/led

www.itcilo.org/led

led@ilo.org
