



**ASSESSMENT OF THE UNDP EMERGENCY RESPONSE  
AND TRANSITIONAL RECOVERY (ERTR)  
LIVELIHOODS PROGRAMME**

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## ■ Executive Summary

When the earthquake and tsunami struck the northern part of Sumatra on 26 December 2004, they had an instant, devastating impact on thousands of livelihoods. The subsequent earthquake of March 2005 caused additional damage on the island of Nias, and again destroyed scores of livelihoods.

Given this background of mass destruction, the UNDP Livelihoods programme began in January 2005. It is a strong and successful component of the UNDP Emergency Response and Transitional Recovery (ERTR) Livelihoods programme. Its main aim is to restore the livelihoods and pre-tsunami income levels of earthquake- and tsunami-affected people in Aceh and Nias.

The Livelihoods programme was implemented through a range of implementing partners (for details see page 2). It focused on two main strategies: Immediate Employment and Livelihoods Recovery. Activities include support for the recovery of small enterprises and trades, rural livelihoods, vocational and skills training, rehabilitation of economic infrastructure and strengthening local government capacity for livelihoods recovery.

The purpose of the research reported in this document was to determine the impact of the UNDP Livelihoods programme on beneficiaries' standard of living in Aceh and Nias. There are some 27,000 beneficiaries in 15 districts in Aceh and two districts in Nias. The Livelihoods programme made a significant contribution and had measurable and sound impacts for these individuals, as shown in the following facts:

- 84.6 percent of beneficiaries indicated that the aid received had a direct positive impact on the development of their businesses.
- At the time the assessment was undertaken, there has been a 7.2 percent shift from low income groups in the Rp500,000 - Rp1,000,000 income category, to the Rp2,000,000 - Rp3,000,000 category. Similarly, there has been a shift of 4.4 percent of the Rp5,000,000 - Rp10,000,000 category. This shows a substantial impact on business income compared to the pre-tsunami situation.
- There has been a shift in the number of people employed by beneficiaries' businesses. The concentration is more in the 2-3 workers category compared to pre-tsunami, where most of these businesses had no employees. Workers' skills also increased. Both of these factors indicate business growth as a result of increased business income.
- Impact on beneficiaries' standard of living as measured against the amount of disposable income spent per household has increased significantly. It has shifted from the categories below Rp1,000,000 to the middle categories of between Rp1,000,000 - Rp5,000,000.

Based on the above findings, the basic aims of the UNDP Livelihoods programme have been achieved. The following pages of this assessment report outline these findings in more detail.

## ■ 1. Background

### **Objectives and outputs based on the Terms of Reference.**

The objective of the research project was to undertake an assessment of the UNDP ERTR Livelihoods programme in Aceh and Nias, and its impact on beneficiaries' standard of living.

### **Output to be produced by the research project.**

The output is an assessment report on the efficacy of UNDP's ERTR Livelihoods programme to ascertain the impact on beneficiaries' standard of living. The research was conducted by LEMLIT (the research institute of Syiah Kuala University in Banda Aceh) from May to July 2007.



*UNDP signs an agreement with Syiah Kuala University in Banda Aceh to conduct an assessment on the impact of UNDP's Livelihood programmes.*

## ■ 2. Research Methodology

Cluster random sampling was selected as a sampling methodology due to the heterogeneity of population that benefited from the projects.

In total, there are 27,000 direct beneficiaries in 15 districts in Aceh and two districts in Nias. A sample of 699 beneficiaries was selected as respondents (from Aceh and Nias) due to the large number of total direct beneficiaries. The beneficiaries of several Livelihoods projects were part of the assessment, namely ILO; ALISEI (Pidie); Terre des Hommes Italy (Bireuen); Project Concern International; Flora and Fauna International; Centre for Coastal and Marine Resources Study - Bogor Agriculture Institute; and Disperindag (Government Department for Industry and Trade - Aceh Besar and Singkil).

The breakdown of respondents is as follows:

- 37 percent female; 63 percent male;
- 76 percent of beneficiaries are between 17 - 45 years old;
- 67 percent of beneficiaries continued with their pre-tsunami business. This figure is broken down as follows: 29 percent fisheries; 18 percent agriculture; 15 percent manufacturing; 11 percent services; and 8 percent livestock.

Different questionnaires were developed, combining open and closed questions for each implementing partner and their respective beneficiaries. In-depth interviews were conducted with relevant managers of the implementing partners of the UNDP Livelihoods programme and individual beneficiaries of each project.

## ■ 3. Findings Based On Research

The UNDP Livelihoods assistance was generally distributed through beneficiary groups, which were established based on the extent of assistance applied for; types of businesses; number of similar businesses in a particular area; and the geographical distribution of these businesses. The extent of the UNDP Livelihood programme's achievements can be seen from the success levels achieved in the businesses, income comparison before and after receiving assistance, employment creation and increase in beneficiaries' standard of living.

### 3.1 Assistance provided

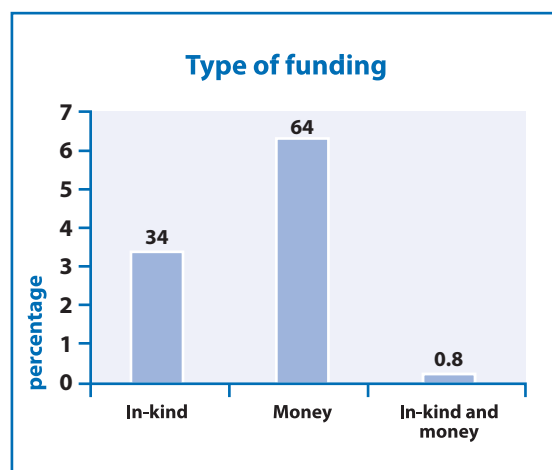
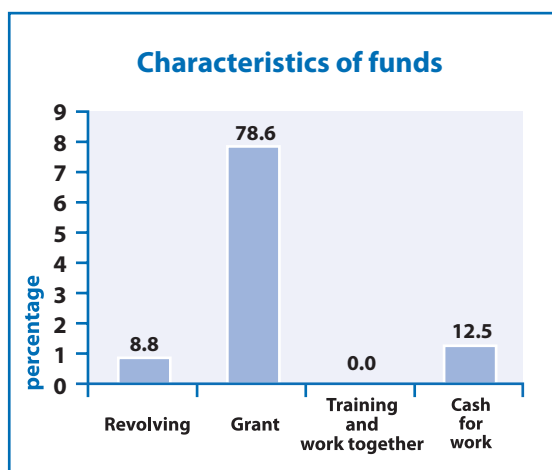
The success of beneficiaries' businesses was strongly supported by the nature of assistance, type of assistance and distribution mechanism of the assistance. The nature of assistance consisted of grants (78.63 percent), revolving funds (8.87 percent) and cash for work (12.5 percent), as illustrated overleaf. The positive impact of providing grants was that it eased beneficiaries' financial burdens as there was no obligation to repay the grant. However, the lack of pressure to repay could have a negative impact. In some instances it may reduce beneficiaries' commitment to optimally utilize the funds for productive purposes, which in turn reduces their commitment towards the business in general.

The type of assistance provided was generally in the form of cash (64.52 percent), goods (34.68 percent) and as a mixture of cash and goods (0.81 percent). The positive impact of providing grant funding in the form of cash was that beneficiaries could use the money according to business requirements during start up. However, the possibility exists that all the funds may not be used for productive purposes. Implementing organisations purchased equipment - in pre-determined packages for the different types of businesses - on behalf of beneficiaries, which ensured that funds were utilised for the intended purposes. In some instances however, this also resulted in equipment being purchased that might not suit the business or meet the requirements of the individual business owner since it was purchased in package format.

Most of the funding (61.69 percent) was provided in stages, while the balance consisted of one lump sum payment (38.31 percent). The positive impact of providing assistance in stages is that it was possible to respond to beneficiaries' progress and provide incremental inputs for business development in the future (for the next stage of assistance). The negative impact in providing the assistance in stages is that beneficiaries could not immediately fully establish their business, which in some cases resulted in delays in establishing businesses and in loss of income.

Funds were paid out to groups (47.58 percent), individuals (26.21 percent) and to the Kepala Keluarga (KK-household head) (26.21 percent). The actual Grant Fund Manager was an individual (54.03 percent), a group (22.98 percent), or KK (22.98 percent). This implies that there was a tendency for individuals to manage the grant funds.

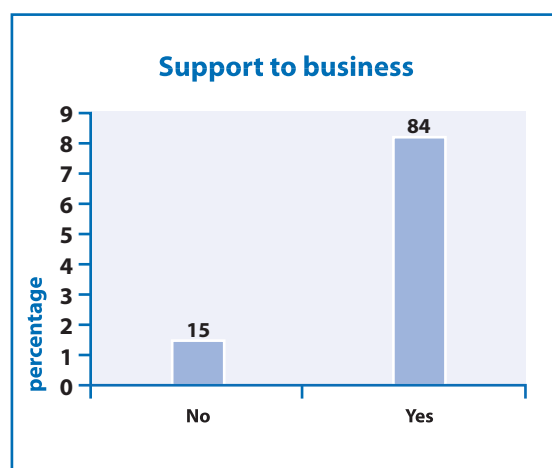
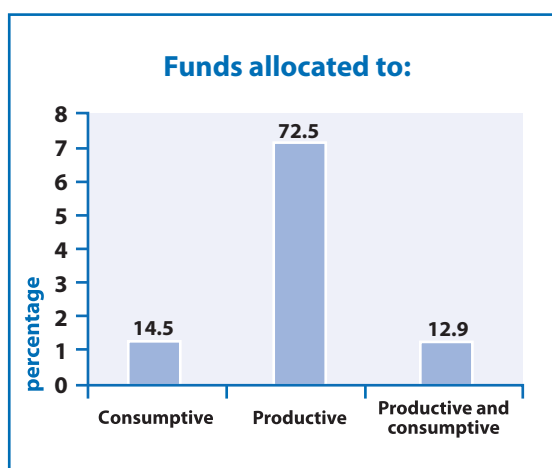
The positive impact was that individuals were free to make decisions and use the grant as soon as possible, without asking for any other's opinion. The negative impact was that each individual could take the wrong decision without considering another's opinion, from which consultation might have resulted in a better decision.



### 3.2 Impact on beneficiaries' businesses

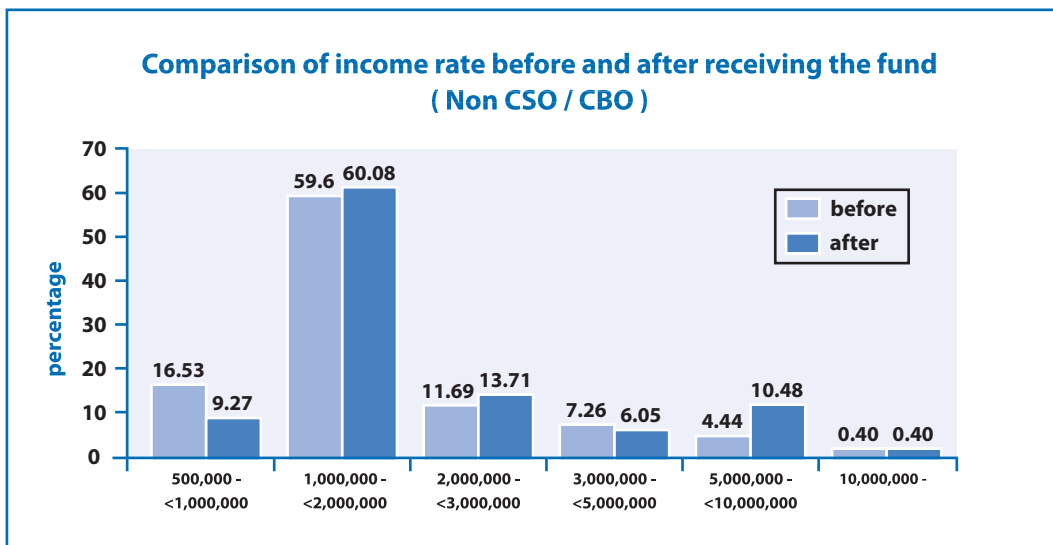
The percentage of grant usage was mostly for productive purposes (see graph below) but also for consumptive needs (14.52 percent); and productive and consumptive purposes (12.90 percent). The positive impact of more grant usage for productive purposes was that business success could be optimised.

Most of the beneficiaries (84.6 percent) experienced the impact of assistance on business development, whereas 15.3 percent stated that they have found no impact on business development as yet. This can mainly be ascribed to the short period of time between business establishment and the assessment, which in some cases only constituted five to six months.



### 3.3 Impact on business income

Before receiving assistance, the group of beneficiaries with an estimated pre-tsunami income of Rp500,000-<Rp1,000,000 decreased by 7.2 percent, from 16.5 percent to 9.3 percent. This income group shifted to the higher income group of Rp2,000,000-<Rp3,000,000, which increased from 11.7 percent of beneficiaries to 13.7 percent. The group with an income of Rp3,000,000-<Rp5,000,000 also decreased from 7.3 percent to 6.0 percent, and shifted to the group with an income of Rp5,000,000-<Rp10,000,000. This last group increased significantly from 4.4 percent of beneficiaries to 10.5 percent. The overall impact on business income was positive.



*After receiving a small grant from UNDP and International Relief & Development, Jayadi established a grocery and fuel kiosk in Lampaseh, Banda Aceh. He was able to expand his business and purchase a car to assist with his daily activities. Jayadi is one of almost 2,500 small business owners assisted by UNDP in Banda Aceh and Aceh*

### 3.4 Impact on employment and worker skills

A total of 77.8 percent of beneficiaries had no business employees before receiving assistance. However, after receiving assistance the number of beneficiaries with no employees decreased to 74.6 percent. The number of beneficiaries who had one to three employees increased from 4.4 percent to 4.8 percent for one employee, 4.0 percent to 4.8 percent for two employees and from 4 percent to 4.4 percent for three employees.

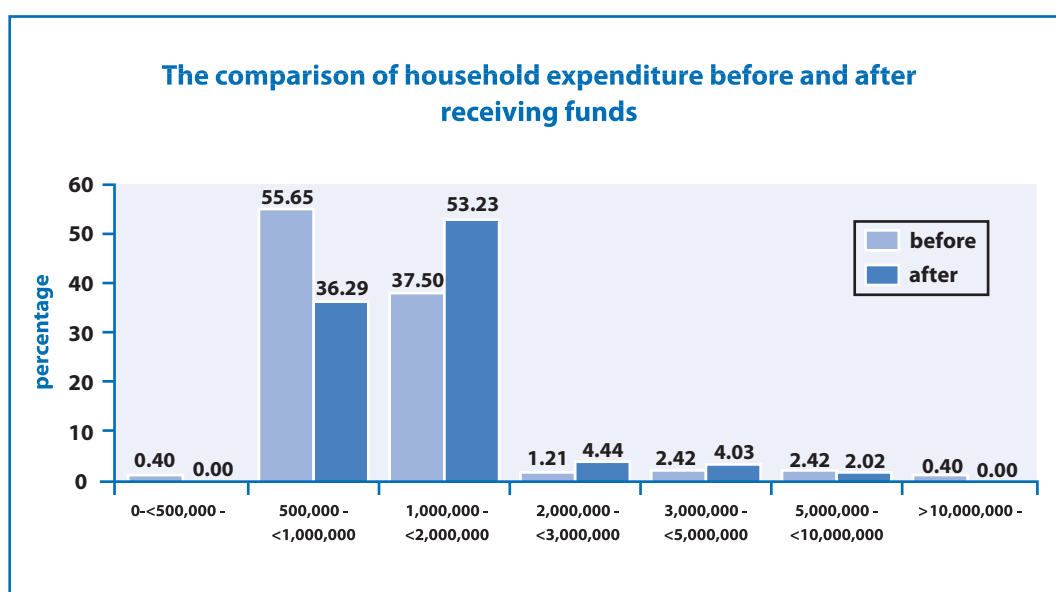
The number of beneficiaries who had 10 or more employees also increased, from 3.6 percent to 4.4 percent. Therefore, it can be concluded that there was an increase in the number of employees after receiving assistance. This also reflects the business success after receiving assistance.

Despite the fact that workers' skills development was not part of this programme, more than 11 percent of respondents indicated that there was an increase in the level of skills of their workers. This can be attributed to an investment by the employers in their workforce, and also to the large number of skills development programmes available in Aceh.

### 3.5 Impact on beneficiaries' standard of living

Beneficiaries' standard of living was measured by the level of household expenditure of each beneficiary.

As indicated in the graph below, all beneficiaries experienced an increase in spending after receiving assistance. In the Rp500,000-< Rp1,000,000 spending category, respondents decreased from 55.6 percent to 36.3 percent after receiving assistance. The group with a spending category of Rp1,000,000-< Rp2,000,000 increased from 37.5 percent of beneficiaries to 53.2 percent.





*UNDP's Livelihoods programmes helped ensure that women's businesses were also supported to increase family income. These businesses include rattan weaving, tailoring, salt and brick production and establishment of groceries.*



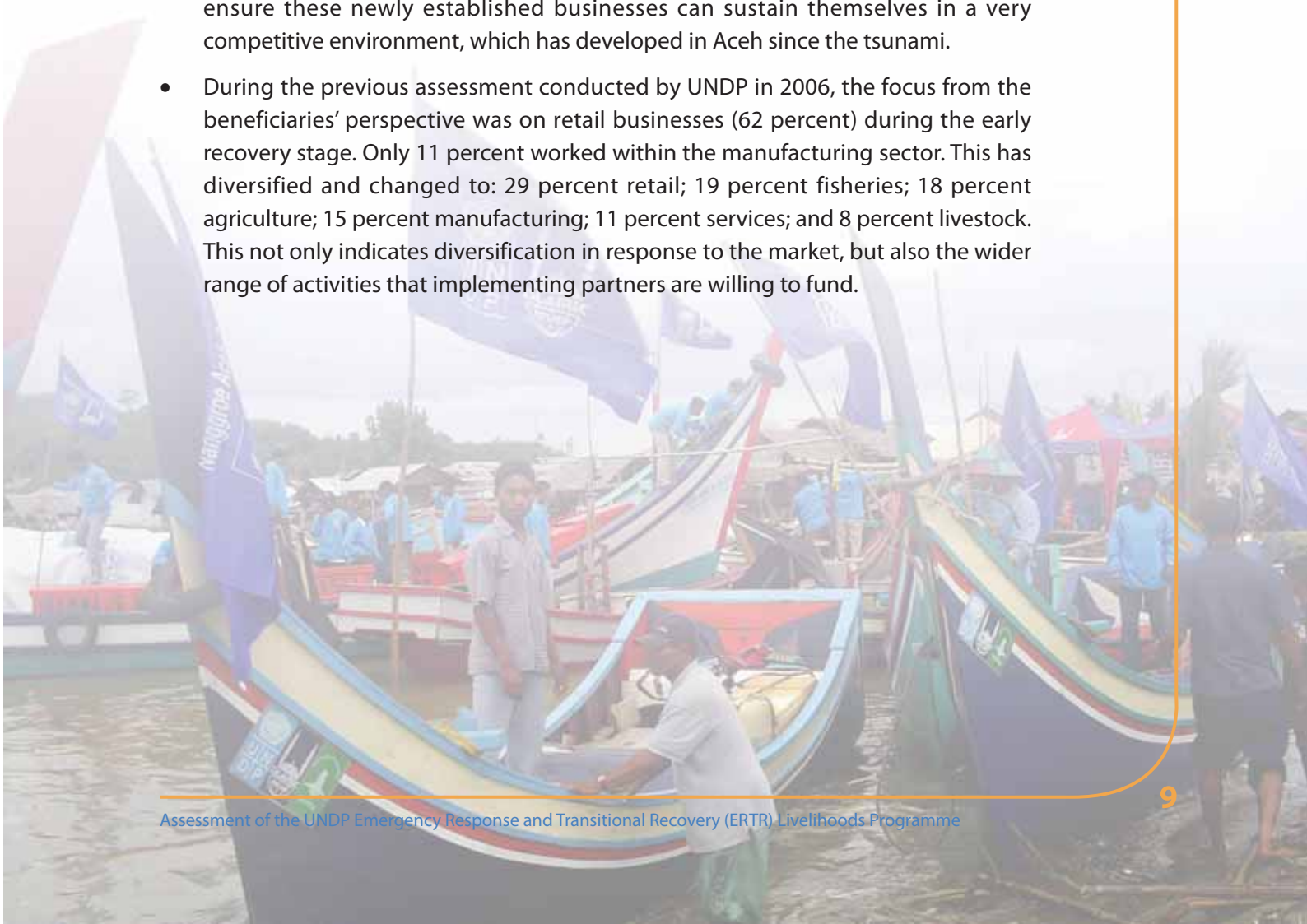
Before the tsunami there was a more even spread of businesses over the full spectrum of income categories. After assistance was provided there was a greater concentration of households in the middle categories, between Rp1,000,000 and Rp5,000,000. This can be attributable to the effects of the tsunami and, due to assistance from UNDP's Livelihoods programme, resulting in a shift to a higher standard of living for the lower income groups. Repayments to revolving funds also had an impact on families' disposable income, and will improve once revolving funds have been repaid in full.

## ■ 4. Impact achieved by the UNDP Livelihoods Programme

The UNDP Livelihoods programme, as delivered by its partners, achieved substantial impact. The following factors should be considered:

- Overall programme cohesion was maintained through regular monitoring and continuous communication with all partners, despite the fact that partner agencies each applied their own implementation modalities. This ensured transparency and also inclusion, since all partners were working on the same programme with similar objectives/outputs achieved.
- A 37 percent participation rate by women was achieved in the UNDP Livelihoods programme despite the fact that the women in local societies were not specifically targeted by implementing agencies. This is a satisfactory figure given the culture in Aceh where women generally do not play an active or leading role, but rather play a domestic role in household activities.
- More than 85.5 percent of all funding allocated for business assistance was used for this purpose. Given the environment and circumstances in which these aid allocations were made, this is a sound achievement.
- The bulk of funding was allocated in the form of grants. From a development perspective, the risk exists that some of the funds may not be utilized for productive purposes. However, the beneficiaries expressed their appreciation that they could receive money and make their own decisions regarding the purchase of appropriate equipment and allocations to working capital. When equipment is procured by a third party such as an aid agency, the risk exists that the beneficiaries may not be satisfied with the equipment purchased. Through adequate communication with beneficiaries, this problem was addressed and the level of satisfaction with equipment provided was high.
- A significant portion of funds were paid to specially formed beneficiary groups and then distributed to individuals. Respondents indicated that their preference is still to receive aid directly. There are distinct benefits to be achieved through group payments, but agencies must make this process more user friendly before the benefits of working in groups can be realized in a highly individualistic society.
- A limited portion of aid funds were allocated within the context of revolving funds. This is a significant change from the earlier livelihoods programmes during the emergency response phase after the earlier disasters. The use of revolving funds creates a higher level of commitment from the beneficiaries due to their responsibility to repay the funds. There are long-term benefits in this scheme for business development in communities. However, this approach is still new and should be further refined to ensure high levels of repayment before it will be generally accepted by the communities. It should also be restricted to areas where there are no grant programmes.

- Aid was provided within the context of the culture and values of local societies. This was well appreciated by the beneficiaries.
- Most beneficiaries received assistance less than one year ago. Despite the environment and circumstances of these new businesses, almost 98 percent of respondents indicated that household income increased due to the aid provided. In such a short period, this is a sound achievement.
- There was a change in the level of employment of micro / small businesses that were assisted by the UNDP Livelihoods programme. The tendency to employ more people instead of running these businesses single-handedly was general. There was also a discernable increase in the level of workers' skills.
- The impact achieved with female-owned enterprises is positive. The level of participation in the manufacturing sector is still relatively low. This factor relates to the skills base in Aceh. In general, skills are not well developed and further training and opportunities for practical application will have to be enhanced.
- Some of UNDP's partners provided their beneficiaries with training courses to develop technical and business management skills. Given the isolation of Aceh, and the negative impacts of the 30-year conflict between the Government of Indonesia (GoI) and GAM (Free Aceh Movement) in Aceh, the level of education, life and business management skills is very low. Further business support will have to be provided to ensure these newly established businesses can sustain themselves in a very competitive environment, which has developed in Aceh since the tsunami.
- During the previous assessment conducted by UNDP in 2006, the focus from the beneficiaries' perspective was on retail businesses (62 percent) during the early recovery stage. Only 11 percent worked within the manufacturing sector. This has diversified and changed to: 29 percent retail; 19 percent fisheries; 18 percent agriculture; 15 percent manufacturing; 11 percent services; and 8 percent livestock. This not only indicates diversification in response to the market, but also the wider range of activities that implementing partners are willing to fund.



## ■ 5. Recommendations

- 5.1. It is more than three years since the tsunami, and the focus has rightly moved to sustainable economic development. Due to the GAM/Gol conflict and natural disasters, the business culture in Aceh is still below levels comparable with the rest of Indonesia. A more holistic approach is therefore required, not only to establish new businesses, but to also give entrepreneurs the required basic technical and business management skills needed to make a successful transition to a free-market economy, and to be competitive within the new business environment. This will require more support from UNDP implementing partners before, during and after financial aid is disbursed. Technical and business management training, as well as continuing business support in the form of a business advisory service, needs to be incorporated in a holistic business development model. This will not only assist beneficiaries over the short term, but will also have long-term benefits for entrepreneurs and communities at large.



*UNDP has helped develop the capacity of Islamic micro-finance institution, Baitul Qiradh. The institution can now give more financial aid to community-based business in Banda Aceh and Aceh Besar, and play a more significant role in helping beneficiaries sustain their business.*

- 5.2. Aid in the form of grants played a significant role during the recovery phase. The micro-finance sector has developed and expanded significantly. The community structures after the tsunami have also matured and are in a better position to coordinate and manage aid contributed to beneficiaries in communities. It is thus possible to have an increased focus on revolving funds established in communities. Much further capacity building will have to be done to fully capacitate community structures to coordinate and manage these schemes. If these schemes are linked to existing functional micro finance institutions that can administer them in collaboration with the responsible community structures, the long-term sustainability of aid provided will improve significantly.

- 5.3. The retail and service sectors in Aceh are slowly becoming over traded. Therefore, the focus should move to more productive/value-added activities such as manufacturing, agriculture and fisheries. These businesses will require more start-up capital, and aid organizations will thus have a smaller portfolio of beneficiaries, enabling them to provide a more comprehensive range of business support services to assist with quality control, understanding markets and producing saleable products.
- 5.4. The MSE (Micro and Small Enterprise) sector in Aceh has undergone significant change since the tsunami, but the effects of New Order development policies, prolonged conflict and natural disasters are still evident. The transition has been made from emergency aid to sustainable economic development. Therefore, aid agencies and their delivery partners need to take a more holistic approach to enterprise development, do thorough feasibility and viability studies, and focus more on the technical and business management skills of beneficiaries linked to intensive business advice. Doing this will enable beneficiaries to sustain their business in a competitive free-market system.
- 5.5. To sustain community-based business development initiatives, community structures linked to micro-finance institutions can play a more significant role in implementing and managing community-based business development revolving funds.



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