

Community-Based Environmental Conservation and Micro Finance Development in West Java, Indonesia

The Partnership of Chevron and Yayasan Bina Usaha Lingkungan (YBUL)

Forest Cover in Indonesia

One of the indicators of Millennium Development Goal (MDG) Seven, Ensuring Environmental Sustainability, requires the Government of Indonesia (GOI) to increase the ratio of actual forest cover to total land area. A report by the GOI shows that total land area that is forest cover declined from 60 percent in 1990 to 49 percent in 2002. This decline is due to unsustainable forest management practices, illegal logging, forest fires, and conversion of forest lands for other uses. Since 2002, the government has undertaken several initiatives to increase conservation and restoration that have resulted in over two million hectares of reforestation. By 2008, 52% of total land area was forest cover.¹

EXECUTIVE SUMMARY



A facilitator is training community members on how to make a business plan.

This case study discusses “Community-Based Environmental Conservation and Micro Finance Development” (CBEC-MFD), a partnership between Chevron and Yayasan Bina Usaha Lingkungan (YBUL) to reduce deforestation by involving local communities. The three-year partnership began in November 2009 and is scheduled to end in December 2012.

The partnership supports a community empowerment program to reduce the rate of forest degradation in the forest of Halimun-Salak National Park in West Java where Chevron operates a geothermal power plant. The CBEC-MFD program targets communities located near the power plant that include approximately 300,000 inhabitants (about 75,000 households).

Chevron and YBUL believe that local communities should play a significant role in land use decision-making and benefit from managing the surrounding forest and its resources without damaging the environment. The partners also recognize that the communities must be able to pursue sustainable livelihoods in the process. The partnership supports the following: (1) forest conservation and income generation from goat and rabbit breeding, organic farming, and creating tree nurseries; (2) protection of eagles in the target areas; (3) forest conservation communication/awareness activities; and (4) microfinance development. YBUL coordinates all organizations involved in activities including Chevron, four NGOs specializing in each of these issues, and local governments.

By the end of 2011 the majority of communities had stopped cutting forest trees and communities were earning more than 3,000 USD per year from the goat and tree nursery businesses. The partnership had also leveraged approximately 6,000 USD in funds from local governments to help communities. Specially trained community members were educating students on eagle preservation. Two events were held to release eagles into the wild and materials were produced to increase awareness of the need for eagle protection and forest conservation. A website, www.ybul.or.id and www.suakaelang.org can be accessed for project information and publications.

Chevron and YBUL continue to work on several challenges including how to: improve their strategy on micro financing to benefit farmers; prevent community financial dependency on Chevron; increase communities’ capacity to create business; and jointly monitor and evaluate activities. The partners envision more partnerships involving NGOs and local governments in the target areas to help farmers continue their businesses.

PARTNERS



Chevron www.chevron.com/countries/indonesia. Chevron is the biggest oil and geothermal company in Indonesia and the world with total daily production of about 477,000 barrels of oil and 611 million cubic feet of natural gas in 2010.² Chevron has been operating in Indonesia for over 85

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years, playing a pioneering and leading role in the development of oil, gas, and geothermal projects in the country. Chevron's operations in Indonesia are located in Riau, East Kalimantan, West Java, Lampung, and West Papua. Chevron started its geothermal power operation in West Java in 1990 to produce electricity for eight million people in Indonesia.

Chevron has partnered with NGOs to implement community development programs around Indonesia by providing new computers for schools, building emergency care units for pregnant mothers, strengthening community-based business groups, establishing farmers' associations to turn idle lands into crops, forest conservation, and disaster relief for earthquake victims. Since 2009 Chevron has included communities as major partners in the implementation of a variety of programs, recognizing the importance of building its business by working with government and local communities.



Yayasan Bina Usaha Lingkungan (YBUL) <http://www.ybul.or.id/>, established in 1993, is a non-profit organization with headquarters in Jakarta. It focuses on increasing the use of renewable energy through rural community-based programs that empower small- and medium-sized businesses. Its activities include educa-

tion, capacity building, and advocacy.

YBUL's headquarters is staffed by 20 employees including full-time professionals and senior associates with business development, business incubation, investment, and financial consulting expertise. YBUL's strength lies in its capacity to develop innovative business models such as helping communities to generate income by using local resources. YBUL's approach is to identify the potential impact of programs and activities that build linkages among programs supported by government, banks, businesses, NGOs, and communities. YBUL has collaborated with various institutions such as the Ford Foundation, USAID, World Bank, and the European Union (EU) to implement projects on renewable energy.

INITIATING THE PARTNERSHIP

Chevron operates a geothermal power plant near the Halimun-Salak National Park in West Java. The corridor stretches across and connects two major conservation areas on Mount Salak and Mount Halimun. The forest is located in the districts of Bogor (about 1,700 hectares) and Sukabumi (2,500 hectares). The CBEC-MFD program targets the communities living in Kabandungan and Kalapanunggal, two sub-districts of Sukabumi, and Pamijahan, a sub-district of Bogor. There are about 75,000 households or approximately 300,000 inhabitants in the targeted areas. All three areas are located near a power plant operated by Chevron. Communities living in these sub-districts make a living by growing vegetables and selling their harvest to nearby cities such as Bogor and Jakarta. Often the farmers have

to convert forest land to farm land to expand their businesses or build new houses. Chevron sees that these practices endanger the sustainability of the national park. Chevron is also concerned about the impact of its own operations on the people and the environment in areas where it operates. It has a comprehensive framework for assessing the environmental, social, and health, impact of its own operations and "to reduce potentially negative environmental impacts of [its] operations and activities." See <http://www.chevron.com/globalissues/environment/>

In early 2009, Chevron developed a national strategic plan for 2010-2012 focused on three main pillars: community empowerment; sustainable forest conservation; and building more partnerships with local NGOs and companies. To implement the plan in West Java, Chevron began to look for a partner that could meet the following criteria: an NGO that has worked with other companies, and/or has expertise and experience working on environment or conservation issues, and/or has experience working with international donor agencies; demonstrated ability to prepare a good proposal; and the ability to write good reports in English in compliance with Chevron's reporting standards.

During the partner selection process, Chevron assessed potential collaboration opportunities with its existing partners. One of them is PT Permodalan Nasional Madani (PNM), the state-owned microfinance company, which recommended YBUL to Chevron. Based on this recommendation and its own criteria, Chevron contacted YBUL to explore possibilities of working together as partners for a forest conservation project on Mount Salak and Mount Halimun. YBUL welcomed the invitation given its commitment to forest conservation. In June 2009, YBUL met with Chevron and discussed its experience with forest conservation and community empowerment programs. Chevron asked YBUL to take the lead in coordinating organizations that had already been working with Chevron to develop a proposal for a community empowerment and sustainable forest conservation project. YBUL recommended that four organizations with specialized expertise and relevant experience join: Biodiversity Conservation Indonesia (BCI); Yayasan Pendidikan Konservasi Alam (Yapeka - a forest conservation NGO); Perkumpulan Suaka Elang (PSE - an Eagle Preservation NGO), and PT Permodalan Nasional Madani (PNM).

Chevron and YBUL agreed that the sustainability of activities supported by the partnership must be planned from the beginning. Chevron requires that partners develop an exit strategy with clear and measurable performance indicators for how they will achieve this sustainability. For this partnership, YBUL was required to provide matching funds to support the program, develop a network with other potential donors/companies, increase the capacity of community groups to create proposals for other donors/funding agencies/companies, have access to other donors, and develop mechanisms to implement each activity.

The partners also agreed that government involvement is critical for the program's sustainability and that building trust within the communities, enhancing communities' capacity to do business, and conducting joint monitoring and evaluation of the program are important for achieving sustainability of partnership outcomes.

IMPLEMENTING THE PARTNERSHIP

Chevron and YBUL started to implement the partnership six months after signing an agreement. Chevron introduced YBUL to key provincial and district government personnel to start the activities. As the lead partner of Chevron, YBUL coordinates periodic meetings with all organizations involved in the partnership including Chevron and the district governments. It monitors the progress of all activities implemented under the partnership and submits financial and activity reports to Chevron. It also participates directly in some of the activities. YBUL and other organizations carry out four major activities:

Forest Conservation and Income Generation. The goal is to stop deforestation due to land conversion for agriculture and illegal logging by building communities' capacity in entrepreneurship.

When the activity started, Chevron provided seeds for trees and YBUL distributed them to communities. Communities planted the seeds and sold seedlings to other companies interested in planting trees in the forest. This phase enabled the communities to make money and buy their own seeds.

The two conservation NGOs, BCI and Yapeka, provide technical assistance to increase farmers' awareness about the importance of forest conservation, how to develop agriculture businesses using available farm land instead of deforesting more land, and how to breed livestock as alternatives to cutting trees. BCI conducts education sessions on forest conservation awareness, provides seed trees and training on how to develop nurseries, plans tree planting in the national park, coaches farmers on how to care for the trees, and monitors tree nurseries. BCI also trains farmers on organic farming, provides goats for breeding and training on how to breed goats, and oversees the construction of goat stables. Yapeka helps farmers raise rabbits, provides training on how to breed rabbits and build collectives that keep the rabbit price consistent among farmers, build healthy cages for rabbits, and perform medical examinations. Yapeka started by providing five breed rabbits to each farmer.

Eagle Conservation. The presence of eagles is an indicator of a healthy forest. PSE, the eagle preservation NGO, trains community members to facilitate education sessions on eagle protection for elementary school students, develops and distributes educational materials to students and others living in communities around the eagle conservation areas, and manages site visits to the conservation areas so students can observe directly how to protect the eagles. PSE helps the Halimun Salak National Park Office (*Balai Taman Nasional Gunung Halimun Salak/BTNGHS*) rebuild damaged eagle cages, manage public observation areas, and train young people to become eagle tour guides.

Forest Conservation Awareness and Advocacy. YBUL is responsible for publication of materials and communication of information on forest conservation to the public. Chevron provides YBUL with contacts for campaigns and publication dissemination to reach key personnel at the central government and provincial level. YBUL conducts campaigns and other publicity activities to increase public awareness of the importance of forest conservation.

Microfinance Development. PNM, the state-owned enterprise, had established microfinance institutions (MIFs) in two of the three sub-districts prior to this partnership. These MIFs were expected to expand their financial services to farmers by channeling loans

to help farmers grow businesses in farming and livestock breeding.

OUTPUTS AND RESULTS

In keeping with the partners' strategies to ensure sustainability of activities generated by the partnership. Chevron and YBUL meet regularly with local governments about the program's progress and benefits to the communities. YBUL actively involved communities as early as possible and encouraged them to promote their own activities to government officials. Chevron has helped YBUL widen its network with other companies such as Indonesia Power and government bodies such as the Cooperatives District Office, under the Ministry of Cooperatives, and the Small and Medium Enterprise Office, to maximize resource leveraging.

Forest Conservation and Income Generation. By the end of 2011, communities were able to maintain trees in the forest and sell wood from trees grown in nurseries such as the "jat" trees that



Community members creating tree nurseries in Mount Halimun and Salak National Park

produce wood for housing and furniture-making. The majority of communities had stopped cutting forest trees and ten thousand trees had been planted in twenty hectares of the forest covered by the partnership.

Chevron and YBUL discontinued support of rabbit-breeding due to the high mortality rate among rabbits. They agreed to put more efforts into goat farming because goats are highly resistant to disease and weather conditions in the corridor. By 2010, farmers had established an association called the Network of Farmers in the Forest Corridor (*Jaringan Masyarakat Koridor*) to improve coordination in managing farmers' livestock breeding and organic farming activities by, for example, ensuring the care of the goats and coordinating product pricing. About 150 farmers have been reached through organic farming and goat breeding activities. By December 2011, businesses farming goats were progressing positively. The partnership has helped communities generate more than 3,000 USD per year from the tree nurseries and goat breeding. It has also successfully leveraged funds from local governments that have given approximately 6,000 USD to communities to help their businesses. In addition, YBUL is helping communities develop proposals for support from other companies operating in the areas such as Indonesia Power.

Eagle Conservation. By December 2011, PSE had trained 50 community members to become facilitators who conducted 28 education sessions for 1,400 students on eagle protection. PSE had also conducted two events to release eagles into the wild and produced one documentary film about eagles for public education. Indonesia Power provided funds for the care of five eagles.

Forest Conservation Campaign and Advocacy. YBUL has participated in one international conference, one national conference, and one regional exhibition on forest conservation to increase awareness about the partnership program. It has produced 2,000 brochures and three videos that feature the partnership program. YBUL presented the partnership program in a high level session with the US Ambassador in February 2011 and released eagles with the Governor of West Java in April 2011.

Microfinance Development. Due to the seasonal nature of farmers' businesses, few farmers have borrowed or paid back money to the MFIs. Farmers can only pay on their loans twice a year after harvests. The two MFIs involved in the partnership currently provide services to local traders such as kiosks owners, traditional market traders, and traders for staple foods who buy goods for resale. The traders pay installments weekly or monthly enabling the MFIs to earn profits in a shorter time than when they lend to farmers.

PNM, the state-owned enterprise that had established the two MFIs involved in the partnership, dropped out of the partnership because the size of loans to farmers were too small.

CHALLENGES AND LESSONS LEARNED

The partners continue to try to improve their strategy on micro financing to benefit farmers. After PNM dropped out, Chevron

appointed an association of Sharia cooperatives in Indonesia called Induk Koperasi Syariah (Inkopsyah) to continue the work with the two MFIs. Chevron is to provide revolving funds to Inkopsyah, and Inkopsyah is to match 50% of these funds. Inkopsyah will then distribute the funds to the two local microfinance institutions for the direct benefit of the farmers and MFIs.

They also continue to work on the challenge of how to avoid community financial dependence on Chevron. They continue to encourage programs that can become self-sustaining. For example, they hope that the eagle protection program can become sustainable by 2012 through education and souvenir sales. Chevron also continues to help YBUL widen its network with other companies operating in the area as well as government bodies such as Cooperative District Offices to maximize resource leveraging, reduce dependency on Chevron, and increase sustainability of partnership activities. They have found that the local governments will support partnership activities as long as the local governments are well informed in advance and Chevron continues to support their own routine programs such as Independence Day celebrations.

FUTURE PLANS

Chevron and YBUL hope that farmers can maintain and continue their businesses in farming, livestock breeding, and tree nurseries as sources of additional income to increase the health and welfare of their families. Chevron will continue to increase farmers' capacities in forest conservation and support eagle sanctuaries through more partnerships with NGOs and local governments in the areas.

References

1. Ministry of National Development Planning/National Development Planning Agency. Report on the Achievements of the Millennium Development Goals Indonesia 2010. Jakarta 2010.
2. Chevron, Indonesia Fact Sheet, 2010.

About this Case Study

This is one in a series of case studies based on presentations by partners at sessions of the Health and Business Roundtable Indonesia (HBRI). HBRI is an activity of Company-Community Partnerships for Health in Indonesia (CCPHI), a project of the Public Health Institute funded by the Ford Foundation. This case study is based on presentations made by Dali Sadli Mulia, Community Engagement Officer for Chevron, and Gita Gemilang, Program Coordinator of Yayasan Bina Usaha Lingkungan (YBUL), at the 14th session of the Health and Business Roundtable Indonesia (HBRI). Dian Rosdiana prepared the study in consultation with Chevron and YBUL.

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