

Darwin Initiative: Half Year Report

(due 31 October 2007)

Project Ref. No.	# 162-14-057
Project Title	'Conserving Coral Reefs Through Community Ownership And Enterprise In Indonesia'
Country(ies)	Indonesia
UK Organisation	LEAD International
Collaborator(s)	LEAD Indonesia
Project Leader	Simon Lyster
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Project website	http://www.lead.org/page/139

1. Outline progress over the last 6 months (April – September) against the agreed baseline timetable for the project (if your project has started less than 6 months ago, please report on the period since start up).

Project activities are on track. The communities have developed solid ownership over their marine resource management.

MAC certification of the Buleleng District Collection Area

MAC (Marine Aquarium Council) certified the Buleleng District Collection Area, and also developed a Collection Area Management Plan (CAMP). The CAMP implementation has begun with the establishment of the 'CAMP Committee' which operates within the Marine Affairs and Fisheries Division of District of Buleleng.

'CAMP' introduced two new management practices:

- (1) Monitoring ornamental fish catch.
- (2) Surveillance of illegal fishing practices such as the use of cyanide, and fishing in the no-take zone.

To monitor ornamental fish catch and sale, a partnership was set up among the village authority, the village's community-based resource management (CBRM) and the fishermen enterprise. The Marine Affairs and Fisheries Division of the District also provide data on a regular basis. The analysis of the data will help partners to better understand fish stock dynamics and develop science-based management practices accordingly.

Review of Community Enterprise - A New Supply Change

The actual review of the community enterprise took place in Year2 (January-March 2007) although it was scheduled by May 2007. Based on the results we initiated and tested an experimental eco-fish supply-chain for domestic market in this reporting period: April – September 2007. Four parties participated in this experiment: (1) a fishermen enterprise 'Sinar Baru', (2) a buyer 'Blue Star', (3) the local government agency which provides fishing facilities 'Diskanla', and (4) LEAD Indonesia which provides promotional materials and access to retail market.

The new supply-chain ensures that MAC certified fishermen do get 10% higher price for sustainably harvested ornamental fish and thus have economic incentive to improve their reef's

biodiversity and use its resources in a sustainable way. While the ornamental fish collectors receive better price, the key challenge of the enterprise is now felt by the retailers who struggle to sell the more expensive eco-fish because they lack appropriate marketing and business development skills.

In September 2007 a multi-stakeholders meeting further strengthened the community enterprise (see details below): partners made commitment for long-term support for sustainable fisheries by providing access to capital and strengthening business development skills.

We have gained the following insights after the first test period of the new supply chain (April - September 2007):

Capital is critical to the community enterprise

With only one MAC certified buyer (Blue Star), with only one place to deliver the collected fish according to the order, the fishermen are limited in terms of income sources. Therefore, a capital for the start-up process for the fishermen enterprise is key towards a more sustainable business.

Responsibilities over dead fish needs to be agreed upon

The agreement used in the supply chain does not address some technical issues in details. One of the disputes is related to the issue of “dead or unhealthy” fish that arrive in Jakarta, after they are transported from Bali. The buyers think that the fishermen (collectors) are responsible for the dead fish. The fishermen, however, think that after the fish transferred and survived the quarantine period, the buyers should take responsibility for all the problems occurring during transportation.

The agreement has to be reviewed and the solution of such incident has to refer to MAC standard to identify who is responsible at what stage. An amendment can be made to the agreement after the fishermen and buyers reached a mutually acceptable solution.

Cash-flow is a priority for fishermen

Fishermen need to get paid immediately or maximum two days after they deliver the ordered fish. They can not afford longer debt. The buyers, however, often need 7-10 days before they can actually pay the fishermen. Involving the local cooperative, Wana Agung: might help this problem. The cooperative would pay the fishermen immediately, and can get ‘reimbursed’ by the buyer later on.

Future supply chain of eco-fish needs to be diversified

The fishermen enterprise, Sinar Baru, is still interested in working with Blue Star, the only MAC certified buyer. Other buyers may offer similarly high price for the ornamental fish but they may treat the eco-fish the same way as they do with other fish that are not harvested according to MAC standards. In order to sustain the sustainable ornamental fish business, more certified buyers need to participate in the supply chain.

The retailers in Jakarta need further training

The eco-fish retailers in Jakarta need more capacity building that LEAD Indonesia is happy to provide. Retailers need to understand the whole system (‘macro-picture’) in order to effectively market the eco-fish to hobbyist.

If the domestic market does not work out because of the lack of retailers’ interest, export will be explored. LEAD Indonesia wants to ensure that MAC certified fishermen keep receiving high price as a motivation to continue sustainable fishing without regressing to destructive methods. International export may not allow LEAD Indonesia “control” the supply chain up to the hobbyists but the it can provide the higher price that motivates

certified fishermen to stick to their sustainable harvesting techniques.

Community and Stakeholders Review Meeting (June 2007)

The meeting took place with the following lessons learned:

Improvements happened in

- Understanding sustainable fishery and the importance of marine resources management
- Establishing the new CBRM (community-based resource management) institutions
- Skills and understanding of eco-friendly fishing practices of ornamental fish
- Skills to monitor marine resources and understanding the notion of ‘total allowable catch’
- Knowledge of financial management for business and household, the role of micro-finance institutions, and the importance of well-organized trade record.

Further improvement is needed in

- Building marine resource management skills in Buleleng beyond ornamental fish trade
- Building CBRM’s capacities in effective data collection and management, data inputs, analytical skills, use of information technology
- Further developing the new supply chain to make sure fishermen’s livelihood improves significantly in parallel with biodiversity improvement in their fishing area
- Integration of NGOs’ activities in Buleleng

Documentation of quantitative and qualitative project outcomes (July 2007)

The documentation was successfully completed and identified the following outstanding project outcomes. Details will be presented in the case study and the final project report.

- A total of 194 fishermen and 5 exporters are certified by MAC to date. The achievement exceeds the target to certify 150 fishermen by the end of the project.
- As a result of LEAD Indonesia’s successful proposal, ‘Indonesia Power’ approved to allocate budget to Wana Agung (local cooperative) via a micro finance institution (PNM: Permodalan Nasional Madani) that will manage Rp 45 million as revolving funds for three community enterprises in Panyabangan, Sumber Kima and Pejarakan. In addition, LEAD Indonesia will have Rp 30 million for promotion and marketing of eco fish, and strengthening the retailers for eco fish supply chain.
- Community Based Resource Management (CBRM) institutions are established in three villages: Panyabangan (LPLP), Pejarakan (LP3LP) and Sumber Kima (BPWLP). CBRMs are acknowledged by the village authority through Perdes (Village Decree). With the decree, the CBRM has official authority to manage marine resources with community involvement, and becoming an institution that can voice community interests to public decision makers, and monitor the reefs and ensure the total allowable catch.
- The socio-economic research raised the profile of Buleleng District and highlighted the challenges of the transition from a non-sustainable to a sustainable fishery management.
- The ecological assessment conducted in 2005 and 2006 laid the foundation of monitoring the biodiversity of coral reef at the project site.
- Local fishermen’s capacity was developed in monitoring marine resources so they can harvest ornamental fish within the total allowable catch and thus ensure their fisheries’ sustainability.
- A comprehensive training programme was completed that significantly developed the

capacities of stakeholders of the local sustainable ornamental fish enterprise.

Multi-stakeholder Meeting (September 2007)

A successful meeting took place with the participation of local government agencies (Diskanla-Dinas Perindustrian Perdagangan Koperasi), community enterprise (Sinar Baru Panyabangan-Segara Indah Sumber Kima-Kel Ikan Hias Laut Lestari Pejarakan), ornamental fish suppliers (Sumber Kima-Pejarakan-Penyabangan) who are committed to eco-fish and fair trade, and a micro-finance institution (Wana Agung Cooperative). Results include:

- Agreement to formulate MOU among local government agencies that can support community enterprise, micro-finance institutions
- Community enterprise and ornamental fish suppliers will submit proposal to the local authority at village level for capital request and capacity building for business development. The proposal will be copied to Diskanla (Division on Fishery and Maritime of the District Government Agency) and to potential micro-finance institutions (including Permodalan Nasional Madani: PNM)
- LEAD Indonesia and Pilang (local NGO, partner of LEAD Indonesia) will facilitate the process of MOU formulation and ensure follow-up meetings with relevant agencies

Case Study (September 2007)

The first draft of the case study was completed in September 2007. The case study describes the project journey up to September 2007. However, we wish to continue the case study development with current findings and want to finalise the document in December 2007.

We hope that the final case study will be useful for policy makers, members of the community enterprise, ornamental fish suppliers, and the local cooperative (micro-finance institution). We have formulated our lessons learned in a way that each target group can learn from the case study in the most efficient and effective ways.

The case study highlights the following key project components:

- a. Management of the project
- b. Balancing immediate economic needs versus long term biodiversity benefits
- c. Policy Dialogue: community based resource management
- d. Beyond environmental NGOs: toward a successful project

2. Give details of any notable problems or unexpected developments that the project has encountered over the last 6 months. Explain what impact these could have on the project and whether the changes will affect the budget and timetable of project activities.

Field Coordinator

It has been a challenge to recruit the right Project Field Coordinator. As a creative solution (tested in Year2), we decided to split the responsibilities of the Project Coordinator between two persons: (1) the community organizer works with local community, government agencies, and other partners at the village and district level in the project area in Bali; (2) the business development expert works with the fishermen enterprise, the micro-finance institutions, the buyers and the retail market both in Bali and in Java (where the market is situated). LEAD Indonesia National Programme Director monitors their work and compiles all the reports. This challenge has caused a slight delay in the project timetable but no change in budget.

New Supply Change

During the first test (April-September 2007) of our experimental new supply chain, the management was a challenge. In order to overcome this challenge minor changes are proposed in the project timetable (e.g. extending the timeframe of case study development, postponing media coverage).

- From the supply side, the fishermen need to be better organised, better function as a business entity by providing reliable supply in quantity and quality, and well documented records.
- From the buyer side (demand side) we observed cash-flow problems. Fishermen demand immediate payment. However, it takes time before the buyer's company can pay the fishermen. The delay may cause financial problems in the community enterprise.
- From the retailer side, we realised that we need to identify committed retailers who understand the biodiversity importance of selling sustainably harvested fish, and also have the marketing edge to drive their business and make the community enterprise successful. The retailers realise that it takes time to market and benefit from eco-fish. Although eco-fish can bring higher profit, it requires additional work that retailers are not ready to invest. More training is required for carefully selected retailers.

Have any of these issues been discussed with the Darwin Secretariat and if so, have changes been made to the original agreement?

We are in the process of requesting approval from the Darwin Secretariat for the following changes in schedule and budget allocation:

Mass media coverage

The mass media exposure was scheduled by March 2007. A schedule revision is proposed to complete media coverage in January-February 2008 to feature the following key project results including:

- Case study
- New green and fair trade supply chain of eco fish
- Village Decree (Perdes), the official acknowledgment of Community-based Resource Management (CBRM) in Sumber Kima and Pejarakan village
- Dissemination of MAC training in neighbouring villages
- New Memorandum of Understanding to further develop the community enterprise for ornamental fish trade suppliers

Fish stocks assessment

The survey was scheduled to be conducted by Reef Check in June 2007. However, the current budget has no allocation for this activity. A budget reallocation is proposed. In the meantime, MAC data are used as reference.

Case study

Deadline extension up to February 2008 in order to incorporate project results and lessons learned between September–December 2007. Case study publication is expected in February 2008.

Discussed with the DI Secretariat:	No yet.	no/yes, in..... (month/yr)
Changes to the project schedule/workplan:	Not yet.	no/yes, in.....(month/yr)

2. Are there any other issues you wish to raise relating to the project or to Darwin's management, monitoring, or financial procedures?

The independent reviewer of our project's Year2 Annual Report requested us to submit a revised Annual Report by 31 August 2007 which we did on time.

If you were asked to provide a response to this year's annual report review with your next half year report, please attach your response to this document.

Please note: Any planned modifications to your project schedule/workplan or budget should not be discussed in this report but raised with the Darwin Secretariat directly.

Please send your **completed form email** to Eilidh Young, Darwin Initiative M&E Programme at Darwin-Projects@ectf-ed.org.uk . The report should be between 1-2 pages maximum. **Please state your project reference number in the header of your email message eg Subject: 14-075 Darwin Half Year Report**