



Yayasan Tambuhak Sinta

ANNUAL REPORT



2009

YTS Annual Report for 2009

1. Executive Summary

In 2009, YTS was obliged to cut costs and diversify its client base. This was due to the loss of funding from Kalimantan Gold Corporation, which prior to October 2008, funded nearly 100% of YTS's community development activities in Central and East Kalimantan. Due to the financial uncertainty, YTS also lost four key staff members.

By mid-year, YTS ceased operating in East Kalimantan, and reduced its technical support in the 19 villages in the Kahayan River watershed to a rubber support project funded by the Australian Embassy in 12 villages.

One bright light in the middle of the year was the start-up of a new program in Bukit Batu subdistrict, part of the greater Palangka Raya area. This project was funded fully for one year entirely by Subud-related organisations.

The other big change in 2009 was the proliferation of smaller projects – at least eight in total, as the yayasan sought out other sources of funding. One of these projects enabled us to continue and build on the work we started with UNIDO on preventing the release of toxic mercury into the environment. One site in this project is responsible for 5% of the total amount of mercury released worldwide.

Further on the environmental side, in the concern about global warming, Central Kalimantan is rapidly becoming a focal point for agencies wanting to protect and restore forest- and peat-land habitat. In late 2008, YTS became involved in the master planning initiative aimed at restoring peat swamp forest habitat destroyed by the Mega Rice Project. This involvement continued in early 2009, and at year end YTS was invited to become involved in the AusAID-funded Kalimantan Forest & Climate Partnership.

Government relations at district and subdistrict levels continue to function well. There is a strong appreciation of the efforts YTS is making to assist local government in interacting more effectively with communities within their jurisdiction. At community level there is a similar level of appreciation.

To summarise, the major changes and outcomes in 2009 were:

- Full scale operations in East Kalimantan ended
- Start up of activities in seven large communities in Bukit Batu subdistrict
- Entry into the climate change – forest carbon arena
- Successful work to contain mercury vapour emissions at a global toxic hot spot
- Increase and diversify media production activities, including launch of website
- Begin providing services to other mining companies

YTS still remains focused on improving the quality of governance in areas close to where companies are exploiting natural resources, especially where exploration and mining activities are taking place. This is very much in line with the *reformasi* decentralisation process in Indonesia at this time, and we would like to see government pick up and adopt this approach on a wide scale. The next step in convincing local government of the effectiveness of this unique

approach and methodology is to demonstrate it at district level. Currently we are lobbying the District of Gunung Mas to adopt this approach throughout the district, which consists of about 140 villages.

2. Operations Review

Community Development

East Kalimantan

After completing one full cycle of the community planning and Musrenbang process, YTS shut down its office and most of its operations by mid-year. A small measure of support was extended for the chicken-rearing livelihood support program until the end of the year. The withdrawal from East Kalimantan was a result of Kalimantan Gold stopping all exploration in its Jelai gold concession, and withdrawing funding to YTS.

Central Kalimantan

YTS continued working in three subdistricts in Gunung Mas District in the upper Kahayan River area, but with much-reduced resources. Staff numbers were reduced by 50% and technical support focused only on rubber cultivation. YTS continued to support the active involvement of villagers in the *Musrenbang* annual government planning process, from village to subdistrict to district.

In the Municipality of Palangka Raya, YTS started up its participatory planning process in Bukit Batu subdistrict, and by year end had finished the initial stage in all seven communities in the subdistrict. Each village had made a Village Development Plan in preparation for the 2010 Musrenbang planning cycle. One of the objectives is to provide a stronger institutional base for the local office of Yayasan Usaha Mulia, so that they could expand their programs and support services more effectively.

Other Project Activities

Blacksmith Institute

YTS received a small grant from the Blacksmith Institute to continue our work on preventing the release of toxic mercury into the environment. The two sites selected were gold shops in three towns along the Kahayan River and communities around Mt Muro close to the Barito River.

Work in the gold shops focused on installing blower-condensor systems to capture toxic mercury vapour that otherwise would be released into the atmosphere in these small towns. Mercury vapour is very easily absorbed in the human body and can cause serious damage to the central nervous system.

In Mt. Muro, massive amounts of mercury are being discharged in small communities from nearby gold ore processing operations. YTS began providing retorts of various sizes to improve the efficiency of mercury capture and recycling. Apart from the health and environmental benefits, this resulted in a substantial economic gain for miners, who saved substantial costs by being able to recycle significant amounts of mercury, thereby avoiding the need to purchase new supplies.

At year end, YTS's work in Mt Muro was highlighted on the Blacksmith Institute website as a major success in one of the world's most polluted places, alongside toxic sites such as Chernobyl in the Ukraine.

Australian Embassy DAP

The Embassy of Australia provided a small grant to support villagers along the upper Kahayan River, who wanted to establish village nurseries to grow high-yield rubber seedlings. YTS provided twelve villages with technical support and hybrid seed. Unfortunately, only 40% of the seed provided was viable, which meant that less than half the seeds sprouted and produced seedlings. The seed supplier did, however, agree to replace the unviable seed with fresh stock in March 2010.

The nurseries provided a good stimulus for villagers to work together: through building the nursery site and preparing the soil, planting the seeds and nurturing the young seedlings, and transferring the young seedlings to polybags for outplanting in their fields. A lot of new skills and communal solidarity were gained through this process.

Master Plan Ex-Mega Rice Project

The Netherlands Embassy is funding a project for the rehabilitation of the former Mega Rice Project that devastated large areas of peat swamp forest, exposing the large peat deposits to draining, drying and burning. As a first step, the Embassy commissioned a Master Plan to steer the process of restoration. YTS was invited to work on formulating the methodology for community involvement in the project, and was able to contribute a project cycle framework and methodology, based on its experience in the Kahayan River project.

University of Palangka Raya

The Socio-Economic Department of the Agriculture Faculty at the University of Palangka Raya invited YTS to provide two training packages: one for English language training, and the other to provide guidance on how the university could connect and engage with local communities. These were both World Bank-funded packages.

The English language course was conducted over a four-week period and involved 17 students in an intensive program in preparation for TOEFL examinations. Two YTS personnel conducted the training.

The village engagement package took place over a one-month period, starting with an orientation seminar at the university for approximately 60 students and faculty members. A few weeks after that, a smaller group of about 10 students and staff spent two days in a local village observing the practical application of participatory appraisal tools for analysis and research. YTS staff facilitated the demonstrations, and groups of villagers actively took part in the process. In a final, faculty-wide workshop, outputs from the village analysis were presented and discussed by workshop participants.

Apart from the learning that took place, this engagement provided a good exposure for YTS with the University. Afterwards several of the student participants were invited to take part as trainees in some YTS field activities. The idea was that some of these students might be suitable candidates for joining YTS field staff.

Hesperian Environmental Handbook

YTS converted an English language Environmental Handbook to Bahasa Indonesia, under a contract with the Ford Foundation. The handbook was nearly 600 pages long and heavily illustrated, so it was rather a large undertaking. The print run was for 1000 copies, which were distributed to development and environmental agencies across Indonesia.

Strike Resources

Strike Resources, an Australian mining company with a coal prospect in Berau Regency, East Kalimantan, approached YTS early in the year to provide advice and help with their community relations. Four YTS staff made a reconnaissance visit to plan for a more comprehensive involvement later in the year. This has now been delayed until 2010 due to their full involvement in producing their requisite Environmental Impact Assessment for the local government.

Robust Resources

Another Australian mining company, Robust Resources, with a minerals exploration project on Romang Island in the Maluku's, was counseled by the Centre for Socially Responsible Mining at the University of Queensland in Australia, to engage YTS to implement the community development approach that was developed for Kalimantan Gold Corporation. Work will begin in early 2010 with their newly-recruited community development staff person.

Regional Development

YTS continued to seek partnerships with major donors based in Jakarta. These efforts have been good for raising the profile of YTS, but have not yet resulted in any viable collaboration.

We still are expecting to sign an agreement with the newly-installed government in Gunung Mas Regency, endorsing the work we are doing with community-based participatory planning, and supporting an expansion of efforts to extend the YTS approach to the entire district. So far, we have been working in three out of 14 subdistricts. The idea behind this expansion is to demonstrate the viability of the approach at district level, and thereby provide an example for other districts in the province to follow.

Expansion of activities into Palangka Raya municipality will provide another footing for demonstrating the YTS approach to politicians and civil servants who are based in the provincial capital, as well as to civil society organisations, projects, and donors.

Other Activities

Kalimantan Kids Club

YTS is sponsoring 23 young people to continue their education. Fourteen are studying at university - eight young women and six young men; nine are in high school – six girls and three boys. All of these students come from poor families that otherwise could not afford the expense of sending their children out of the village to school.

Information and Communication Media

The YTS information and communication unit provides services to Kalimantan Gold Corporation as well as to the yayasan itself. For Kalimantan Gold the unit helps produce presentations for meetings and special events. In addition, the unit designs and produces

promotional material, such as display panels for exhibitions and trade shows. It also maintains the corporate identity of the parent company and its various subsidiaries, and the yayasan.

YTS stepped up its involvement with communication media. Our new website was launched at the beginning of the year, yielding many favourable comments from people visiting the site. We were, however, unable to update the site during the year, so this will be a priority for 2010.

We continued to publish Kabar Itah, our quarterly newsletter. Around 1000 print copies in Indonesian are circulated locally to villagers, government officials, and other interested parties. A version is sent by e-mail to approximately 200 Indonesian readers and 800 English readers around the world. The newsletter is a favourite read by many people, as it gives them a glimpse into what's going on in the wider scene in Kalimantan, in addition to information about the activities of YTS.

We also produced a handbook on technical guidelines for villagers on rubber cultivation. This was developed in consultation with rubber farmers in the villages to ensure the text and illustrations were easy to comprehend and follow.

At the request of the Blacksmith Institute we produced a 20-minute video on the mercury capture and recycling project at the Mt. Muro site. This is now available on the Blacksmith website and UTube.

Our media production capability is rather unique in Kalimantan, and we have started marketing this service to other projects and organisations.

3. Personnel

As mentioned above, we lost some key staff early in the year, largely because of the financial uncertainty at the yayasan. We also laid off some of our field staff to reduce our costs and reflect the reduction in field activities in the upper Kahayan River area.

Similarly, we closed our office in East Kalimantan, laying off one staff member and shifting the remaining one to the Palangka Raya office.

The Director's assistant moved to the Netherlands to pursue higher studies at the University of Wageningen. This created a serious gap in the organisation that is yet to be filled.

Finding qualified and competent staff is a major difficulty in Palangka Raya, and the yayasan is experimenting with recruiting fresh graduates from the university and training them on the job.

Two Australian volunteers worked with YTS in 2009. One is providing support for media development and the other was helping improve our administration services.

4. Financial Review

The year saw a dramatic shift away from dependency on a largely single income source - Kalimantan Gold Corporation - to a much more diversified mix of funds from donors and revenue generated from providing services to other organisation.

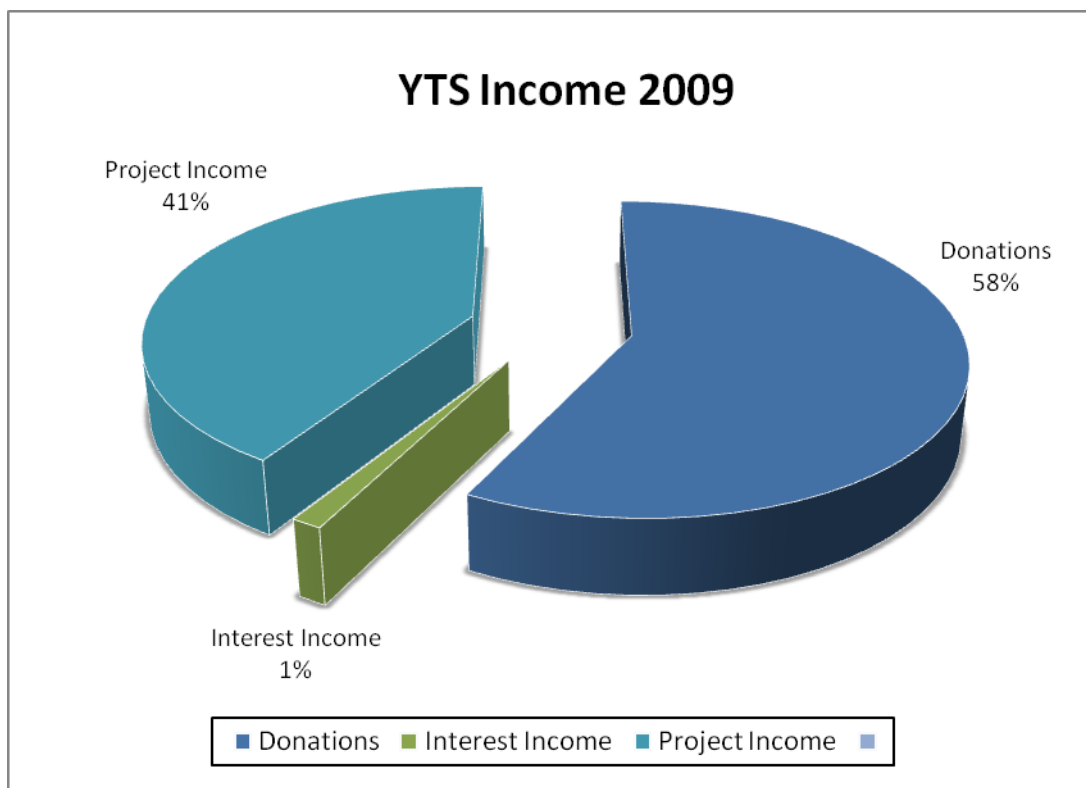
There was a shortfall of US\$21,600 in 2009. More than half of this - US\$12,000 - was due to unanticipated severance payments to a number of key employees who left because of financial uncertainties. This shortfall was made up by drawing on reserve funds that had been generated in past years.

Income

The total income for 2009 was US\$122,000. This was US\$21,000 short of total expenditures, which amounted to US\$143,000.

Compared to previous years, only 20% of total income came as a donation from Kalimantan Gold Corporation. Donations as a whole amounted to 58% of the total; the remaining 42% of income came largely from revenue-generating projects.

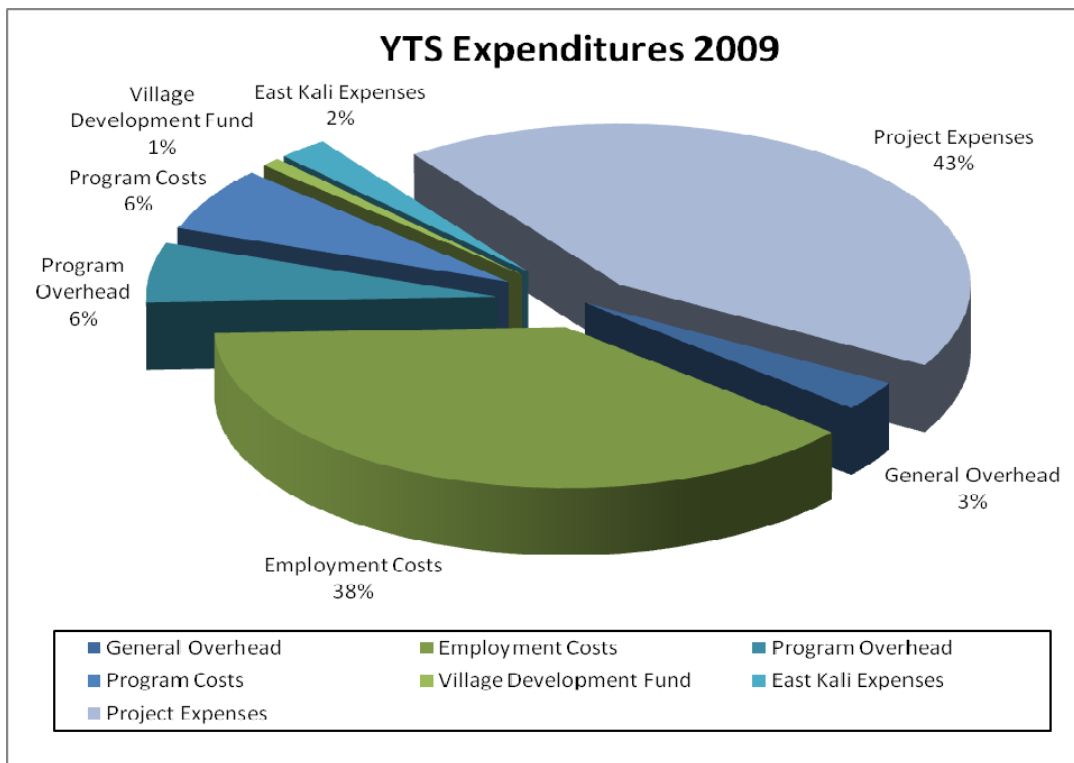
Figure 1: Breakdown of Total Income in 2009



Expenditures

Total expenditures in 2009 were US\$143,000. The largest cost centres are the expenditures for running project activities (43%), and for employment costs (38%). Employment costs in 2009 were 30% higher than normal because of large severance payments to employees that left in the first half of the year. General Overheads refers to office costs and Program Overheads are costs to keep our field teams mobile. The proportionate distribution of total expenditures is illustrated below in Figure 2.

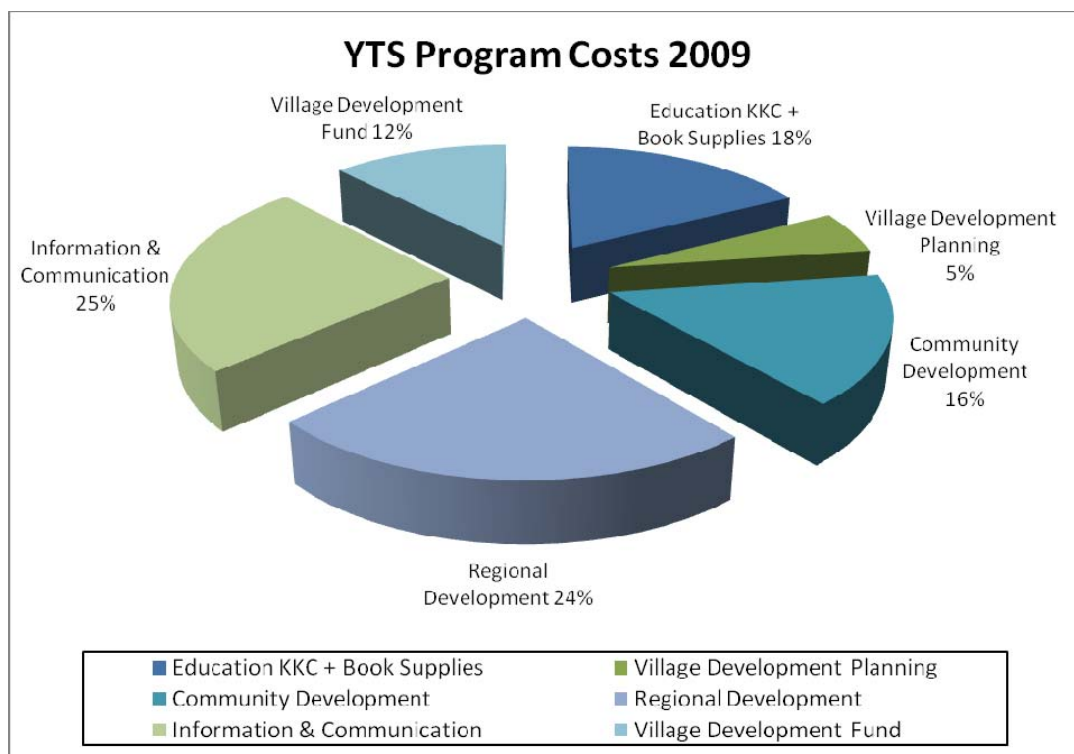
Figure 2: Breakdown of Total Expenditures in 2009



Program Costs

Program Costs are expenditures made directly for YTS program activities: US\$9200 for 2009, 7% of total expenses. These include the small amounts spent in the villages in the upper

Figure 3: Breakdown of Program Costs in 2009

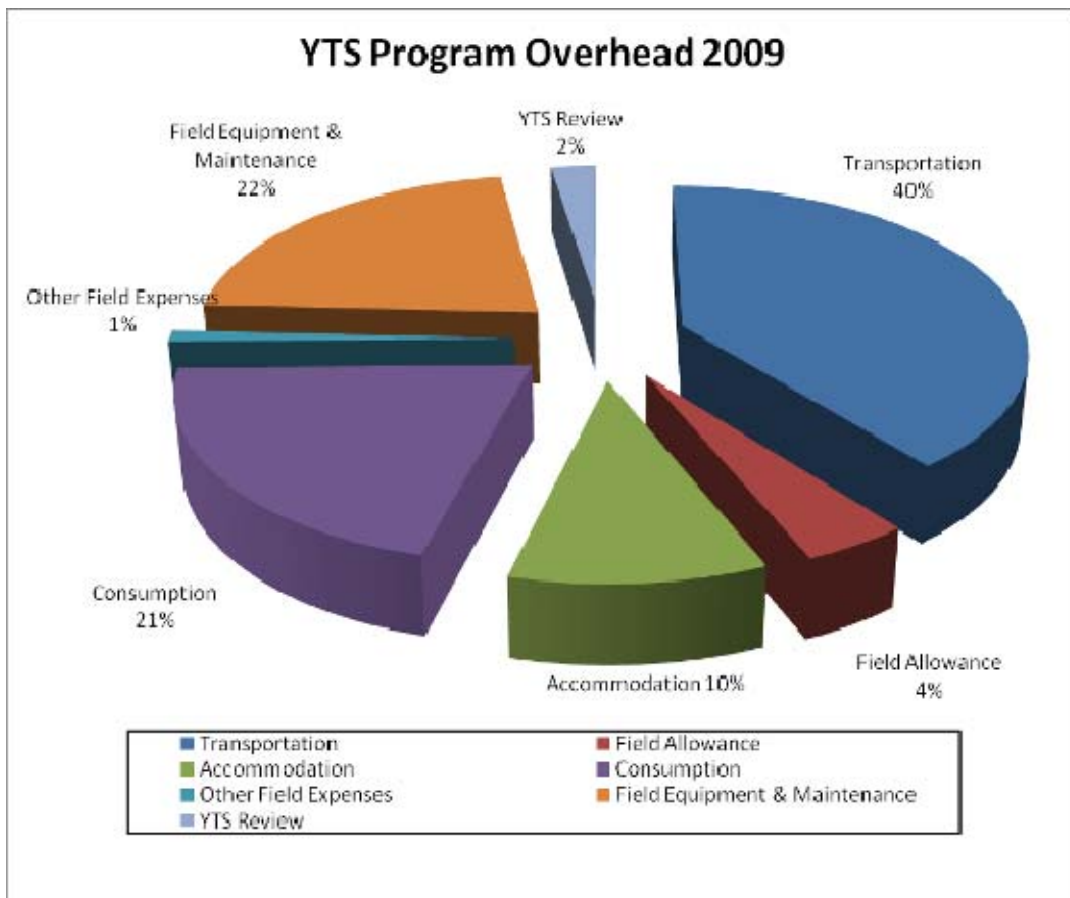


Kahayan - 33% of the total, and the Kalimantan Kids Club scholarship program - 18% of the total. Information and communication expenditures are included in this area - 25% of the total. Regional Development includes visits to lobby donor agencies - 24% of total Program Costs.

Program Overhead

Program Overhead covers all expenses, apart from employment costs, to deliver services to communities in the upper Kahayan River area: US\$8600 in 2009. This is only 7% of the total expenses budget. Transportation costs continue to absorb the lion's share – 40% of the total, followed by consumption – 21%, and accommodation – 10%. Maintenance and equipment cost, mainly for boats, is 22% of the total.

Figure 4: Breakdown of Program Overhead in 2009



5. Consequences and New Directions

Consequences

One major consequence of the changes brought about by the economic downturn is the loss of continuity in our two major locations close to KGC exploration sites in Central and East Kalimantan. The big loss is support to the system that was initiated to establish and build the capacity of new institutions in the villages. This institutional base normally takes a long time to establish and become functional. If it loses support during the process of establishing itself, it can mean starting all over again, as people lose interest and faith in the system. So there is a

somewhat invisible but significant loss as a result of our inability to continue to support these communities.

A second consequence is partially institutional, but more significantly the loss of relationships of trust between ourselves and the community, especially regarding the support we were providing in strengthening and improving economic livelihoods. It takes a long time to build up these relationships, and very little time for them to fall apart. Starting again in these communities will likely take a significant effort to re-establish these relationships and to re-build a sense of trust.

New Directions

In looking for solutions to deal with the loss of our traditional source of revenue from the company, we can only rely on donations and grants for a very short period of time. We do have a unique opportunity to sell some of our services, such as our community relations methodology and our experience with mercury in artisanal mining.

There currently appears to be some opportunities to provide a service to the mining sector in Indonesia for community development support, and we have begun working with two Australian companies on their approach to community relations.

There are however two new areas with arising opportunities and where we also have some unique expertise. These are namely: media development services and training services. With media development we already have some good capabilities and experience in producing printed materials for communication and information purposes, such as newsletters, handouts, posters and technical handbooks. We also have been producing videos on specific technical topics.

With training, we do have some experience, but we need to professionalise our knowledge and skill base before we can promote ourselves as a fully-fledged training organisation. It would be important to do this because there is going to be a growing need for training services in the locations where we are working, especially in our work with projects and private sector clients. We also have to improve the quality of our own training delivery.

We therefore have started preparing a program to build and strengthen our internal capacity to provide professional training services. We already have designated one staff to be the focal point for training services in YTS, and if indeed, there is a strong demand for training services, it is very likely that a distinct division will arise with this specialised function.

Conclusion

The year 2009 was a time of significant stress and changes for YTS. We hope that the new directions we are pursuing will create a more secure financial foundation for the yayasan, and that newfound strengths will arise out of these difficult times. It is clear, however, that the future is still very unclear and unpredictable.

There are some very positive prospects, and we will do everything possible to turn them into realities.

ANNEX I: 2009 Financial Statements

INCOME	US\$	%
<i>Donations</i>	70,187	58%
KGC Donation for Central Kalimantan	16,111	
KGC Donation for East Kalimantan	8,398	
Donations for Kalimantan Kids Club	2,465	
VIDA Donation	579	
Donations for Bukit Batu Project	41,576	
SD International Donation	1,059	
<i>Interest Income</i>	1,580	1%
BNI Deposit	335	
YTS BNI	270	
Credit Union	975	
<i>Project Income</i>	49,994	41%
Hesperian Project	18,735	
DAP Project	3,386	
Blacksmith Project	16,292	
UNPAR English Course	1,636	
UNPAR Desa Binaan	1,793	
Photo Competition	452	
YUM Evaluation	1,617	
EMRP Master Plan	4,439	
University of Queensland	220	
Strike Resources	1,424	
TOTAL INCOME	121,761	100%
EXPENSES		
A. GENERAL OVERHEAD	4,305	3%
Office Supplies and Stationary	845	
Freight, Courier & Postage	145	
Printing & Photo	478	
Equipment	310	
Office Maintenance	52	
Phone & Email	1,208	
Donation to Village	106	
Copy	14	
Bank Charges	242	
Translation	10	
Local Transportation	62	
Other Expenses & Formalities	833	

EMPLOYMENT COSTS	54,568	38%
YTS Staff Salary	36,411	
Health Insurance/Jamsostek	1,954	
Medical	1,092	
Severance Payments	11,943	
Income Tax	1,055	
Holiday Allowance / THR	2,113	
PROGRAM OVERHEAD	8,652	6%
Transportation	3,411	
Field Allowance	372	
Accommodation	883	
Consumption	1,798	
Field Stationery	32	
Other Field Expenses	36	
Communication	24	
Field Maintenance	712	
Field Equipment	1,174	
YTS Review	209	
PROGRAM COSTS	9,245	6%
<i>Education KKC + Book Supplies</i>	1,829	
KKC fee Tuition & Cost living	1,829	
<i>VDP Planning Implementation</i>	565	
VDP Review	565	
<i>Community Development</i>	1,699	
Musrenbang - Miri Manasa	725	
Musrenbang - Kahut	392	
Musrenbang - Damang Batu	569	
Village Management Group /KKD	12	
<i>Regional Development</i>	2,555	
Regional Development	2,555	
<i>Information & Communication</i>	2,597	
Leaflet & Corporate Identity	149	
YTS Newsletter	1,103	
Video	316	
Website	163	
Booklet	867	
Village Development Fund	1,283	1%
<i>Kahayan Hulu Utara Subdistrict</i>	464	
1). Korik	154	
2). Ponyoi	11	
3). Takoi	22	
4). Tajungan	114	

5). Sian	37	
6). Penda Rangas	126	
Miri Manasa Subdistrict	372	
1). Siruk	27	
2). Buntoi	169	
3). Mangkuhung	37	
4). Manyoi	140	
Damang Batu Subdistrict	447	
1). Posu	276	
2). Maraya	23	
3). Lawang Kanji	18	
4). Anoi	30	
5). Karetan Sarian	47	
6). Mahuroi	53	
SUBTOTAL EXPENSES	78,054	54%
EAST KALI EXPENSES	3,269	2%
General Overhead	123	
Employment Costs	1,162	
Program Overhead	991	
Program Costs	994	
PROJECT EXPENSES	62,083	43%
Bukit Batu Project	17,258	
Blacksmith Project	19,577	
Hesperian Project	21,862	
DAP Project	3,386	
GRAND TOTAL EXPENSES	143,406	
GRAND TOTAL INCOME	121,761	
NET SURPLUS/ (DEFICIT)	(21,645)	

Note: \$US rate used is Rp 9,400 (Bank Indonesia, December 31, 2009)