Building Bridges

Integrating community development and conservation of forests and biodiversity in the Kinabatangan River area, Sabah, Malaysia

Progress Report 2, January - June 2011

People Nature Consulting International

and

Shining Hope Foundation

Summary

The Shining Hope Foundation is providing financial support to HUTAN and its implementing partners to demonstrate that integrated management of environmental and socio-economic aspects of land and natural resource management are needed to achieve long-lasting outcomes for sustainable biodiversity and environmental conservation as well as human development in tropical developing countries. Specifically, the project seeks to achieve a measureable improvement in the ecological conditions of Lower Kinabatangan Wildlife Sanctuary and selected key stone species, and demonstrable improved welfare and well-being of selected target groups in the Kinabatangan community, through effective integration of community development with conservation of forests and biodiversity in the Kinabatangan River area.

A review of project activities, outcomes, and financial expenditures was conducted by Erik Meijaard from 18 to 23 June 2011 for the period January to June 2011. No field visit was included this time, and the reporting was done based on field reports submitted by individual units of HUTAN (OURS, HEAP, Wildlife Wardens etc). The financial review was conducted in Kota Kinabalu on February 11th together with the HUTAN accountant and involved checking of receipts, compiling expenditures over the period and comparing these with predicted expenses. Information about project activities was obtained through interviews with several field staff.

The review showed that the project activities in the Lower Kinabatangan Wildlife Reserve funded by the Shining Hope Foundation continue as planned, although there have been delays because of prolonged rains in the first 4 months of 2011.

Between January and June 2011, HUTAN's spending rate with regard to the Shining Hope funding was about 114%, resulting in an overall spending rate since the start of the project of 92.3%. Some cost center are significantly overspent and others underspent and rebalancing of the budget may need to be considered. Other budget issues that require attention are mentioned below.

Financial Progress Report September 2010 to March 2011

During the present budget and expenditures review, the data for May and June 2011 were not yet available. Only January, February, March and April expenses were reviewed and compared with the original receipts. Reporting is limited to the period January to March, and the April expenditures will be combined with the period April to June presented in the next financial review.

While the spending rate for the Shining Hope Foundation funds between September and December 2010 was just over 80%, this significantly increased between January and March 2011 to a spending rate of 114%. Over the entire period since the start of the project, from a budgeted amount of RM 176,785.00, RM 163,190.63 was spent, resulting in an overall spending rate of 92.31%, and an absolute underspending of RM 13,594.37 or about € 3,161 (see Table 2 below). This suggests that overall spending is nearly in line with budget forecasts. Some individual cost centers, however, were significantly underspent or overspent, requiring action from Shining Hope:

- According to the operational plan, Shining Hope would fund the gross salaries of key project staff. For the months September to December 2010, net salaries were mistakenly charged. After discussing this with the HUTAN accountant, we decided to leave the September to December expenses as they were, but charge gross salaries to Shining Hope starting in January 2011. This increased the salary component charged to the project, and salary budget seem underfunded (for two staff, actual salary expenditures are nearly 40% higher than forecasted. This requires input from Shining Hope, and it is recommend to revise budget forecast and increase the salary component accordingly.

- Expenditures of the reforestation program also increased from the period Sept/Dec 2010 to Jan/Mar 2011, with a new site being prepared for reforestation. This included funding for the building of an onsite shelter for the workers. Over the entire period the expenditures for reforestation exceed the budget by 15%, but is expected that this will again level out in the following budget period.

- Cost of protection of the Pangi Cave and harvesting of swiftlets nests is now fully paid by Shining Hope. This cost center is however underfunded and expenditures have been more than twice what was originally budgeted. This requires feedback from Shining Hope: Either budgets need to revised so that the cave program remains fully funded by Shining Hope, or activities and expenditures have to be reduced.

- Cost centers with significant underspending are those associated with the environmental awareness programs and the environmental information center. Prolonged rains from early 2011 to May 2011 led to flooding of the center, halting any planned renovations and significantly hampering outdoor environmental education activities. Also new government regulations limit the outdoor camp activities with local children. The only activities that went ahead as planned are the school programs, but these are relatively cheap to run. It is expected that with the dry season coming, expenditures in this cost center will significantly increase. The budget for buying camera equipment was actually spent in June 2011 and will show in the next financial report.

Comments on budget

Regarding the exchange rate, the Malaysian Ringgit is relatively stable with regard to the Euro and therefore a variable exchange rate was applied in the financial report, and an exchange rate of 4.25 MYR to the Euro can be consistently applied.

No inflation correction was applied when the budget was developed. Average annual consumer price inflation in Malaysia presently stands at 3.3% in 2011, according to The Economist Intelligence Unit. This suggests that over the duration of the project, prices will increase by about 10%, while budgets remain constant. With fuel expenses taking up a considerable part of the budget, and considering recent increases in fuel price, it seems likely that project expenditures will go up by more than 3.3% per year.

One important issue came up in discussions with the project accountant. Some budget forecasts have specific budget allocations for certain months, with zero budget allocation for other months (Table 3a). This was done based on predicted activities. There are two problems with the format: (1) The timing of activities often needs to be adjusted based on field conditions, so the activities may not take place in the month for which they were planned; (2) HUTAN's accountant only charges expenses to the Shining Hope cost centers when an actual budget was available in any given month. This means that quite often there are HUTAN activities in line with those described in the Operational Plan which are not charged to Shining Hope because there was no budget available that month. The suggested solution is start the next financial period (July – December 2011) with a revised budget forecasting system in which the planned monthly expenditures are averaged over each month (see example Table 3b). This will give HUTAN more budgetary flexibility, also ensuring that less underspending occurs.

Budget forecast and fund disbursement

Based on present spending rates, it is suggested that the funding for the next phase (July to December 2011) is transferred in early July 2011, with a total of € 24,483.00 (see table 1).

Budget period	**Actual expenditure (RM)**	**Actual expenditure (Euro)**	**Forecasted budget requirements**
September to December 2010	MYR 93,123.95	ca. € 22,439	€ 27,566.80
January to June 2011			€ 28,850.20
July to December 2011			€ 24,483.00
January to June 2012			€ 25,800.00
July to December 2012			€ 25,781.67
January to June 2013			€ 25,772.50
July and August 2013			€ 8,590.83
TOTAL			€ 166,845.00

Table 1. Budget forecasts and actual expenditures

Next steps

It is suggested that the budget forecast for the period following July 2011 is revised. This specifically concerns the salary component and the costs for managing the Pangi Cave. Increasing the budget allocation to these cost centers would require reducing other cost centers.

In discussion with the HUTAN accountant it was agreed that the receipts for the remaining two months in this budget period (May and June 2011) would be sent by courier to Erik Meijaard so that he can review the expenses without having to travel to Kota Kinabalu. The financial report for the period April – June 2011 should then be made available in early August 2011.

Potentially Erik Meijaard would be available to meet Shining Hope in early August in Europe.

	Budget (RM)	Expenditure (RM)	Budget (RM)	Expenditure (RM)	Budget (RM)	Expenditure (RM)	Spending rate	Net Spending (RM)
Budget period	Sep-Dec	Sep-Dec	Jan-Mar	Jan-Mar	Sep 10-Jan 11	Sep 10-Jan 11	Sep 10-Jan 11	Sep 10-Jan 11
Salary Ahbam Abulani	8,375.00	10,512.60	6,375.00	9,917.34	14,750.00	20,429.94	138.51%	(5,679.94)
Salary Hamisah Elahan	8,375.00	5,966.86	6,375.00	4,019.28	14,750.00	9,986.14	67.70%	4,763.86
Salary Azri Sawang	8,375.00	11,193.15	6,375.00	8,422.08	14,750.00	19,615.23	132.98%	(4,865.23)
Fuel for boat	6,700.00	7,210.00	5,100.00	5,429.20	11,800.00	12,639.20	107.11%	(839.20)
Petrol for car	3,350.00	3,700.00	2,550.00	3,011.55	5,900.00	6,711.55	113.76%	(811.55)
Photo camera/video for observation and identification	16,900.00	5,280.00			16,900.00	5,280.00	31.24%	11,620.00
Total Office costs and consumable	704.00	946.35	531.00	573.95	1,235.00	1,520.30	123.10%	(285.30)
Materials for HEAP activities in schools			4,250.00	1,123.50	4,250.00	1,123.50	26.44%	3,126.50
Training for HEAP staff			2,125.00	456.00	2,125.00	456.00	21.46%	1,669.00
Total Home Tree Nursery and Reforestation activities	16,750.00	15,141.45	12,750.00	18,958.18	29,500.00	34,099.63	115.59%	(4,599.63)
Total Warden activities/Hornbill Survey	8,375.00	4,804.10	4,250.00	5,196.65	12,625.00	10,000.75	79.21%	2,624.25
Total Equipment and uniform for HEAP/OURS/WARDEN	2,150.00	489.25			2,150.00	489.25	22.76%	1,660.75
Total Equipment/Education Camp/Activities	8,450.00	1,531.50			8,450.00	1,531.50	18.12%	6,918.50
Total Boat expenses	10,375.00	4,000.00			10,375.00	4,000.00	38.55%	6,375.00
Total upgrading environmental awareness and training centre	6,225.00	8,328.09	6,375.00	0.00	12,600.00	8,328.09	66.10%	4,271.91
Total Orang utan bridges	6,225.00	4,100.00			6,225.00	4,100.00	65.86%	2,125.00
Total Swift nest population and harvesting survey	4,150.00	9,910.60	4,250.00	12,968.95	8,400.00	22,879.55	272.38%	(14,479.55)
Total Budget and Expenditures	115,479.00	93,113.95	61,306.00	70,076.68	176,785.00	163,190.63	92.31%	13,594.37

Table 2. Total budget and expenditures from September 2010 to March 2011.

Costs	Unit	Number of units	Cost per unit (EUR)	**Total estimated costs (EUR)**	*Forecast Month 1 (Sep10)*	*Forecast Month 2 (Oct 10)*	*Forecast Month 3 (Nov 10)*	*Forecast Month 4 (Dec 10)*
Sub-total 3 : Equipment costs (material, consumables & supplies)				**8,500**				
4. Other direct costs linked to the action								
4.1. Training for HEAP staff	per year	3	500	**1,500**				
4.2. Home Tree nurseries and reforestation activities	per year	3	12000	**36,000**	1000	1000	1000	1000
4.3. Survey Hornbill (2010)	per year	1 (2010)	2000	**2,000**	500	500	500	500
4.4. Equipment and uniform for HEAP, KOCP, Warden	per year	3	2000	**6,000**	500			
4.5. Equipment/Education Camp/Activities	per year	3	2000	**6,000**	1000	1000		
4.6. Boat	per year	3	2500	**7,500**				2500
4.7. Finishing upgrading environmental awareness and training center	per year	1		**3,000**		500	500	500
4.8. Orang utan bridges	per unit	2	1500	**3,000**		1500		
4.9. helicopter monitoring 2/year	per unit	6	1500	**9,000**				
4.10. Swift nest population and harvesting survey	per year	3	2000	**6,000**			1000	

Table 3a. Selected part of the budget forecasts in the Operational Plan, with specific monthly budget allocations.

Costs	Unit	Number of units	Cost per unit (EUR)	**Total estimated costs (EUR)**	*Forecast Month 1 (Sep10)*	*Forecast Month 2 (Oct 10)*	*Forecast Month 3 (Nov 10)*	*Forecast Month 4 (Dec 10)*
Sub-total 3 : Equipment costs (material, consumables & supplies)				**8,500**				
4. Other direct costs linked to the action								
4.1. Training for HEAP staff	per year	3	500	**1,500**				
4.2. Home Tree nurseries and reforestation activities	per year	3	12000	**36,000**	1000	1000	1000	1000
4.3. Survey Hornbill (2010)	per year	1 (2010)	2000	**2,000**	500	500	500	500
4.4. Equipment and uniform for HEAP, KOCP, Warden	per year	3	2000	**6,000**	125	125	125	125
4.5. Equipment/Education Camp/Activities	per year	3	2000	**6,000**	500	500	500	500
4.6. Boat	per year	3	2500	**7,500**	625	625	625	625
4.7. Finishing upgrading environmental awareness and training center	per year	1		**3,000**	375	375	375	375
4.8. Orang utan bridges	per unit	2	1500	**3,000**	375	375	375	375
4.9. helicopter monitoring 2/year	per unit	6	1500	**9,000**				
4.10. Swift nest population and harvesting survey	per year	3	2000	**6,000**	250	250	250	250

Table 3b. Suggested way of changing budget forecasts by averaging out budget forecast so that each month some funding is available.

Narrative Progress Report January – June 2010

Project Outcome 1. Statistically robust data are available on the trends in distribution, population densities and conservation status of the orang-utan, hornbill species, and cave-nesting swifts in Kinabatangan.

Activity 1. Populations of orangutans, hornbills, and edible nest swiftlets are regularly monitored by KOCP's Orangutan Research unit (OURS)

Orangutan surveys

Orangutan surveys are conducted on a regular basis in both forest and non-forest habitats by the OURS team. Because of heavy rains from mid January to the end of April, many swamp forest areas were flooded so that no surveys were possible (danger of crocodile attack and generally dangerous conditions). As shown in the photo below it becomes very difficult to work in swamp forest during flooding. Instead, the survey team made a specific effort to better understand the extent to which orangutans use oil palm to move from one forest patch to another. The OURS team conducted nest counts along 500 m transect in oil palm areas to determine nest decay rates in oil palm, to see how far orangutans move into oil plantations, and also to better understand the seasonality of oil palm use by orangutans. A better understanding of these the opportunities and threats posed by oil palm, would improve the knowledge of the overall viability of the LKWS orangutan populations.

Plenty of nests have been found in oil palm areas and the team also found that orangutans eat orangutan leaves. This raises the question whether orangutans cause damage the oil palm and potential financial losses. So far the evidence suggests no such losses to oil palm owners, which is good news because it would facilitate collaboration with palm oil companies. Such collaboration is ultimately needed to maintain the ecological integrity of the Kinabatangan landscape as much as possible, or strengthen it by facilating animal movement within the landscape, even where this includes use of oil palm areas.

Photos above: Left, survey teams make use of the rope bridges (normally far above the water but now flooded) to make their way through the forest. Right: female orangutan encountered during surveys in Lot 3 of the Lower Kinabatangan Wildlife Reserve

One exciting discovery was an orangutan called Etin. Etin is the son of Jenny, a female orangutan that had been tracked by HUTAN since 1998. Etin was born in 1997 and was subsequently followed with his mother for several years. A few years ago, however, Etin disappeared and wasn't seen again until 2011 when he reappeared in the LKWS. Because Etin is now a few years than when he was last seen, the identification is not 100% certain, so DNA samples have been taken from his faecal material to check whether indeed Etin has found his way back to LKWS.

Hornbill surveys

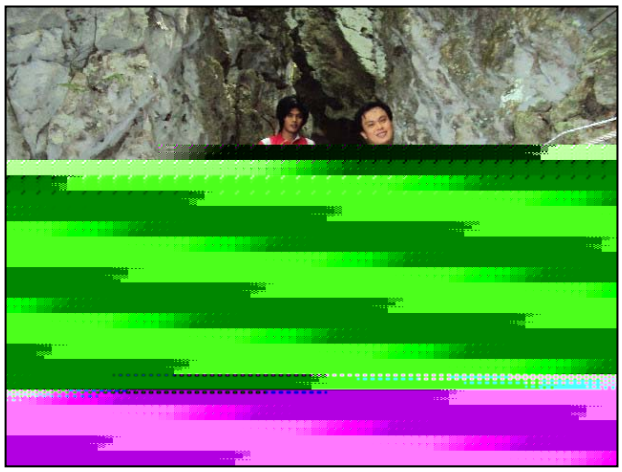
The hornbill surveys were completed as planned. No additional surveys are planned for the time being, but Marc Ancrenaz met a Thai hornbill specialist (Prof. Pilai Poonswad) in March 2011 and she is keen to come to Kinabatangan to do work on hornbills starting in 2012. The species selected for follow up work is likely the Helmeted Hornbill. This is the most threatened local hornbill species. Unlike other hornbill species it has a solid horn, which has two consequences. Firstly, the actual weight of the species horn makes it impossible for the species to directly land on tree trunks to enter their nest sites. Instead, the have to land on a side branch from where it can access its nest in a tree hollow. These requirements severely limit its nesting opportunities, and one idea for follow up conservation work is to provide nesting sites that cater to the specific needs of the species. Another consequence of the solid horn is that people often hunt the Helmeted Hornbill to use its horn for carving.

Nest swiftlet caves

Research on the Pangi Caves swiftlet population continued in 2011. Following successful protection of last years nesting population, a small amount of nests could be harvested this year without endangering the population. In February 2011, 2.85 kg of nests were harvested from about 22 caves in the Pangi Cave system and sold for MYR 5,300 (€ 1,225). The planning was to harvest more nests in the first half of 2011, but the wet weather made access to the cave difficult.

With funding from the Shining Hope Foundation, the Pangi cave and its swiftlets remain protected. The swiftlet populations are slowly increasing which is very good news. These new birds are those that were born after the caves became protected. These swifts start nesting in their second year, so if all goes well it is expected that from next year the harvested amount of nests will start to go up.

Hutan is also exploring new cave sites where similar sustainable harvesting approaches can be developed.



Photos above. Hutan's teams are exploring the new Sebpit Cave to check its switflets breeding population and determine potential for developing sustainable management.