

# The Complexities of Managing Forest Resources in Post-decentralization Indonesia

A Case Study from Sintang District, West Kalimantan

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**Tanjungpura University (UNTAN) and  
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# Glossary

BPD	<i>Badan Perwakilan Desa</i> , Village Representative Assembly (village-level legislative body)
BUMN	<i>Badan Usaha Milik Negara</i> , State-owned company
BUMS	<i>Badan Usaha Milik Swasta</i> , Privately-owned company
Dephut (bun)	<i>Departemen Kehutanan dan Perkebunan</i> , Ministry of Forestry and Estate Crops
Dishut	<i>Dinas Kehutanan</i> , Forestry Service Office
DR	<i>Dana Reboisasi</i> , Reforestation Funds (According to Government Regulation No. 35/2002, Article 1, paragraph 1 these are funds for reforestation, forest rehabilitation and supporting activities collected from HPHH concessionaires.)
FGD	<i>Focus Group Discussion</i> , A method whereby participants discuss problems and find solutions together
HP	<i>Hutan Produksi</i> , Production Forest
HPH	<i>Hak Pengusahaan Hutan</i> , Commercial Forestry Concessions
HPHH	<i>Hak Pemungutan Hasil Hutan</i> , Forest Product Harvest Concessions
KUT	<i>Kelompok Usaha Tani</i> , Farmer Business Group
LHP	<i>Laporan Hasil Produksi</i> , Timber Production Report
PSDH	<i>Provisi Sumber Daya Hutan</i> , Forest Resource Rent Provision
RTRWP	<i>Rencana Tata Ruang Wilayah Provinsi</i> , Provincial-level Spatial Plan
SKSHH	<i>Surat Keterangan Sahnya Hasil Hutan</i> , Permit to transport forest products
TGHK	<i>Tata Guna Hutan Kesepakatan</i> , Forest Land Use by Consensus
TPI	<i>Tebang Pilih Indonesia</i> , Indonesian Selective Cutting System

## Preface

This case study is part of a series describing the impacts of decentralization in the forestry sector in Indonesia. Over the last two years (2002–2004), a team of researchers from regional universities, NGOs and CIFOR worked on a policy action research project: ‘Can Decentralization Work for Forests and the Poor?’, intended to help inform policy decision making. The research has involved working with multi-stakeholder networks in five provinces across Indonesia (South Sulawesi, East Kalimantan, Jambi, West Kalimantan and Papua) in gathering and sharing detailed socio-legal, economic and ecological analyses of the impacts of decentralization on forestry and the poor.

The foundations for decentralizing Indonesia’s highly centralized governance system were laid out in Law No. 22/1999 on Regional Governance and Law No. 25/1999 on Fiscal Balancing between the Central and Regional Governments. Decentralization has provided district governments with considerable opportunities to reform their governance, development and public service delivery. The most tangible manifestation of decentralization in the forestry sector was that district heads were given authority to grant small-scale forest concessions for the first time.

The first two years of decentralization in Indonesia represented a time of transition and adjustment. Forest-rich districts celebrated this new freedom to gain direct economic benefits by establishing district timber regimes. As a result there was a boom in small-scale logging. The national government reacted with a new

set of forestry policies attempting to limit forest degradation, mainly by curbing district authority. At about the same time, many district governments and local stakeholders started to realize that their level of timber exploitation was not sustainable. In these districts, a process of policy learning led to new, more carefully considered district forestry policies. However, their potential was limited as the central government had already taken back much of the district’s authority for forestry.

Under the New Order regime, the forest governance system had created an unsustainable timber extraction regime. It has also been described as a ‘poverty-creating’ model of forest management (DFID 1999)<sup>1</sup>. So far, decentralization in Indonesia has not magically solved the problems built up over decades of over-exploitation and under-investment in natural resource-based development. Decentralization has undoubtedly brought short-term economic windfalls to some forest-dependent communities, and brought decision-making closer to local stakeholders. However, if forest and eco-system management at the local level is to be sustainable, all the stakeholders who will be impacted by government policies in this area need still greater involvement. Their input should help to ensure that final policies provide them with real opportunities to improve their livelihoods and the natural environment within a framework of sustainable natural resource management.

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Bogor, Indonesia

Siân McGrath  
Project Coordinator



# Abstract

The study attempted to understand the dynamics and complexities of forest resources management following decentralization, the interactions among stakeholders in forest resources management, and the impacts of the new legislation on local community livelihoods in Sintang District, West Kalimantan. Forestry policies implemented in the district before and after the introduction of legislation granting regional autonomy and the emergence of small-scale timber concessions are described. Qualitative research methodologies, i.e. semi-structured interviews, field observations and workshops, were used. The results show that the decentralization of forest management had not proceeded smoothly because of the lack of regulations governing implementation, and that the decentralized forest policies had had both positive and negative impacts. Focusing on 100-ha forest product harvest concessions (HPHH), the study examined opportunities for local communities and other stakeholders to participate in the management of forest resources, the contributions of the small-scale forest concessions to district development and local community livelihoods, and social conflicts arising from a complex combination of factors.



### 1.1 Background and research

Alongside their global value, forests are a vital resource for Indonesia. Forests generate foreign exchange for the state economy and subsistence support for local communities for whom they also hold substantial sociocultural value. It has been estimated that the timber industry has contributed 20 percent of national revenue over the last few decades (Kartodihardjo 1999) and provided widespread employment opportunities. Forests generate an average of US\$ 6 billion in revenue per year and 20 to 30 million people are directly or indirectly employed in forestry (Sunderlin *et al.* 2000). On a smaller scale, forests play an important role as a lifesource for local communities who depend on income and sustenance from harvesting non-timber products such as rattan, resin, medicinal plants etc. Sacred sites within forests are also used for important rituals and spiritual ceremonies by local communities across Indonesia (McCarthy 2002).

For more than 30 years, forest management in Indonesia was extremely centralized under the autocratic New Order regime (Resosudarmo 2004). Forests were managed by large and well-connected companies that were given forest concessions (*Hak Pengusahaan Hutan*, HPH) by the central government in Jakarta. Technically, HPH concessionaires were supposed to contribute to local community livelihoods through the so-called Village Development Programme (HPH *Bina Desa*); but more often than not communities received little if any benefits from large concessions operating in their area. In reality, the HPH system of forest management systematically marginalized local communities. It has been described as a 'poverty creating model of forest development' and an ecologically

unsustainable system (DFID 1999). Worse still, HPHs often left local communities to bear the brunt of environmental problems such as river pollution, floods, erosion and landslides. Social conflict between local communities and HPH concessionaires emerged everywhere as a logical consequence of the manifold problems brought about by the HPH concession system (Rhee 2000; Yasmi 2003).

Soeharto's New Order regime came to an end in 1998, in the wake of widespread student demonstrations for democracy. Indonesia turned a new page in its history. At this point, it seemed as if the Indonesian people's dream of '*Reformasi*' was about to become reality. With the end of the New Order era came new hope for socioeconomic and political reform across government, including in the notoriously corrupt forestry sector. After 30 years of highly centralized control from Jakarta, there was also pressure for more autonomous government for the country's provinces and districts. One year later, two new laws laid down the foundations for regional autonomy. Drawn up and ratified by the People's Consultative Assembly (MPR RI), the two new laws were Law No. 22/1999 on Regional Government and Law No. 25/1999 on Fiscal Balancing between Central and Regional Governments.

Article 7, paragraph 1 of Law No. 22/1999 provided regional governments with considerable authority in all areas of governance except security and defence, the judiciary, religion and national monetary and fiscal policies. Following this transfer of power and authority from the central government to provincial and district governments there were expectations that this new government structure would provide more efficient and equitable public services. Underlying this

expectation was the notion that a decentralized system would bring decision makers physically closer to their constituents. This would incur lower transaction costs and enable active stakeholder participation in policy-making (Mody 2004). There were high hopes that a new decentralized system of government would be more accountable.

The significant transfer of power and authority from central to regional governments was seen by many to reflect a will to embrace the four pillars of good governance, namely: accountability, transparency, law enforcement and public participation (see e.g., Tambunan 2000). However, in his latest study McCarthy has concluded that decentralization in the forestry sector has yet to fulfil initial high hopes. He writes '[...] Nonetheless, to date, the politics surrounding decentralization have occurred under the shade of the New Order's authoritarian heritage. As these politics work out at different levels, circumstances remain precariously distant from the objective of good governance' (McCarthy 2004: p1200). However, the status of some communities and their comparative access to benefits has marginally improved since decentralization, albeit with short-lived and unsustainable gains channelled to them once local and village elites have had the lion's share (McGrath *et al.* in press).

A fundamental problem standing in the way of improved governance following decentralization has been weak coordination among the parties involved. Central government has failed to clearly define the delegation of power and authority to regional governments. This is reflected in the lack of clear and distinct regulations on implementing decentralization in the forestry sector. Law No. 22/1999 and Law No. 25/1999 on decentralization and fiscal balancing were promulgated in 1999. No government regulations deriving from these two laws were issued specifically for the forestry sector before 2002.

This policy vacuum gave rise to all manner of political manoeuvring and speculation in Indonesia's provinces and districts. Most regional governments looked to forest resource management to generate independent regional

own-source revenues (*Pendapatan Asli Daerah* or PAD). Districts exercised their new-found administrative authority by issuing small-scale forest concessions (often called 100-ha HPHH or Forest Product Harvest Concessions) to increase their PAD. This has been common in the forestry sector (see e.g., Barr *et al.* 2001; Casson 2001; McCarthy 2001a, b, 2004; Samsu *et al.* 2004; McGrath *et al.*, in press). On the one hand, 100-ha HPHHs generated PAD for the regions. They have created relatively better access for local communities to forest resources by providing them with direct but short-term economic gain. On the other hand, the arrival of 100-ha HPHHs has also had some negative impacts. These include increased degradation of forest resources, marginalization of forest communities, and more widespread illegal logging due to weak law enforcement and ambiguously defined tenure. In the short term, local communities, particularly local elites, have enjoyed some direct benefits from timber harvesting. In the long run, the environmental impacts of the present forest extraction policies are set to increase the insecurity of local communities' livelihoods.

Our research found positive and negative impacts resulting from decentralized forest policies in West Kalimantan, where this case study was conducted. Through this research, we sought to gain a better understanding of how policies have been formulated and implemented. We focused on how local stakeholders' benefits have improved, the probable wider impacts on local communities, and the role the new policies have played in local conflicts over forest resources. Focusing on 100-ha HPHH forest product harvest concessions, the research examined the following factors:

1. Opportunities for local communities and other stakeholders to participate in the management of forest resources, and the roles they play.
2. 100-ha HPHH policy and its contributions towards district development and local community livelihoods.
3. Social conflicts arising from a complex combination of factors, in particular the 100-ha HPHH policy.

## 1.2 Research objectives

The aims of this study were to investigate the dynamics and complexities of forest resources management following decentralization, and to understand interactions between stakeholders in forest resources management and their implications for local community livelihoods. We hope this research may be used as a reference point for managing forest resources in West Kalimantan, particularly in Sintang District, and will also be useful for comparison with other areas of Indonesia.

## 1.3 Research questions

To achieve these research objectives we posed the following questions:

1. How were forestry sector policies implemented in the forestry sector in Sintang District before and after decentralization?
2. What impacts have 100-ha HPHHs had on forest resources, PAD and local community livelihoods?
3. What part has the new 100-ha HPHHs played in local conflicts over forest resources?
4. What challenges need to be overcome in order to achieve good forest governance in West Kalimantan?

## 1.4 Research methods

We took a participatory approach to this research. This meant that we tried to actively involve local stakeholders at every stage of the research process. To do this, it was essential for researchers to maintain good relations with stakeholders, therefore a research team stayed with local communities in the study locations for eight months. This enabled researchers to observe local social dynamics, carry out participatory research activities, and document social processes, indicators and developments. By staying on site, researchers were able to earn the trust of local communities, making it easier to work together to identify research needs and share sensitive information.

Stakeholders were involved in the following participatory research activities:

1. *Rapid rural appraisals* (RRAs), which were conducted at the preliminary stage to determine research locations.

2. *Focus group discussions* (FGDs), which were held at village, district and provincial levels with all relevant stakeholders.
3. *Participatory rural appraisals* (PRAs), which were undertaken with local stakeholders, focusing on residents in the research locations.
4. District-level workshops, which were presented to gain input from stakeholders from across the district on research outcomes and future options.

Along with these participatory research methods, in-depth interviews were held with 71 people including local community members, customary leaders, civil servants, security officers, District Forestry Officials, members of the legislature and members of cooperatives. A complete list of those who helped with this research is given in Annex 1.

The research team also interacted with other teams conducting similar research in the provinces of Jambi, East Kalimantan, South Sulawesi and Papua. We met during training forums, workshops and seminars and communicated via email. This interaction was very constructive and provided plenty of valuable input to the West Kalimantan team.

A literature review complemented data collected from participatory research, in-depth interviews and interactions with teams from other provinces. Secondary data was collected from newspapers, government reports and publications, research journals, village and subdistrict statistics, monographs and maps. The use of secondary data for this research was based on at least three considerations: it is more affordable because it is sufficient to visit libraries or institutions and take notes from existing data; it is quicker because the data is already available and requires only sorting and selecting; and it would be impossible for the limited number of researchers to collect all the data themselves (Marzuki 1997: p56).

We conducted a stakeholder analysis to identify all parties involved in the formulation and implementation of HPHH policies. This also gave us a better understanding of the roles, interests and power dynamics of the diverse parties and benefits they had received from the new small-scale concessions. This analysis

was conducted at the beginning of the study and refined through ongoing discussions with various parties during group discussion and individual interviews.

### 1.5 Research locations

Research was conducted in Melawi, a sub-district established as separate district of Sintang District<sup>2</sup> (see Figure 1). As in its first three years of existence Melawi District remained under Sintang District for administrative purposes, while the structures and infrastructure required for it to become an independent district were prepared, most of the data regarding the forestry and land uses presented in this report refer to the former Sintang District. The analysis,

however, is based mostly on the local situation and stakeholders in Melawi.

Of the 10 districts in West Kalimantan, Sintang District is the third largest after Ketapang and Kapuas Hulu. Two large rivers, the Kapuas and the Melawi, flow through the district. The rivers in Sintang District act as arteries for community economies, reflected in the concentration of settlements along the main riverbanks. Administratively, Sintang District shares its borders with Sarawak, Malaysia, to the north, Central Kalimantan Province to the south, Kapuas Hulu District to the east and Sanggau and Ketapang Districts to the west. Forest areas in Sintang District cover 2 million ha, as illustrated in Table 1.

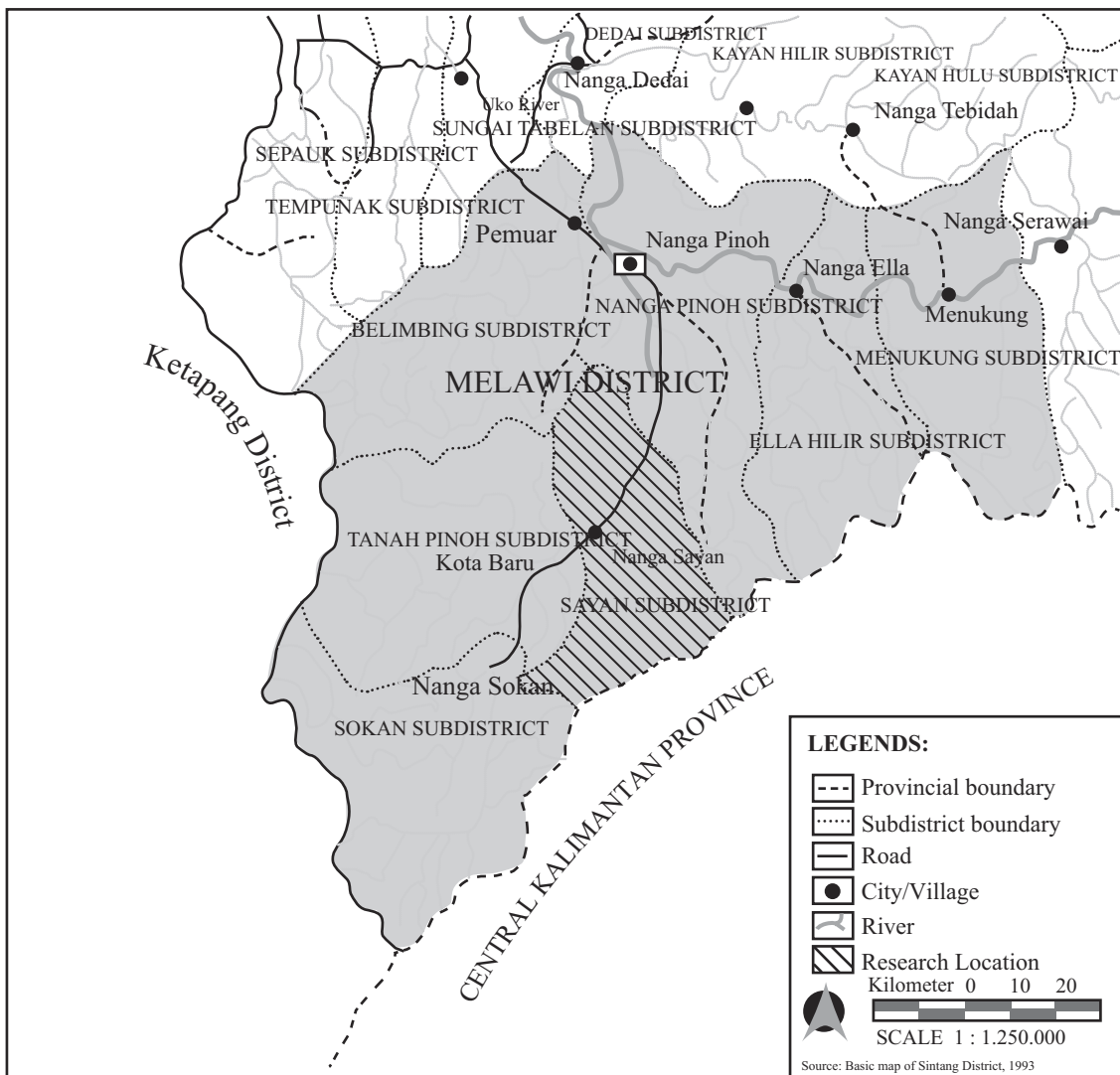


Figure 1. Research locations

**Table 1.** Forest areas in Sintang District showing status and function

No.	Forest region	Forested area (ha)		Unforested (ha)	Cloud-covered (ha)	Total (ha)
		Primary	Secondary			
1	National Park	94 516	20 774	960	-	116 250
2	Recreation park					1 950
3	Conservation Forest	319 316	166 494	121 849	71 966	679 625
4	Limited production forest	252 894	308 374	445 962	-	1 007 230
5	Production forest	7 571	49 319	247 439	140 394	376 295
6	Conversion forest	-	3 845	-	-	3 845
Total		674 297	548 806	816 210	212 360	2185 195

Source: Dinas Kehutanan Provinsi Kalimantan Barat (2000)

The villages of Nanga Sayan and Mekar Pelita in Sayan Subdistrict were selected as the case study locations; these both have new 100-ha HPHH concessions. Administratively, Sayan Subdistrict borders Nanga Pinoh Subdistrict to the north, Tanah Pinoh Subdistrict to the south, Central Kalimantan Province to the east and Belimbing Subdistrict to the west.

The population of Sayan Subdistrict is approximately 14 000. There are 2900 people living in Nanga Sayan and 2600 in Mekar Pelita. Communities earn their livelihoods from shifting cultivation, tapping latex, keeping livestock, felling timber<sup>3</sup>, mining and washing gold. During the dry season, gold mining is

the main source of income for the majority of communities, as mining locations are close to rivers. Men commonly mine while older villagers and women wash the gold. During the rainy season, some villagers turn to timber felling for their income, as trees are easier to fell, float and transport at this time. Villagers prepare land for cultivation during the transition from the dry to the rainy season, which can be at any time between June and September.

Since the introduction of the HPH system at the end of the 1960s, 17 HPH concessions have been in operation in Sintang District, covering a total area of almost 1.6 million ha (see Table 2).



## 2.1 Forestry sector policy before decentralization

Following the fall of President Soekarno's Old Order regime in 1967, a new regime came to power in Indonesia. Under the command of President Soeharto, the New Order government implemented a highly centralized system of governance areas across all sectors, including the forestry sector. As in the rest of Indonesia, forestry in Sintang was managed by the central administration in Jakarta.

Forest resources were managed in accordance with Law No. 5/1967 on Basic Forestry Provisions. In the same year Law No. 1/1967 on Foreign Investment opened up opportunities for foreign investors in Indonesia. The forestry sector provided them with lucrative business opportunities. The end of the 1960s saw the introduction of a new forest management system: the Indonesian Selective Felling system (*Tebang Pilih Indonesia* or TPI) (see Armitage and Kuswanda, 1989).

TPI was implemented by granting rights or concessions to large state-owned enterprises (*Badan Usaha Milik Negara* or BUMN) or privately-owned companies (*Badan Usaha Milik Swasta* or BUMS). This system is better known as *Hak Pengusahaan Hutan* (HPH). HPHs were controlled by the central government and all fees from timber were channelled to Jakarta. Provisions for the implementation of HPHs in Indonesia are laid out in Government Regulation No. 21/1970 on Forest Concessions and Forest Product Extraction Rights, Government Regulation No. 22/1970 on Forest Concession Levies, and Government Regulation No. 33/1970 on Forest Planning. These regulations gave the Department of Forestry authority to grant 35-year HPH concessions by issuing decrees to state and private enterprises.

With their permits from the Department of Forestry, HPH concessionaires began operating on the four large islands of Sumatra, Kalimantan, Sulawesi and Papua. Concessions granted by the Department of Forestry commonly covered 100 000 ha, but these concessions were often as large as or sometimes even larger than 1 million ha. By 1990 there were more than 500 large-scale HPH concessions in operation across Indonesia. In Sintang District the number of once-active HPH concessions is recorded at 17, covering a total area of almost 1.6 million ha (Table 2).

In Sintang, some HPH concessions are now inactive because their licences have expired and are no longer legally valid. Some HPH concessions are inactive despite their licences still being valid, as they have not obtained approval from the provincial forestry office. While the Ministry of Forestry has the right to approve HPH concessionaires' long-term and 5-year plans, the provincial forestry office plays a major role in checking the validity of applications for work plans, giving advice to the Minister and approving the HPH concessionaires' annual plans.

'Status unclear' means HPH concessions with legally valid licences and authorized felling targets from the Forestry Office have chosen not to operate due to social problems in the field, such as conflicts with local villagers.

Prior to decentralization HPH concessions made a large contribution to the national treasury, as all fees and charges from timber production were transferred to the central government. Table 3 provides a partial picture of Sintang District's forestry sector contributions to state revenue prior to 2001.



**Table 2.** HPH concessions in Sintang District

No	Name of Company	Area (ha)	Location	Licence (years)	Status in 2004
1	PT. Sari Bumi Kusuma	66 000	Ng. Serawai	1986-2006	Status unclear
2	PT. Kalimantan Satya Kencana	48 000	Sayan	1999-2019	Active
3	PT. Delapan – Delapan	120 000	Ng. Pinoh	1976-1996	Expired
4	PT. Tunas Indo Timber	91 000	Ng. Pinoh	1979-1999	Revoked
5	PT. Kurnia Kapuas Plywood	75 000	Ng. Ella	1987-2007	Status unclear
6	PT. Kartika Kapuas Sari	60 000	Ng. Ambalau	1985-2005	Status unclear
7	PT. Rimba Adijaya Nusantara	71 600	Ng. Ambalau	1978-1998	Expired
8	PT. Saritama Indah Raya	50 000	Ng. Tebidah	1990-2010	Inactive
9	PT. Jamaker/Perum Perhutani	220 000	Ketungau	1976-1999	Permit revoked in 1999
10	PT. Barito Pasifik Timber	176 000	Ng. Sepauk	1976-1996	Expired
11	PT. Kayu Lapis Indonesia	177 000	Ng. Sepauk	1979-1999	Expired
12	PT. Halisa	100 000	Ng. Sepauk	1981-2001	Expired
13	PT. Bulind	60 000	Ng. Pinoh	1993-2013	Permit revoked in 1996
14	PT. Kusuma Atlas Timber	45 300	Ng. Pinoh	1992-2012	Inactive
15	PT. Rimba Agung Utama	40 000	Sintang	1988-2008	Inactive
16	PT. Wanasokan Hasilindo	49 000	Sokan	2001-2021	Active
17	PT. Batasan	143 000	Ketungau	1980-2000	Expired
	Total	1 591 900			

Source: Dinas Kehutanan Provinsi Kalimantan Barat (2003a)

**Table 3.** Sintang District forestry sector contributions to the government

Year	Timber production (m <sup>3</sup> )	PSDH* (Rp. billion)	DR Reforestation Fund	
			US\$ (million)	Rp. (billion)
1997	358 529.73	19.01	5.13	36.26
1998	279 222.61	14.69	2.52	31.88
1999	47 799.07	2.12	0.15	4.56
2000	33 920.05	0.38	0.10	0.84

\*Forest Resource Rent Provision, a tax paid on the timber felled, henceforth referred to as the PSDH timber tax

Source: Dinas Kehutanan dan Perkebunan Kabupaten Sintang (2004a)

It seems that the political changes that occurred after the fall of Soeharto gave more opportunities for economic prosperity for local people. Timber production decreased between 1998 and 2000, indicating that the central government lost some control over forest resource revenue extraction. Records suggest that the reduction in government revenue from timber harvesting did not mean a decrease in actual timber production, rather it indicates an increase of 'underground' timber extraction, otherwise known as illegal logging. This may explain why recorded timber production suddenly decreased from 1999 onwards.

With the HPH system under full central government control during the New Order era, regional governments and local communities played almost no part at all in forest resource management. Despite its status as a large contributing region, Sintang District did not enjoy any material reward from the timber it produced. In accordance with Law No. 5/1967, local communities were permitted to extract only non-timber forest products for their own subsistence needs. Community participation in HPH concession management was minimal or non-existent, the most accurate description being 'watching passively in one's own home' (*hanya menjadi penonton di rumah sendiri*). HPH concessionaires were obliged to empower local communities through the HPH *Bina Desa* village development programme. In practice very little if anything was achieved under this scheme.

In ecological terms, HPHs left behind them numerous detrimental effects such as damaged forest resources, increased areas of critical land, forest fires, and water and air pollution. All this impacted negatively on local communities. Data from the West Kalimantan Provincial Forestry Office shows that the amount of degraded forest land in Sintang District forests had reached 500 000 ha by 1999 (Dinas Kehutanan Provinsi Kalimantan Barat 2003).

The Basic Forestry Law 5/1967 has become the reference point for two regulations issued in the run up to the decentralization era. These regulations had the potential to give the district heads greater authority over forest resources. The first one of these was Government

Regulation (PP) No. 62/1998<sup>4</sup>, in which several forestry matters, although unrelated to forest utilization and timber extraction in forest areas, were delegated to the districts. The second was Government Regulation No. 6/1999<sup>5</sup>, which granted a district head the authority to issue forest product harvesting rights. Referring to these two laws, the Ministry of Forestry issued decree No. 310/1999, which provided detailed guidance on how forest product harvesting rights should be granted.

## 2.2 Forestry sector policy after decentralization

Decentralization took effect across the whole of Indonesia on 1 January 2001. However, at the end of the Soeharto regime in 1998, *reformasi* euphoria spread to all corners of Indonesia. Many circles in society were demanding an end to the centralized system of governance. During 1998 regional governments asked for a greater role in administering their own affairs. They also demanded a greater share of profits from natural resource exploitation; this included forests in their areas. At the same time local communities began making land-rights claims and demanding compensation from timber companies for the damage and losses caused by their operations (McCarthy, 2004: p1202).

Although decentralization was officially introduced under Laws No. 22/1999 and No. 25/1999, it only began in earnest at the beginning of 2001 because of the time required to prepare for implementation at the national and regional levels, namely the legal aspects of implementation and the process of transferring administrative and regulatory authority from the central to regional governments. Consequently, the period between 1998 and the end of 2000 is often considered a transition period.

During the transition period stakeholders had different interpretations of how to implement autonomous management of forest resources. There were no laws clearly regulating forest resource management in the provinces and districts; Laws No. 22 and No. 25 were only umbrellas for implementing decentralization. In 1999 a new forestry law was promulgated in Law No. 41/1999<sup>6</sup>, but its three provisions were still very general,

leaving many of what McCarthy (2004) has termed ‘gray areas’ in legal implementation and division of responsibilities. Lower rulings such as government regulations, ministerial decrees and regional directives (*Perda*) were expected to clarify these ambiguities. The result of this legal vacuum was regular disagreement among stakeholders as to who had what authority, and who was responsible for matters such as determining forest areas, utilization of forest products, issuing permits for their forest product extraction, and collecting taxes or fees. In spite of these ambiguities and the weak legal foundations for forest management, decision makers took their own steps. This is what Rhee (2000) labelled ‘de facto decentralization’.

In West Kalimantan this air of uncertainty saw an increase in illegal logging. The West Kalimantan Illegal Logging Investigation Team noted that illegal timber from Putussibau may use any one of 10 different routes on its way to Kumpai or Kuala Dua, Pontianak, while timber from Nanga Pinoh and Sintang may travel along 8 different routes. Illegal timber from Sintang is moved along 2 or 3 different routes on the way to Entikong and the same goes for timber from Badau. Investors and brokers play a large part in illegal logging activities, making use of communities to whom they pay only Rp. 4000 per tree.

Decentralization compels regional governments to fund their own planning and development programmes independently. Therefore they have had to find ways to increase their own-source revenues (PAD). Forests resources have become one of the most important sources of PAD in many

regions, including West Kalimantan. The race to increase PAD during the transition period was often driven by short-term economic interests. Conservation efforts and local social or economic development opportunities were neglected. The only way that district governments could raise independent revenue from the forestry sector was by exercising their authority to issue 100-ha HPHH concessions. The revenues from larger HPHH concessions still flow to Jakarta for redistribution amongst the districts in their province of origin.

In practice, under decentralization forest resource management has become more complex, and involves many more practitioners. Prior to decentralization, only large timber firms (HPHs) were licensed to sell timber. Following decentralization, the original players are still around, but they have been joined by new actors, among them brokers – some from overseas – who openly make use of local communities living in or around forests, or outsiders who have access to forest resources managed under the HPHH system.

The Sintang District Government drafted its own forest resource management regulations to control the issuance of small-scale Forest Timber Product Utilization Permits (*Izin Usaha Pemanfaatan Hasil Hutan Kayu* (IUPHHK) covering 50 000-ha areas and Forest Product Harvest Concessions (*Hak Pemungutan Hasil Hutan* (HPHH) for 100-ha areas. The Sintang District Head issued eight IUPHHK permits, covering an area of just over 220 000 ha (see Table 4).

The 100-ha HPHH permits were based on Ministerial Decree No. 310/Kpts-II/1999,

**Table 4.** IUPHHK permits issued by the Sintang District Head

No	Name of Company	Area (ha)	Location	Validity
1	PT. Borneo Karunia Mandiri	12 000	Kayan Hulu	2003-2028
2	PT. Sinergi Bumi Lestari	16 900	Sokan	2001-2026
3	PT. Safir Kencana Raharja	36 400	Ng. Serawai	2001-2026
4	PT. Lintas Ketungau Jaya	50 000	Ketungau Hulu	2003-2028
5	Koperasi Apang Semangai	16 500	Kayan Hulu	2002-2027
6	PT. Rimba Kapuas Lestari	41 090	Sepauk	2002-2027
7	PT. Insan Kapuas	34 000	Ng. Ambalau	2002-2027
8	PT. Hutan Persada Lestari	13 500	Ng. Ambalau	2002-2027
	<b>Total</b>	<b>220 390</b>		

Source: Dinas Kehutanan dan Perkebunan Kabupaten Sintang (2004b)

which gave regional governments (district heads and mayors) the administrative authority to issue 100-ha HPHHs, and No.05.1/Kpts-II/2000 on Criteria and Standards for Forest Utilization Permits and Timber Extraction Permits in Natural Production Forests. District governments in West Kalimantan followed up on this decree by issuing a number of decrees and directives of their own:

1. The Sanggau District Head issued Regional Directive No. 15/2000
2. The Sintang District Head issued Decree No. 19/1999
3. The Kapuas Hulu District Head issued Decree No. 2/2000
4. The Bengkayang District Government issued Regional Directive No. 1/2000, and
5. The Ketapang District Government issued Decree No. 29/2001

Between 2000 and 2003, the Sintang District Government granted permits to 602 of the 1338 HPHH applicants (see Table 5 above). Permits were valid for one year, but expired permits were generally recommended for extension if their 100-ha HPHH locations

had not been fully exploited. The remaining 736 applications were denied for a number of reasons, usually for failing to fulfil all the necessary administrative requirements. It is interesting to note that of the areas allocated 100-ha HPHH permits, in only 50% of them were any trees actually felled. Some had permits but no working partners; others were in locations with gradients of more than 30°, making them inaccessible to heavy equipment. Others were obstructed by ongoing internal and external social conflicts.

The 100-ha HPHHs offered the district government its only opportunity to raise independent revenue. They gave, on paper at least, local communities an opportunity to benefit from timber extraction for the first time. It is therefore not surprising that 100-ha HPHHs were the most prominent issue in discussions on forest management under decentralization in Sintang. The same is true in most other provinces in Kalimantan (see e.g., Barr *et al.* 2001; Casson 2001; McCarthy 2001a, b, 2004, etc.). Accordingly we discuss the 100-ha HPHH issue in more depth in Section 3.

**Table 5.** 100-ha HPHHs in Sintang District

Year	Permits Issued		Operational	
	Number	Area (ha)	Number	Area (ha)
2000	110	11 000	3	300
2001	320	32 000	88	8 800
2002	159	15 900	77	7 700
2003	13	1 300	154	15 400
Total	602	60,200	322	32 000

Source: Dinas Kehutanan dan Perkebunan Kabupaten Sintang (2004a)

### 3.1 The introduction of small-scale community-based 100-ha HPHH permits

The objectives behind the ministerial decrees governing 100-ha HPHHs were ostensibly to ensure that forest resource management could provide direct benefits to communities living in and around forests. These decrees regulated procedures for harvesting timber in line with the capacity of the local communities. For example, they stipulated a relatively small area of forest land, and prohibited the use of heavy machinery.

Regional governments justified their issuance of 100-ha HPHH permits as a means of increasing the districts' locally generated revenue (PAD) – a reasonable argument in light of the fact that the districts now had to find their own development funds. The need for PAD drove a proliferation of 100-ha HPHHs across West Kalimantan. Another common argument was that the time had come for local people to enjoy profits from their own forests. Previously, profits from forest exploitation were reserved for those who enjoyed Soeharto's favour, namely large companies owned by members of the government and the military, and large business conglomerates based in Jakarta.

From 2000 to 2002, a total of 944 100-ha HPHHs were issued by district governments in West Kalimantan. The highest number was issued in Sintang District (464), followed by Kapuas Hulu District (335). Table 6 shows the number of 100-ha HPHHs issued in West Kalimantan Province.

The Sintang District Government issued a District Head's Decree, No. 19/1999, laying down provisions for issuing 100-ha HPHH permits. The District Secretary issued several circulars explaining fees for 100-ha HPHHs.

**Table 6.** 100-ha HPHHs issued in West Kalimantan 2000–2002 (Budiarto *et al.* 2003)

District/Year	2000	2001	2002	Total
Kapuas Hulu	11	165	159	335
Sintang	102	176	186	464
Sanggau	1	7	12	20
Sambas	4	13	7	24
Bengkayang	0	4	9	13
Landak	0	1	1	2
Pontianak	12	32	31	75
Ketapang	1	1	9	11
Total	131	399	414	944

There were several fundamental provisions in the District Head's decree: trees could be felled in conversion forests or production forests allocated for conversion, in areas designated for cultivation according to the Provincial Spatial Plan (RTRWP) and the Consensus for Forest Land Use Plan (TGHK), in dryland agricultural areas and privately-owned forests (District Head's Decree, No. 19/1999, Section II, Article 2, paragraph 1). There was also a provision for extraction of non-timber forest products in conversion forests, production forests, conservation forests and privately owned forests (Section II, Article 1, paragraph 2). HPHHs could be issued to individuals, farmer groups and cooperatives in and around those forest areas. Other matters such as conditions for fulfilling administrative requirements, evaluation methods etc. were also covered by the decree.

If an HPHH application was approved, the District Head issued a Forest Product Harvest Concession Allocation Letter. This was valid

for three months but could be extended. The applicant was then obliged to map the borders of the area to be felled, survey timber potential, identify any third-party rights over the allocated area, and pay HPHH fees. The boundary survey and identification of third-party rights were to be undertaken by the Sintang District Forestry Office or Forest Management Unit (*Kesatuan Pemangkuan Hutan* (see Section IV, Article 8, paragraph 1). A Forestry Office report of investigation outcomes would then be used to make an HPHH work plan. This work plan was to be submitted to the Sintang District Head within one month of the date of issue of the HPHH Allocation Letter (Section IV, Article 9).

If an HPHH work plan was not submitted by the deadline, the Sintang District Head could unilaterally revoke the HPHH Allocation

Letter (Section IV, Article 9, paragraph 2). HPHH work plans were to be evaluated by the local Forestry Office within 14 working days of receipt (Section IV, Article 10). The District Head then issued either an HPHH permit or a letter of rejection depending on whether the application had been approved or refused. (Section IV, Article 11, paragraphs 1 and 2). The HPHH application process can be seen in full in Figure 2.

According to the District Head’s decree, the primary aim for issuing HPHHs was to provide better livelihoods for forest-dwelling communities by involving them in forest resource management. Did the policy achieve this? The following sections consider this question in detail.

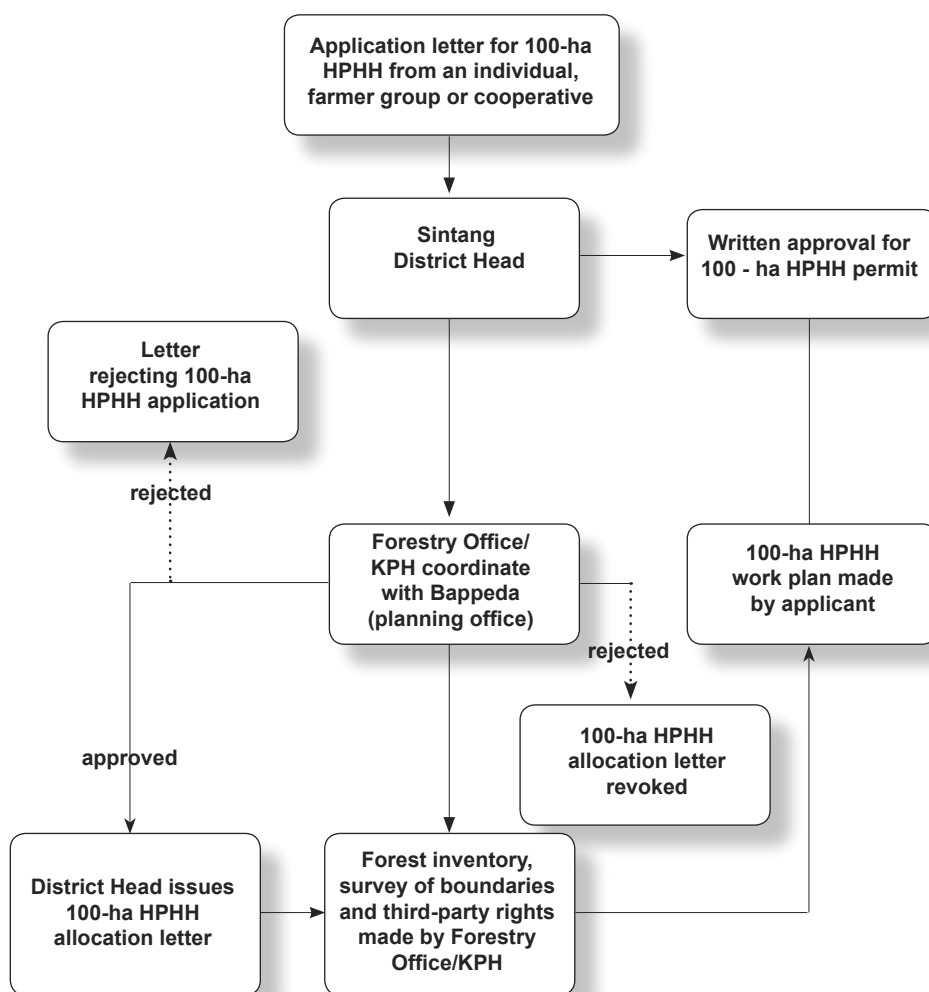


Figure 2. The 100-ha HPHH application process



### 3.2 Decree No. 19/1999 – implementation and irregularities

Our research in the field uncovered several practices which deviated from the provisions in Decree No. 19/1999. Several HPHH permits were granted for areas inside production forests already covered by HPH timber concessions; this was the case with Kalimantan Satya Kencana (KSK), an HPH timber company's area. This company was asked to work as a HPHH partner by the farmer group. As a result, the company did not have to exploit the forest in accordance with its approved RKT (Annual Production Plan). Operating instead in 100-ha HPHH blocks meant that the company could fell more logs than were allowed under its large-scale HPH permit.

Applicants also cut corners on the work plan for HPHHs. Boundary plans, timber potential and area identification surveys were not carried out properly: they were paper exercises. This resulted further in overlaps between HPHH and HPH concessions (this time with separate permit holders laying claim to the same area). It also meant that HPHHs were granted inside conservation forests, and in areas that were impossible to exploit due to their steep gradients. This led to inter-community conflicts like the clashes between villagers from Nanga Sayan with villagers from Mekar Pelita and Madya Raya.

The Sintang District regulation followed the national stipulation that no heavy equipment could be used to exploit HPHH areas. Use of mechanical equipment was expressly prohibited. However, heavy equipment such as chainsaws, tractors and logging trucks was almost always used. This was because HPHH locations were usually contracted to large companies who had heavy duty equipment and experience of high-capacity felling. Examples included 100-ha HPHH permit holders who were working in partnership with large timber firms such as PT. Erna Djulawati, PT. Karya Bersama Jaya, etc.

The district regulation also stipulated that permit holders should replant logged over areas. Almost no 100-ha HPHH owners replanted

trees in their areas. Finally, funds originating from PSDH (Forest Resource Rent Provision, or timber tax) or DR (Reforestation Funds) paid by HPHH holders were not deposited in the Minister of Forestry's account; instead they were held by the Sintang District Government Treasury.

With the revocation of Ministerial Decree No. 05.1/Kpts-II/2000 and its replacement by Ministerial Decree No. 541/Kpts-II/2002, the Sintang District Government should no longer have had the administrative authority to issue HPHH permits after 1 March 2002. Nonetheless it continued to do so well beyond that date, and in 2003 even went as far as extending HPHH permits for unexploited areas by providing certificates of legitimacy for forest products (SKSHH) based on applicants' forest production reports (LHP). These certificates are needed before a company can sell its timber. This effectively meant that the district government legitimized logs for sale, even if they were from areas not covered by the original permit.

According to the Sintang District Head, the revocation of the Ministerial Decree contravened the decentralization laws and failed to support the interests of local forest communities. He often dismissed the ministerial decree by arguing that the People's Consultative Assembly's Decree No. III/2000 stated that ministerial decrees were below district regulations in the legal hierarchy. The District Head's argument was reinforced when the Minister of Home Affairs issued Decree No. 130-67/2002 on the administrative authority of central, provincial and district governments in the forestry sector, which stated that district governments held administrative authority over forest management. In the meantime, the Ministry of Forestry continued to assert that it had the highest legal authority over the forestry sector.

In this context, the Sintang District Government's apparent non-compliance with forestry sector policy comes down to different perceptions about which national policies should be followed: Department of Forestry policies or decentralization laws and policies.

#### 4.1 Forest regions and forestry activities before and after decentralization

Village forests in Sayan Subdistrict are divided into the following three categories<sup>7</sup>. These categories of tenure are recognized and upheld by local communities, but they are not officially recognized by the state.

1. *Ulayat* forests<sup>8</sup>, often referred to as village or community forests, are communal forest areas covering whole village areas including protected areas. These forests are recognized as being collectively owned, and this ownership extends to the land itself.
2. Customary forests are forest areas in which villagers have rights over the possession, management and inheritance of certain trees. Ownership does not extend to the land itself. Ownership is based on selecting, marking, planting and maintaining trees and is generally well established amongst the villagers. This type of ownership is most commonly *damar tebok*<sup>9</sup>, i.e., recognition of ownership rights to resin-producing trees such as '*majak*' (*Shorea palembanica*), '*bangkirai*' (*Shorea laevifolia*), and '*jelutung*' (*Dyera* spp). Recognition of customary forests may be confirmed by village elders as local community/customary figures. Some customary forest ownership rights are recognized in written form and some are not<sup>10</sup>; however, both are equally binding and are generally undisputed by local communities.
3. Customary protected areas are forest regions protected by communities and villages for use solely to fulfil villagers' subsistence needs and not for commercial

purposes. Protected areas may be in one or more than one location within a community forest. Forest products that may be collected and utilized in these areas include limited amounts of timber for villagers' own requirements, non-timber forest products, medicinal plants, fruit and game.

Sayan communities are familiar with and respect this customary division of forest regions. However, in legal terms this tenure system is informal as ownership of these forest regions is not registered with the relevant government institutions. Instead, all land categorized as forest estate (*Kawasan Hutan*) is officially owned by the state, and falls under the jurisdiction of the Ministry of Forestry or the district government, which are authorized to issue permits for forest exploitation. Consequently, when HPHs began operating at the end of the 1960s Sayan customary communities were unilaterally marginalized. Access to their traditional forest areas was restricted by HPH timber companies who argued that they owned concessions in state forests. Community rights over *tebok* forest were systematically lost and *tebok* trees were felled by HPH concessionaires. When *tebok* forest owners made any claims, they were granted damages of Rp. 5000 to Rp. 10 000 (around US\$ 0.50 to US\$ 1) for each resin-producing tree felled in the concession area. Timber companies commonly paid these tiny compensation fees to avoid conflict or to reduce tension and conflict with villagers.

With HPH timber companies moving into customary forest and *damar tebok* in Sayan Subdistrict from the end of the 1960s, local customary communities were able to do little except watch the exploitation of their



homelands. They had little choice but to submit to the policies prevailing at the time. For more than 30 years they lost any rights over their ancestral forests.

With the end of the New Order regime and the beginning of the decentralization era, new hopes arose among customary communities. They began to reclaim the rights that the HPH system had taken from them. When the Sintang District Head introduced the 100-ha HPHH policy, numerous community groups began applying for HPHH permits, bringing with them evidence of *tebok* forest ownership.

Tax receipts issued by the Dutch colonial administration were used by *tebok* forest heirs to claim their rights over customary forests and the trees within them. To reinforce their claims, *tebok* forest heirs also brought witnesses, usually elders of more than 75 years of age, to state that they were legitimate heirs to the *tebok* forests. These heirs then made written statements claiming their ownership rights over the *tebok* forest and had them signed by bordering (customary) forest owners or other *tebok* forest rights holders. These letters bore witness to the applicant's ownership rights. This was accepted as evidence of ownership by the district government, enabling the heirs to submit their applications for 100-ha HPHHs.

This phenomenon of reclaiming customary forests was a logical consequence of the political changes occurring in Indonesia. *Reformasi* and decentralization gave customary communities the space and platform to make claims. Nevertheless, in Sintang it has not been uncommon for different communities to lay claim to the same areas of *tebok* forest. This has led to disagreements, particularly over *tebok* or customary forest borders. One such example occurred in Madya Raya village, where several HPHH areas are located within a customary protection forest. Another is the conflicting *tebok* forest ownership claims by village KUTs (*Kelompok Usaha Tani*) or farmers' business groups (hereinafter referred to as farmer groups). Timber harvesting in *tebok* forests is not accessible to other communities without a permit from the owner. To protect *tebok* forest, owners who have not applied for HPHH have been asking for a payment of Rp. 1000 – Rp. 2000 per cubic metre from permit holders who

have been granted a concession inside their *tebok* forest. This is a new rule enforced by the owners of *tebok* forests.

#### **4.2 Stakeholder roles in small-scale community-based 100-ha HPHH permit activities**

Sintang District's forestry regulations state that applications for HPHH permits may be made by legally constituted cooperatives, farmer groups or individuals. Local communities would commonly submit HPHH applications through farmer groups. This was because the administration was easier, as farmer groups were already legally recognized entities. Furthermore, applying through a farmer group meant that the community needed no capital outlay, nor was a formal licence required. This was not the case for community cooperatives. Several farmer groups would also merge to form larger groups chaired by coordinators, who were mostly local figures, such as government officials, customary leaders and village leaders.

Usually, farmer group coordinators hold mandates from their members through authorization letters tasking them with finding working partners, organizing the paperwork necessary for HPHH applications and liaising with the relevant government institutions. Because of their strategic role, coordinators need good access to local networks. They also need to be sufficiently knowledgeable and skilled at negotiating with other parties. Farmer groups commonly worked with existing timber companies (HPHs). When HPHHs were declared illegal by the central government, most timber companies broke off their working partnerships with the farmer groups. As a result, new business investors came on board as the farmer groups' working partners.

There are a number of official costs involved in organizing permits; these include charges for permitting, stationery, maps and field surveys. In practice there are also numerous unofficial expenses. In addition to paying Rp. 150 000 for permitting and Rp. 500 000 for stationery and maps, a farmer group in Pekawai village paid out Rp. 12 million to the survey team, while another farmer group

in Nanga Sayan village paid a survey team Rp. 17 million. The total cost of securing a permit could reach Rp. 20 million. Variations in cost depended on the closeness of the relationship between the survey team and the farmer group's coordinator and chairperson. The survey teams were paid handsomely so that they would not obstruct but help accelerate the application process. Surveys were frequently poor and sometimes merely paper exercises, with no surveys carried out on the ground at all.

Working partners such as HPH companies and other timber investors were central to activities because they were the ones felling the trees. The farmer groups only received fees for the felled timber. Another form of partnership was through equipment rental agreements with existing timber companies. This scheme was more profitable for the farmer group. The KUT paid transportation costs for taking the equipment to and from the site, while on-site operational costs and labour were covered by the working partner. The companies were also responsible for bringing equipment to HPHH locations. On average the selling price for timber was Rp. 500 000 per cubic metre, with each party receiving 50% of profits following full payment of PSDH timber tax and Reforestation Fund charges.

### 4.3 The economic impact of small-scale community-based 100-ha HPHH permits

HPHHs brought economic benefits to the farmer groups and have led to new forms of economic activity such as running house shops, sawmills,

night clubs, hotels etc. These newly emerging business activities are generally controlled by businessmen coming in from the province's cities, such as Pontianak or Sintang. Based on calculations from HPHHs in Nanga Sayan village, the farmer groups made profits of Rp. 142 million from HPHHs. This profit was divided evenly between every member of the KUT. The income received by each member of the farmer group ranged from Rp. 1.4 million to Rp. 2.5 million, depending on the number of members. Table 7 details the income and expenses of the farmer group in Nanga Sayan village.

Operational costs incurred by working partners were relatively high. The largest costs were timber taxes (PSDH and DR), followed by fees for the farmer group and its coordinator. Tax is around Rp. 200 000 per cubic metre, and the farmer group fees are Rp. 60 000 cubic metre. A coordinator receives Rp. 15 000 per cubic metre. It is also common that the coordinator is also a member of the farmer group. This means that a coordinator reaps the most profits, as they are paid a fee by the working partner and also receive a share of the profits as a member of the group.

The total estimated cost to a working partner is between Rp. 300 000 and Rp. 350 000 per cubic metre. The selling price in the district capital is Rp. 400 000 per cubic metre, and timber can fetch up to Rp. 750 000 per cubic metre in Pontianak, the provincial capital. It is also important to note that there are many other hidden costs for the working partner, mostly incurred whilst transporting timber to Pontianak. Local timber companies reported

**Table 7.** Farmer group's income and expenses in Nanga Sayan village

	Amount (Rp.)
A. Income from working partners' fees	180 000 000
B. Expenses:	
1. Official cost of administering permits	150 000
2. Map-making, reporting and administration costs	500 000
3. Costs of potential and border surveys	17 000 000
4. Block tax before felling (PBB)	960 000
5. Damages paid to customary forest owners	3 600 000
6. Coordinator fees	15 000 000
<b>C. Remainder (A-B) to be divided between members</b>	<b>142 790 000</b>

that there are about 26 checkpoints between Sintang and Pontianak where they have to pay a fee for the timber to pass through.

Between 2000 and 2003, the Sintang District Government's revenue from 100-ha HPHHs was generated from fees paid during the permit application process and Land and Building Tax (*Pajak Bumi dan Bangunan*, PBB) (see Table 8). PSDH timber tax and Reforestation Funds should have been paid to central government; however, in May 2004 the money was still sitting in the Sintang District Head's bank account. This was a common phenomenon across the province of West Kalimantan. District Heads justified withholding payments in protest at the funds reimbursed by central government. They argued these reimbursed funds were frequently late and never as much as they should be.

#### 4.4 Increased access brings inevitable social conflict and disagreements to the fore

The 100-ha HPHH concessions led to some social conflict and disagreements between different communities, and between communities and outsiders such as HPH companies or new timber investors. At least three forms of conflict regularly occurred in the case study locations:

1. Conflicts between members of the farmer groups and their coordinators. Such conflicts revolved around the use of funds and profit sharing. The pivotal role played by coordinators meant that they automatically received the largest share. In many cases irregularities occurred when coordinators used fees paid by working partners for their own personal interests. A

case like this caused controversy in Mekar Pelita village; it had yet to be resolved when this study was conducted.

2. Conflict over village borders. Conflicts of this sort were caused when 100-ha HPHHs were issued for forests belonging to neighbouring villages. This occurred as a result of unclear village borders and the survey team not doing its job properly, often by failing to conduct any surveys in the field. We found that this had caused conflicts between Mekar Pelita and Bora villages, and between Pekawai and Mekar Pelita villages. In both cases tension between the two villages mounted when timber was logged or transported from a forest area nearby, at which point the other village claimed that the timber had been taken from its HPHH concession area. This has impacted to some extent on the previously tranquil relationships between these communities.
3. Conflict between the farmer groups and working partners. These generally revolved around farmer groups protesting when working partners renege on working agreements. Examples included partners failing to adhere to agreed schedules, or changing block felling timetables. Erna Djuliawati, a partner HPH timber company, faced a large demonstration by local communities when it gave precedence to felling in a Pekawai village block. According to the felling schedule, it should have felled this after it had felled a block in Mekar Pelita village.
4. Conflict over *tebok* forests. Farmer groups from Nanga Sayan and Senain villages both laid claim to the same plot of customary

**Table 8.** Sintang District Government's estimated earnings from HPHHs (2000–2003)

Income Source	Number of HPHH permits	Cost per unit (Rp.)	Total (Rp.)
HPHH permit applications	602	150 000	90 300 000
Pre-felling taxes paid on HPHH permits	602	960 000	577 920 000
PSDH timber tax and Reforestation Fund	-	-	100 000 000 000
<b>Sintang District Government earnings</b>			<b>100 668 220 000</b>

land. This disputed stand of forest was also officially managed by an HPH timber concessionaire, KSK. Senain village's farmer group took the timber company to the Sintang District Court, demanding damages for the timber that had been felled. The court found in favour of the Senain village's farmer group because of the proof of ownership it possessed. However, the

neighbouring Nanga Sayan farmer group has accused the Senain group of stealing its customary forest and profiting from the KSK timber company. However, Nanga Sayan has not taken the Senain group to court over the issue; they told us that they could not afford to do so. By the end of 2003 this conflict over ownership of *tebok* forest had yet to be resolved.

### 5.1 Forest resources: on the verge of extinction?

As described in earlier sections, the complexities of forest resource management under decentralization are manifold. One root cause is the legal and political situation. Legal ambiguities continue to cause struggles between the central and regional governments. Low levels of trust between Jakarta and the regions have also led to problems in central and regional government relations.

One very interesting case is that of the Sintang District Head's decision to withhold timber taxes and Reforestation Funds. Instead of depositing them with the Ministry of Forestry in Jakarta, timber taxes and Reforestation Funds were deposited in the Sintang District Government's treasury account. These funds originated from levies collected from HPHHs. The total withheld between 2000 and 2002 amounted to approximately Rp. 46.7 billion<sup>11</sup>. Between 2002 and May 2004 the total amount of PSDH timber tax withheld was approximately Rp. 96 billion, with Reforestation Funds at US\$ 16 000 or approximately Rp. 136 million, therefore the total funds withheld reached around Rp. 100 billion<sup>12</sup>.

The Sintang District Government argued that it had withheld these funds because the central government had failed to reimburse the district's PSDH and DR funds for 1999/2000. They also argued that when funds had been re-allocated back to them from Jakarta they were often late in coming, and when they did arrive they could not be used in other development programmes. The aim of withholding these funds was so that the central government, through the Minister of Forestry, would allow Sintang District Government to deduct 32% of PSDH timber tax and 40% of Reforestation

Funds directly, as specified for contributing regions in national Government Regulation No. 35/2002. The district initially hoped that forestry decentralization could lead to increased district income as it still had substantial areas of forest. Deducting its share of forest revenues from HPHHs at source was one way of keeping its new entitlement, without relying on funds reimbursed by Jakarta.

*Reformasi* euphoria also led district stakeholders to believe they had opportunities to enjoy what they had never enjoyed before. Expressions like 'the time has come for local people to enjoy forest resources' were frequently used to justify exploiting those resources. District governments and stakeholders used the authority given to them to issue 100-ha HPHH permits to engage in rapid exploitation. This was because they feared policies might change again and they wanted to make the most of the opportunity to manage and profit from their own timber resources while they lasted.

In addition to existing problems resulting from poor management of HPH concessions and uncontrolled large-scale forest conversions in the past, the new IUPHHKs and 100-ha HPHHs put added pressure on forests in West Kalimantan as in other parts of Indonesia (Barr *et al.* 2001; Casson 2001; McCarthy 2001a, b, 2004, etc.). This pressure was caused mainly by the overlapping and confusing administrative system, and by misuse of power by the district government. In the centralized era of forest management local forests were heavily exploited, but the district governments and local people received very little. It was common that the district governments saw the HPHH policy as a window of opportunity to reap as much revenue as possible before central government revoked their rights.



As discussed earlier, HPHHs, especially those in Sintang District, strayed far from their intended objectives. This is reflected in the pseudo partnerships between the farmer groups and working partners. In many cases, farmer groups asked only for fees on the amount of timber felled by partners. It was easy to trick the farmer groups, as timber potential surveys were not conducted properly and often only carried out on paper. There was no way that a farmer group could prove how much timber had been exploited.

It is not surprising that the new system of issuing central HPHs and local HPHHs has had such a negative impact on forest resources. The Melawi District Head acknowledged these negative effects in a 1-day workshop presented in Nanga Pinoh on 21 April 2004 when he said, '100-ha HPHHs are essentially flawed, as they are orientated towards looking at timber as a commodity.' In other words, the same model of extractive forest management used under the New Order has continued since decentralization.

Weak supervisory systems and high levels of legal ambiguity have also increased opportunities for corruption, collusion and nepotism. The abuse of the survey system is one good example. Moreover, in this complex new legal regime it has been impossible to improve standards of law enforcement. As a result of continued problems with law enforcement and the complex and ambiguous nature of the overlapping legal systems, illegal loggers feel unimpeded by the authorities – authorities whose corruption also means that organizations operating without legal permits for logging can simply buy their way out of trouble.

Corruption must be tackled, but without strict supervision or heavy sanctions for illegal loggers it will almost certainly be impossible to eradicate illegal logging. It will be difficult to eradicate until villagers have secure, recognized tenure over forest and land resources. Unless villagers have secure access to and control over these resources it is unlikely that the current group of stakeholders will bring about sustainable forest management between them. It will also be very important for the district governments to promote other sources of income for local communities. Developing

estate crop plantations, husbandry and fisheries would provide alternative sources of income.

All in all these complexities lead to a bleak outlook for forest management (Handadhari 1999). Not without reason do many parties feel pessimistic about prospects for sustainable forest management in the midst of continued corruption and policy failure, more legal uncertainty and the race between central and the district governments to exploit forests in the regions.

## **5.2 Community involvement: appearance vs. reality**

Decentralization raised high hopes that communities would be able to participate more in forest resource management, and that greater involvement would allow them to enjoy direct benefits from forest management. Beyond receiving minimal cash payouts from forest exploitation for the first time, for the poorest community members these hopes are a far cry from reality.

Genuine community involvement in 100-ha HPHHs appears minimal. The central roles are played by farmer group coordinators and working partners such as old HPH concession holders and timber brokers. Communities are in a very passive position and cannot control decisions made by the group coordinators because no strong community-level forest management institutions have been formed. Traditional management systems (such as *tebok forest*) were sidelined for 30 years, and the remaining local institutions have been unable to respond to recent rapid developments. The communities' roles are limited to receiving a share of the fees from HPHH activities.

The majority of profits from HPHHs are enjoyed by elite groups such as the group coordinators, group chairpersons, working partners and timber entrepreneurs. The Melawi District Head talked about this inequitable profit sharing from HPHHs saying, 'the tendency is for the economic conditions of those not involved in the timber business to fall far behind those of those who are'.

In some cases the group coordinators diverted funds for their own interests; again, it was villagers who lost out. Resosudarmo (2004) confirmed this when she concluded

that the main beneficiaries were not local communities but those who had the capital to organize HPHH permits. These were mainly brokers and the old HPH concessionaires' working partners. In addition, villagers suffer most from the environmental impacts of unsustainable logging.

When it came to implementing 100-ha HPHH policy, it was unlikely to achieve its objective of providing local communities with a fair income from forest management. The policy was not based on community interests: the process of drafting this policy in Sintang was instead dominated by the interests of village and district-level power holders and other elite groups. Input to the District Head's Decree No 19/1999 came only from officials in the Sintang District Forestry and Plantations Office, and the economic and legal divisions of the District Secretariat. Likewise, once the policy was complete, communities living in or around the forests were hardly involved in 100-ha HPHH applications, evaluation processes or the final exploitation of the forests.

It seems that decrees that can be made at the District Head's discretion do not provide sufficient foundations for forest resource management policies. These policies should be regulated in higher rulings such as district regulations, which have to be approved by the democratically elected district parliament. Most importantly, district forestry policies will not work in favour of the poor until they are based on their needs. This will require public participation in policy-making processes.

Lacking in democratic accountability and public input, Sintang's HPHH policy has only improved access to forest benefits for village power holders and local elites. The poorest community members' access to forest resources has not improved. This is far from the intended impact of this policy.

Notwithstanding this elite group domination, 100-ha HPHHs did, in fact, give members of local communities their first opportunity to claim a stake in forest resource exploitation in over 30 years. This has inevitably led to conflicts and disagreements over control of forest resources at the local level, and the mechanisms for legitimizing claims and sharing profits could be much fairer.

The 100-ha HPHH case in Sayan Subdistrict shows that only those community members who own customary *damar tebok* forests can enjoy benefits from 100-ha HPHHs. Only community members who could prove that their family had tapped resin for generations – back to the Dutch colonial times – were eligible for an HPHH permit. Allocating HPHHs in *damar tebok* forests areas makes it difficult for other community members to access forest resources because they have to obtain the permission of the *damar tebok* owners. This fact supports McCarthy (2004), who said that regional autonomy has brought customary claims to the surface, with local communities demanding back the rights they had lost for more than 30 years. In the case of *tebok* forest, customary claims are dominated by certain groups, causing further marginalization of others who cannot prove *tebok* forest rights. Whilst the new policy has undoubtedly opened up new opportunities, within village communities access to forest resources has not been equitable.

The 100-ha HPHHs have inevitably brought with them new conflicts, the most common being conflict over village borders, especially when HPHH permit locations overlap. As village claims were not recognized under the New Order, decentralization has brought the issue of demarcating village borders to the fore. It seems that neighbouring villages need to initiate negotiations to clarify their borders to prevent further conflict. The policy on HPHHs raised the stakes. Whilst boundary surveys were indeed required, the practice of paying premium prices for fictitious surveys has increased the number of cases of contested boundaries.

It is only fitting that local communities as key stakeholders should be actively involved in finding solutions to these problems. Local community participation has to be increased, as only in this way will the communities feel the benefits of forest management under decentralization. It would require significant facilitation and support for local communities to be able to input directly to district policy development. Beyond having their voices heard at the local level, what is needed is far clearer local and national legal provisions recognizing and protecting the communities'

rights to benefit from and be involved in the management of their local forest resources.

### **5.3 Towards good forest governance – a mission impossible?**

The four pillars of good governance often used as benchmarks for the success of forest management are accountability, transparency, law enforcement and public participation. Tambunan (2000) and Mody (2004) have argued that decentralization should be capable of bringing about good forest governance. It places decision makers closer to their constituents and increases opportunities for stakeholders to participate in local forest management.

There are still many obstacles to achieving good forest governance. Newly empowered district decision makers are not yet accountable as they do not necessarily base their decisions on their constituents' real interests. With 100-ha HPHHs in Sintang District, local communities cannot control local elites because there are no strong institutions that enable them to do so. Therefore, we conclude that decentralization has brought a wider range of local actors into forest management and increased the number of people making a profit; but it has not automatically improved the check-and-balance mechanisms for forest resource management, nor has it brought the poorest stakeholders a voice in decision-making or a share of the profits.

Although decisions related to forest management through the 100-ha HPHH policy were taken at the district level, public participation in forest management and policy-making was still very limited. NGOs, customary community groups, universities and research institutions played no active role in policy decision-making in Sintang. Therefore, we may also conclude that there is significant room to improve public participation in the legal aspects of forest management.

The central roles in regulating and implementing the HPHH policy in Sintang District were played by local groups rather than by distant central administrators. However, the most powerful local players

were elite groups and businessmen. More often than not, local communities lost out on a fair share of the benefits from HPHH activities because they were soft targets for stronger parties, such as farmer group chairpersons or coordinators. Furthermore, they have to face the consequences of damage caused by HPHHs, HPHs and unlicensed logging, such as floods, landslides, fires and river pollution, with increasing regularity.

Law enforcement has not significantly improved under decentralization. Regional law enforcement officers lack the readiness or capacity to control forest resource management. This has often led to reckless implementation of the HPHH policy. With two concession systems running in tandem illegal logging has become increasingly prevalent, as shown by the large number of distribution points for illegal timber discovered by the West Kalimantan Illegal Logging Investigation Team. Moreover, local *oknums* (officials prepared to act corruptly or misuse their power) are becoming increasingly involved in these activities.

A critical problem has also been the shortage of law enforcement officers in the district. Another factor has been a lack of clarity in the national and district regulations over who should have been ultimately responsible for law enforcement. This has been disastrous in an era when responsibility for forest exploitation has been divided between the central administration (managing large-scale HPH permits) and the district government (managing small-scale community-based HPHH permits).

Our research also highlighted several areas where transparency could be improved. Where it is available, information about how policies are made and implemented and what mechanisms are used for distributing economic benefits should be made clearer. More often than not, information is simply not available. Transparency has yet to become a core characteristic of forest resource management in West Kalimantan. Elite groups still hold central roles and there is no smooth flow of relevant information to and from legitimate stakeholders. This is evident from the lack of involvement of local communities in the production of either the national or district policies regulating 100-ha HPHHs. Nor did local communities play a



genuine part in implementing these policies. Their position was weak as they had neither the capacity nor capital to run a small-scale concession. This left them open to exploitation by wealthier and more experienced actors. Furthermore, no information reached them regarding the planning, implementation and evaluation of these activities. These factors have limited transparency and accountability in the implementation of the 100-ha HPHH policy in this district, and the poorest groups have seen little improvement in their lot.

There is still a great deal of groundwork needed to overcome the challenges to equitable and inclusive forest resource management in Sintang District and elsewhere in West Kalimantan. McCarthy (2004) was not wrong when he wrote that forest resource management following decentralization is still far from achieving its objective of good governance.

Local governments still need to build their capacity to stimulate and increase public

participation in forest resource policy-making. Local institutions need to be strengthened as the main step forward in ensuring that they have a say in forest resources management. There is also scope for NGOs, research organizations and universities to become more involved in the process of drafting policies and inputting valuable information about socio-economic and economic conditions on the ground. This input would help local decision makers to draft policies that protect local communities' interests and rights. This would make local people less vulnerable to exploitation by dominant local and external elites.

Information flows also need to be developed as the basis for achieving transparent forest management. Finally, immediate efforts are required to strengthen and clarify responsibilities for law enforcement. This will be the key to ensuring that forest management practices do not deviate from the prevailing rules.

## 6.1 Conclusions

Decentralization has provided new space for regional governments to organize and manage their own forest resources. The number of local actors involved in forest resources management has also increased. However, many district governments correctly feared that the Ministry of Forestry would quickly move to recentralize the forestry sector and that their authority might be short-lived. In this climate of suspicion, forest resources were targeted for regional own-source revenues (PAD). This was driven partly by their need to meet the shortfall caused by the reduction in development subsidies from central government.

Local policies have followed the longstanding national tendency to prioritize timber extraction over sustainable management. There has also been a lack of commitment to, and clarity in, the division of law enforcement responsibilities. These factors have led to unsustainable forest exploitation. Finally, weak provisions for protecting local communities' interests have seen national and local elites capturing benefits at the expense of the poorest community members. Conflicts have also been caused by a profusion of overlaps between centrally managed HPH concessions, district-issued HPHH concessions and reclaimed customary boundaries.

The abuse of the HPHH policy by powerful stakeholders, ambiguities in the legal framework, and overlapping areas of central and local authority have combined to make it difficult to interpret and implement national and district forest policies. This has paved the way for widespread policy abuse and illegal logging. All of these factors have placed greater pressure on forest resources. This is apparent from the growing areas of degraded forest land across West Kalimantan.

Decentralization raised expectations for more stakeholder involvement in creating, implementing and evaluating forestry sector policies. In reality, power has remained largely in the hands of national corporate elites, and new opportunities have been hijacked by local elites. All in all, community roles remain extremely minimal. Policy making in Sintang district followed the exclusive model typical of the New Order regime. Although taken at the local level, decisions were still made as they always had been. There was no process of public consultation. The district government provided no room for check-and-balance mechanisms to protect communities' interests. Ineffective law enforcement, corruption and weak local institutions threaten the chances of ever establishing a sustainable and equitable forest management regime in Sintang. Failure to control unlicensed logging and reinvest profits in reforestation and community income generation will move the situation closer and closer to the point of no return in this district.

Forest resource management has increased PAD since the introduction of decentralization across West Kalimantan. However, the short-lived economic benefits of the 100-ha HPHHs were not distributed equitably. Only certain parties enjoyed the largest share of profits from HPHHs. Others have captured HPHH profits for their personal use. Furthermore, pseudo partnerships were in reality still dominated by the old actors, notably central HPH concessionaires. Local communities did not gain their share of the intended benefits of this policy.

Opening up an opportunity for local stakeholders to manage and profit from forest management through 100-ha HPHHs lifted the lid on claims that had been repressed for 30 years. This inevitably led to new conflicts

between local stakeholders vying for benefits. We frequently discovered conflicts between the farmer group and its working partners over contractual agreements or profit sharing. Village border conflicts arose, especially in cases where HPHH areas overlapped with each other or with existing HPH concessions.

We also found internal community conflicts between those community members who own *tebok* forests and those who do not because the *tebok* forest owners profit when 100-ha HPHH concessions are granted in their areas. Although local communities receive some advantages from 100-ha HPHHs, most benefits go to timber companies, local elites and government officials. The district government's decision accepting only *damar tebok* forest rights holders for HPHH permits meant that communities or members who could not prove these rights received absolutely nothing. It would have been fairer to devise less exclusive criteria that recognized the basic right of local communities to earn a livelihood from their customary forests, regardless of whether they could prove that they tapped resin during the Dutch colonial times. Ironically, all community members will suffer equal socio-economic and ecological losses from the rapid loss of local forest resources.

This study shows that the four pillars of good governance, accountability, public participation, law enforcement and transparency, remained very distant during the implementation of the HPHH policy in Sintang. These challenges must be answered by increasing district stakeholder cooperation and involvement in forest management. More trust needs to be built with central government to avoid competing interests and achieve greater synergy between different levels of government.

## 6.2 Recommendations

1. To create more robust policies and avoid policy abuse, efforts must be made to involve all stakeholders in the creation, implementation and evaluation of policies. To this end, regional governments together with local NGOs or universities can play an important role in stimulating public participation.
2. With the steady depletion of forest resources – caused by boundary overlaps, unclear responsibility for law enforcement and contradictions in national and local policies, illegal logging and timber smuggling – new mechanisms should be considered for monitoring timber extraction in West Kalimantan. The number and capacity of law enforcement officers needs to be increased. Cooperation with Malaysia should be improved in order to minimize timber smuggling. Degraded forest lands should be rehabilitated through reforestation efforts, while protected areas should be established and efforts made towards creating alternative community livelihoods opportunities from non-timber forest development, including ecotourism.
3. Although the profits from timber exploitation have for the first time been available to some local community members, the poorest local community members still did not enjoy a share of the benefits from the HPHH policy (one of the few examples of decentralized forest management). Therefore more thought should be put into strengthening customary forest management systems and developing mechanisms to ensure equitable benefits distribution and investment for the future. We suggest that local governments recognize customary forests as one form of decentralized forest resource management. Traditional management systems have proved to be more environmentally sensitive and sustainable; they should therefore be revitalized.
4. Local institutions have lagged far behind other groups in response to the rapid developments under decentralization. We feel that strong local institutions should be developed, with NGOs and research organizations playing important roles in this development. Offering training, advice and assistance are the first steps to building the capacity of local community institutions.
5. Stakeholder dialogues should be developed to increase transparency in forest management in the era of regional autonomy. Such dialogues would hopefully improve relations and build trust among stakeholders.

<sup>1</sup> DFID, 1999. *Indonesia: Towards Sustainable Forest Management*, Final Report of the Senior Management Advisory Team and the Provincial Level Forest Management Project, 2 Vols., Department for International Development (UK) and Department of Forestry, Jakarta.

<sup>2</sup> Melawi was officially established as a new district following a plenary meeting of the DPR RI (Central Legislative Assembly) on 20 November 2003. After Melawi District officially separated, Nanga Pinoh Subdistrict was chosen as its administrative capital. Melawi District consists of seven subdistricts: Nanga Pinoh, Belimbing, Sayan, Tanah Pinoh, Sukan, Menukung and Ella Hilir.

<sup>3</sup> Local communities extract timber and use chainsaws to cut it into uniform lengths which are then sold to brokers who own sawmills. This activity is commonplace during times of high water because it is easier to transport the timber at this time.

<sup>4</sup> Regarding Transfer of Forestry Matters to Regional Governments.

<sup>5</sup> Regarding Forest Concessions and Extraction of Forest Resources from Production Forests, issued in January 1999. Law No. 22/99 was issued in May 1999.

<sup>6</sup> Law No. 41/1999 caused controversy in various circles. Some felt that the law was not in the spirit of regional autonomy because many

of its provisions still required administrative approval from Jakarta (read: Department of Forestry).

<sup>7</sup> This division of village forests often contradicts the West Kalimantan Provincial Government's forest region distribution map. For instance, several customary forest locations in Madya Raya village are marked inside conservation forests on the provincial forest region distribution map.

<sup>8</sup> *Ulayat* has several meanings but can be interpreted as "local area or region".

<sup>9</sup> *Tebok* comes from the word *menebok* meaning to pierce (to tap).

<sup>10</sup> Written evidence in the form of tax receipts from the Dutch colonial times have been used as proof of ownership rights, strengthening tenure over *tebok* forest when the 100-ha HPHHs were introduced. Community elders' stories provided unwritten evidence, so *tebok* forest heirs prepared written statements from the elders, who signed them to prove that inheritance claims over *tebok* forests were genuine.

<sup>11</sup> Kompas, 7 June 2002. *Tiga Kabupaten Tidak Setor Dana PSDH/DR* (No PSDH/DR Funds Deposited in Three Districts).

<sup>12</sup> Kompas, 19 May 2004. *Bupati Sintang Tahan Dana PSDH dan DR* (Sintang District Head Withholds PSDH and DR Funds).

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No	Key Informants	Number
1.	Subdistrict civil servants	4
2.	Sayan and Nanga Pinoh Subdistrict Heads	2
3.	Village heads	7
4.	Other civil servants	1
5.	Security officers	1
6.	Legislative assembly members	1
7.	Customary heads	2
8.	Village elders	2
9.	KUT coordinators	7
10.	KUT member farmers	21
11.	Non-KUT farmers	9
12.	100-ha HPHH working partners	2
13.	HPH concessionaires	2
14.	Sintang District Forestry Officials	3
15.	West Kalimantan Province Forestry Officials	4
16.	Melawi District Regional Secretary	2
17.	Sintang District Regional Secretary	2
18.	Local Advisory Groups	4
	<b>Total</b>	<b>71</b>





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