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OPSİ-OPSI KEBIJAKAN DALAM RANGKA MENGINTEGRASIKAN PASAR KAYU DOMESTIK KE DALAM EKONOMI FORMAL

(Policy options to integrate the domestic timber market into formal economy)

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1 INTRODUCTION

1.1 Background

One of the most important factors, which guarantees the achievement of sustainable forest management is the forest product trade practices, especially timber, whose origin can be traced and whose legality is guaranteed so that it can be made certain that the timber in trade originates from sources that pay attention to the principles of sustainable forest. Although several regulations regulating the circulation of timber have been issued, it cannot be denied that at the present moment, there is still a lot of illegal timber circulated in the market in Indonesia (Nurrochmat and Hasan 2012). The policing of illegal timber circulation can only be achieved if there is a proper policy frame available for the implementation of sustainable forest management and formal timber trade, one of which through the Timber Legality Verification System (Sistem Verifikasi Legalitas Kayu/SVLK). SVLK corresponds with the mechanism, process, and establishment of forest management and trade of timber whose legality is guaranteed, which in this study, will be referred to as formal timber trade.

SVLK is one of the critical policy options in reducing illegal timber circulation. However, it needs to be noted that SVLK is not the only policy option that can be utilized to suppress illegal timber circulation. In this study, SVLK is positioned as one of the policy options whose worthiness is analyzed and criticized, including the requirements needed to ensure the success of its implementation. SVLK is a policy option of formalization which focuses on the timber legality aspect considered as a supplement and the effectiveness of SVLK needs to be evaluated compared with several other policy options of formalization of timber trade, such as Log Validation Certificate (Surat Keterangan Sahnya Kayu Bulat/SKSKB), Log Validation Certificate for community timber (SKSKB Cap Kayu Rakyat), Timber Origin Certificate (Surat Keterangan Asal Usul Kayu/SAU), and the sustainable forest production management certification system (Pengelolaan Hutan Produksi Lestari/PHPL) which is mandatory, and the third party sustainable forest management certification which is voluntary, such as the certification system developed by the Indonesia Ecolabel Institute (Lembaga Ekolabel Indonesia/LEI) or by the Forest Stewardship Council (FSC). The policy options of timber trade formalization hast to be in accordance with the principles of efficiency, effectiveness, and equity and they have to be able to work together with the three pillars of sustainable forest management, which are: ecologically suitable, socially acceptable, and economically feasible. The appropriate policy frame development of timber
trade formalization will support the creation of a transparent, accountable, and law-abiding timber trade. The timber trade formalization policies, including SVLK, have to consider the political and social-economic priority, including paying attention to the voices of the poorest and the marginalized.

Inappropriate timber trade formalization policy can be one of the factors affecting deforestation and forest degradation. The lack of policy infrastructure, such as legislation, ownership system, organization structure, and the apathetic attitude of bureaucrats, and several macro-level issues can threaten the sustainability of forest resources. To give timber trade policies the formalization options, a policy evaluation needs to be conducted concerning the ambiguity and discrepancy of policy implementation concerning forest management and timber circulation.

1.2 Study Objective and Output

The study objective consists of the general objective and the specific objective, and the study output is the output produced from this study.

1.2.1 Study Objective

General Objective:

Giving recommendations of formal timber trade, which are implementable and guarantees forest sustainability, timber product legality, community welfare, and justice for small scale forestry business.

Specific Objective:

Formulating policy options, which can be implemented in relation to important issues in small scale forest management practices, timber utilization to fulfill the needs of the community and small scale business, and the development of community timber trade institution, which is in accordance with the social-economic and political environment.

1.2.2 Study Output

The policy recommendations, which can guarantee forest sustainability, timber legality, the welfare and justice sense of the community.
1.3 Report Structure

This report consists of five chapters. Chapter 1 is introduction which explains the background, objective, and output of the study. Chapter 2 is the study methodology, consisting of the study frame and methods, including the methods of data collection, policy analysis, and research questions. Chapter 3 discusses the policy of forest product circulation, especially timber. Chapter 4 consists of the legality dialectics and legitimacy within the context of community timber trade formalization. Chapter 5 evaluates the effectiveness of SVLK mandatory certification policy compared with other policy options of formal timber trade. Chapter 6 is the conclusion of this report consisting of the conclusion and study recommendation related to the policy options of community timber trade formalization in order to guarantee forest sustainability, timber product legality, community welfare, and sense of justice for small scale business.
2 METHODOLOGY

2.1 Logical Framework

The study on policy options to integrate domestic timber market into formal economy is conducted using the logical framework as seen in Figure 1. The figure shows the logical framework for policy options in order for integration of domestic timber market into formal economy. As a whole, there are two analyses used in this study, which are:

1) Normative Analysis

Analysis which addresses the question “what should be?” or what should be done or should exist according to regulation (Birner 2001). Normative analysis is used to understand the policy consistency and implementation discrepancy in the domestic timber trade formalization.

2) Positive Analysis

Positive analysis is the analysis used to address the question “what is?” or the happening facts (Birner 2001). To implement positive analysis, a survey is needed to confirm what actually happens in the field related to the implementation of domestic timber trade formalization, especially related to community forest management and community timber trade.

The analysis conducted towards a content or structure and hierarchy of a regulation is made to implement a policy. A policy has great power and will be effective in its implementation if it has relevant legality basics, both from its structure and hierarchy, and at the same time, the policy also has high level of legitimacy SVLK is a certification policy option that is very much attached to the aspect of legality. Therefore, even though regulation is only one of the four instruments of policy, which are: regulation; administration; fiscal; and information, in the study of SVLK, the regulation instrument is the greatest concern. This study formulates the policy options of formal timber trade, giving recommendation of formal timber trade policy.
The output of this study is the availability of implementative policy options for the integration of domestic timber market into the formal economy. To achieve this objective, data and information is needed, related to three aspects, namely:

1) Practices of community forest management and community timber trade,
2) Benefits of community forest and community timber trade, and
3) The options of institution strategy for community forest institution and community timber trade.

2.2 Methods

The study of policy options to integrate domestic timber market into formal economy was conducted through stages as described below:

The first stage conducted in this study is the data and information collection concerning related policies and regulations. The data come not only from official sources, but also from the unofficial ones to obtain a better understanding of the practices of the policies and the legal aspects of several policy options of formal timber trade. The data consist of various regulations, reports, and relevant information from key persons and the media.
The second stage, conducting a series of interviews and focus group discussion (FGD) with community forest farmers and stakeholders in Central Java province, with the study focusing on three regencies, which are:

1) Wonosobo Regency  
2) Blora Regency  
3) Wonogiri Regency  

The interviews and FGD with parties related to timber trade was conducted in order to obtain accurate information about the perception of the stakeholders towards the policies, ideas and expectations, policy implementations, and policy implication of formal timber trade, especially the Timber Legality Verification System (Sistem Verifikasi Legalitas Kayu/SVLK) policy and other related policies. The stakeholders confirmed through interviews and/or FGD in the regencies of Wonosobo, Blora, and Wonogiri and participants representing stakeholders in the forest resource management are:

1) Community forest farmers and community timber trader households;  
2) Household of community forest farmers within the PHBM of Perum Perhutani; and  
3) Stakeholders of big scale timber harvesting (Perum Perhutani) and timber processing industry at each location.
3 FOREST PRODUCT CIRCULATION POLICY

3.1 Domestic Timber Trade Policy

Indonesia is known as one of the largest timber product exporting countries in the world. Aside from generating income, the timber industry also gives contribution in job opportunity creation and community welfare increase. The timber industry has a very long value chain and cannot be separated from growth in various other sectors. The multiplier effects, i.e. the effect multiplying output, revenue and labor, generated by the activities of forest management and timber trade is very big (Nurrochmat and Hasan 2012). As a whole, the forestry activities, including sustainable timber utilization, has a strong and long forward linkages, starting from community forest farmers, timber trader, supporting material businessmen, and other service industries along the activity points in the production chain of timber products (Nurrochmat et al 2007).

Community timber originating from Blora, Wonosobo, Wonogiri, and other community forest central regions in Java mostly ends up becoming wood furniture products in Jepara. The Jepara Regency is the biggest furniture producing region in Indonesia, has a long history of furniture industry, and is especially known with its teak carving furniture. When numerous big scale businesses went down due to the economic crisis of 1998, the small scale businesses in Jepara could still stand. Experience shows that recovery from the global economic crisis was done relatively faster by businessmen of smaller scale than big businesses which needed huge amount of fund injections from banking institutions and the government. Although facts show small business ability to withstand economic crisis and to recover business condition fast, micro-, small-, and medium-sized businesses experience stagnation and have difficulties to expand because they cannot accumulate capital to increase their business scale. In other words, global economic condition does not eliminate micro and small businesses, but the profit gained by micro- and small-scale businessmen is not enough to be re-invested into forms of business expansion (Nurrochmat dan Hadijati 2010).

One of the policies affecting the development of timber industry is the policy related to the allocation of logs. The latest policy regulating the allocation of logs is the Regulation of the Minister of Forestry Number P.7/Menhut-II/2009 regarding the Guidelines of Fulfillment of Timber Materials for Domestic Needs. Domestic timber needs is the effort to fulfill the supply of logs or processed timber needed by Regencies/Cities for community and general needs.
The implementation of this Regulation of Minister of Forestry cannot be separated from prior Regulations of Minister of Forestry, among which are (Nurrochmat dan Hadijati 2010):

- Decree of Minister of Forestry Number SK.382/Menhut-II/2004 regarding the Timber Utilization Permit (Izin Pemanfaatan Kayu/IPK);
- Regulation of Minister of Forestry Number P.51/Menhut-II/2006 regulation regarding Usage of Timber Origin Certificate (Surat Keterangan Asal Usul Kayu/SKAU) for the Transportation of Timber Forest Products Originating from Community Rights Forest as numerously revised, the latest by the Regulation of Minister of Forestry Number P.33/Mehut-II/2007;
- Regulation of Minister of Forestry Number P.55/Menhut-II/2006 regarding the Administration of Forest Products Originating from State-owned Forest as revised by Regulation of Minister of Forestry Number P.63/Menhut-II/2006;
- Regulation of Minister of Forestry Number P.6/Menhut-II/2007 regarding the Work Plan and Annual Work Plan of Timber Forest Utilization Business in Natural Forest and Ecosystem Restoration in Production Forest as revised by Regulation of Minister of Forestry Number P.40/Menhut-II/2007;
- Regulation of Minister of Forestry Number P.19/Menhut-II/2007 regarding the Procedure of Permit Giving and Work Area Expansion of Timber Forest Utilization Business in Industrial Forest Plantation in Production Forest, as numerously revised, the latest by Number P.11/Menhut-II/2008;
- Regulation of Minister of Forestry Number P.20/Menhut-II/2007 regarding the Procedure of Timber Forest Utilization Business Permit in Natural Forest in Production Forest, as numerously revised, the latest by Number P.12/Menhut-II/2008;
- Regulation of Minister of Forestry Number P.23/Menhut-II/2007 regarding the Procedure of Application for Timber Forest Product Utilization Business Permit in Community Plantation Forest in Plantation Forest, as numerously revised, the latest by Number P.5/Menhut-II/2008;
- Regulation of Minister of Forestry Number P.18/Menhut-II/2007 regarding Technical Guidelines of the Procedures of Imposition, Collection, and Payment of Forest Resource Provision (Provisi Sumber Daya Hutan /PSDH) and Reforestation Fund (Dana Reboisasi/DR);
- Regulation of Minister of Forestry Number P.37/Menhut-II/2007 regarding Community Forest;
- Regulation of Minister of Forestry Number P.62/Menhut-II/2008 regarding the Work Plan of Utilization Business of Timber Forest from Industrial Plantation Forest and Community Plantation Forest.
- Regulation of Minister of Forestry Number P.30/Menhut-II/2012 regarding the Administration of Forest Products Originating from Community Rights Forest.

Regulation of Minister of Forestry Number P.7/Menhut-II/2009 regarding the Guidelines of Fulfillment of Timber Materials for Domestic Needs will have implication on the development and competitive landscape of national timber industry. Within the regulation, it is mentioned that there are allocations of timber materials to fulfill the local needs, in this case the term “local” means regency or city. This regulation outlines that in the frame of timber fulfillment, two stipulations are enforced, as follows:

- The obligation to allocate all production outcomes for local needs. When local needs are fulfilled, the remaining outcome can be sold to other region.

  This stipulation binds logs obtained from Timber Forest Harvesting Permit (Ijin Pemungutan Hasil Hutan Kayu/IPHHK), Community Forest Utilization Business Permit (Ijin Usaha Pemanfaatan Hutan Kemasyarakatan/IUPHKm), Timber Utilization Permit (Ijin Pemanfaatan Kayu/IPK), Community Forest (Hutan Rakyat/HR), and Timber Forest Product in Community Plantation Forest Utilization Business Permit (Ijin Usaha Pemanfaatan Hasil Hutan Kayu pada Hutan Tanaman Rakyat/IUPHHK-HTR).

- The obligation to set aside timber for local needs, 5% maximum from the production volume.

  This stipulation binds logs obtained from Timber Forest Product in Natural Forest Utilization Business Permit (Ijin Usaha Pemanfaatan Hasil Hutan Kayu-Hutan Alam/IUPHHK-HA/HPH), Timber Forest Product in Plantation Forest Utilization Business Permit (Ijin Usaha Pemanfaatan Hasil Hutan Kayu-Hutan Tanaman/IUPHHK-HT/HTI), auction timber (found, confiscated, plundered, etc.), Rehabilitation Plantation Forest (Hutan Tanaman Hasil Rehabilitasi/HTHR).

**3.2 Formal Economy Restriction**

To define the scope of formal economy is rather difficult. However, in this study, the formal economy is defined as economic activities which are officially recorded and follow applicable law. Therefore, formal economy in this study is related to activities which have legal basis or regulation references. Thus, in this study the meaning of formal economy in community timber trade, community forest management, and community forest trade related to
legalistic formal approach. For years, community forest management and community timber trade are outside the formal economy activities, as long as the activities conducted are not officially recorded and are outside of the formal timber trade economy activities. The government tried several efforts to give legality for community forest management activities which although not all has legal basis, but at least have administration systems. The same goes with community timber trade. The government issued several stipulations, which regulate and administrate community timber trade by enacting Timber Origin Certificate (Surat Keterangan Asal Usul Kayu/SKAU) issued by Village Head for community timber going to be traded, especially non-teak and non-mahogany mixed forest timber variety. Until the year 2012, for teak and mahogany timber, SKSKB-Cap KR (Log Validation Certificate for community timber) was issued. This is meant to differentiate timber from state-owned forests (Perum Perhutani) and community timber.

However, the enacting of SKSKB Cap KR is still considered creating high cost economy so that it is feared to be a disincentive for farmers in developing community forest and to extinguish the business enthusiasm for community timber trade. Therefore, on July 20, 2012, the government issued Regulation of Minister of Forestry Number P.30/Men hut-ll/2012 regarding the Administration of Forest Products Originating from Community Rights Forest, which regulates and simplifies the administrative documents of community timber. On Article 4 paragraph (1), it is stated that the origin papers of forest products from community rights forest are in the forms of:

- Distribution Note;
- Self Usage Distribution Note; or
- Timber Origin Certificate (Surat Keterangan Asal Usul/SKAU).

On paragraph (2), it is stated, “All community rights forest product, which will be distributed from the harvesting location or collecting location around the harvesting location to the destination, shall have Distribution Note or Self Usage Distribution Note or SKAU, which is the forest product distribution documents valid for all territories of the Republic of Indonesia.” Furthermore, Article 5 paragraph (1) describes that the Distribution Note is used for the distribution of timber from the following trees: Cempedak, Dadap, Duku, Guava, Jengkol, Coconut, Harp, Walnuts, Mango, Mangosteen, Melinjo, Jackfruit, Rambutan, Randu, Oil-Palm, Sapodilla, Breadfruit, Trembesi, Waru, Rubber, Jabon, Albizia, and Petai. Further distribution used to distribute all kinds of timber from community rights forest other than general ports. The Self Usage Distribution Note is used for the distribution of all kinds of timber from community rights forest for self needs or public facilities with purposes except
IUHHIK, IPKL, IPKT and TPT. Other than Distribution Note or Self Usage Distribution Note, for community timber distribution, SKAU is used for every distribution of community rights forest product other than the criteria of Distribution Note or Self Usage Distribution Note.

3.3 Informality Issues

Issues commonly faced by small scale business, including the community forest cultivation and community timber trade is the difficulties of business scale development. One of causes of difficult business development is the informality. It is important to note that although alike, the definition of informal business is different with illegal business. According to the Official Dictionary of Indonesian Language (Kamus Besar Bahasa Indonesia/KBBI), the informal sector is an unofficial business environment or work field created and cultivated themselves. Generally, the informal sector is related to small business unit conducting production and/or distribution of products and service, which works with limitations, be that capital, physical, labor, or skills (KBBI 2012). In the Oxford Dictionary, it is stated that, “Informal (of economic activity) carried on by self-employed or independent people on a small scale, especially unofficially or illegally” (Oxford University Press 2013). In the context of this study, the emphasis of “informality” adheres to “small scale” and “unofficially,” not to the definition of “illegally.”

Differing with the definition of “informal” which adheres to “limitations,” illegal activities related to activities that are not legal or not in accordance with the law (KBBI 2012), regardless whether the illegal activity is of small scale or large scale. Someone opening a catering business at home, for instance, is a legal business which tends to be informal. On the other hand, contraband trading business is clearly an illegal business, in most cases is operated by a cartel or trading mafia, which operates formally due to the involvement of organized formal structure and hierarchy. Differing with formal economic activity which has quite a big scale, informal business usually operates just to fulfill life needs and has difficulties to develop to a big scale business as long as it cannot leave its informality.

4 DIALECTICS OF TIMBER TRADE POLICY: LEGALITY VS. LEGITIMACY

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4.1 Factors Affecting Community Timber Legality

There are several factors affecting the legality of community forest business and community timber trade which (can be) is linked from one another, namely:

1) Legality of business place

The first factor which is important to be noted in relation to business legality is the legality of business place status. In the context of community forest management, business place legality is related to the status of forest lands. The timber produced is called community timber when it is produced from the harvesting of community forest, which is forest that grows on community rights land. If the community forestland ownership status is weak, then the legality of the timber produced will also be weak. Therefore, one of the ways to improve the timber legality strength is the improvement of forest land ownership status. The stronger the forest land ownership status, the stronger the legality status of the timber produced from the community forest.

2) Legality of business unit

Other than the legality of business place, another factor which needs to be noted is the legality of business unit. In the management of community forest, the legality of business unit is related to the existence or inexistence of forest management organization or body, such as forest farmer group, forest farming initiative, forest village community body, community forest farmer cooperation, or other similar organization. Although the timber harvested from the community forest has clear status of ownership, the business formality will not be strong if not managed by a formal business unit or community forest management body.

3) Legality of business system

Legality of business system is a factor needing to be noted in relation with the business legality aspect. In the context of community forest management, community forest management system is said to have high standard of legality when the system used is recognized to be able to guarantee sustainable forest management (SFM). The recognition given to the sustainable forest management can be issued by a third party after conducting assessment referring to the sustainable forest certification standard set by certain organization, such as the Indonesia Ecolabel Institute (Lembaga Ekolabel Indonesia/LEI), or Forest Stewardship Council (FSC), or other standard of forest management set within a country.
4) Legality of product

Other than legality of business place, business unit, and business system, legality of business also adheres to the legality of the product produced. Community forest timber is said to have high legality when the timber traded is not rare kinds of timber forbidden or limited to be traded and when the timber origin can be verified from legal sources and can be accounted on coming from sustainably managed forest. Timber Legality Verification System (Sistem Verifikasi Legalitas Kayu/SVLK) is an effort to ensure that the timber traded is coming from legal and sustainable sources.

5) Legality of trade documents

A product is categorized to be legal when the product itself is legal and is traded using the legal document. Community timber is said to be legal when it originates from forests whose land status is clear, which are managed by competent community forest management body, which have sustainable management system, which has clear and easily verified origins, and which are equipped with complete and legal timber administration documents, such as: Timber Origin Certificate (Surat Keterangan Asal Usul Kayu/SKAU) or Log Validation Certificate for community timber (SKSKB Cap Kayu Rakyat).

4.2 Factors Affecting Community Timber Legitimacy

Generally, people consider legality is uniform with legitimacy. However, in reality, it is not so because legality does not always go hand in hand with legitimacy. According to language definition, legality is things related to the legal condition or in other words, legality is a synonym of the word validity. On the other hand, legitimacy has the definition of authorizing or confirming information that the holder of the information is truly the person (party) referred (KBBI 2012). In short, it can be said that legality is the validity of a condition, while legitimacy is the recognition towards a certain policy or party.

A product which has strong legality not necessarily has high legitimacy, and vice versa. The strength of legitimacy towards community timber is affected by several factors related to trust, among which are:

1) Trust towards producer

If someone buys timber from a tree cut from that neighbour’s garden or yard, the timber then has very high legitimacy even though it is not equipped with any kind of legal documents. From the legality aspect, the timber traded has low legality or even can be classified illegal because it is not equipped with legal timber administration documents.
Although having a very weak value of legality, the legitimacy of the timber is very high. This happens because the buyer knows for certain the origin of timber bought and as a neighbor, the buyer knows the owner of the timber. Within this context, legitimacy is built due to high level of trust from the consumer towards the producer.

2) Trust towards administration system

According to the stipulations, timber originating from Forest Concessions (Hak Pengusahaan Hutan/HPH) or Industrial Forest Plantation (Hutan Tanaman Industri/HTI), including timber from Perum Perhutani is timber whose legality is guaranteed. HPH timber can only be cut in accordance with the stipulation of TPTI (Tebang Pilih Tanam Indonesia/Selective Cutting and Replanting) forest management system or other legitimate system. The same goes for traded timber from HTI originating from legitimate THPB (Tebang Habis Permudaan Buatan/Land Clearing with Artificial Regeneration) forest management system valid in Indonesia. The kind and amount of timber harvested have to also follow the limitations set on the RKT (Rencana Kerja Tahunan/Annual Work Plan) whose calculation basis follows the AAC (Annual Allowable Cut) concept which until today is still recognized as one of the fundamental concepts in sustainable forest management. The government of Indonesia also requires all HPH and HTI to be assessed in order to ensure the forest management conducted is in accordance with the principles of sustainable forest management (mandatory certification). HPH and HTI which pass the assessment are given Sustainable Forest Management (Manajemen Hutan Lestari/MLH) certificate issued by the Ministry of Forestry. This means the timber coming from HPH or HTI has actually fulfilled the legality elements because it is produced by legal business unit, harvested by allowable stipulation of kind and volume, and is managed by sustainable forest management principle obtained from mandatory certification. However, even though it has fulfilled the legality elements, the timber has low legitimacy, especially in international trade. In this context, it is clear that the low legitimacy of Indonesian timber in the international market is not caused by the incompleteness of the legal aspect, but by the low trust towards the timber trade administration system of Indonesia, including distrust towards the authority issuing timber trade documents, in this case the Ministry of Forestry. Therefore, although equipped with legal documents, international market still demands additional requirements, such as certification from third party (independent body) which is recognized by the international market.

3) Trust towards marketing agent
It is an often occurrence in a trade that the same product which cannot be sold by someone or some countries, can be sold easily by another merchant or country. In this context, the sale success is not related to the legality of product or producer, but it is related to the legitimacy of the marketing agent or middleman. Similar condition is also found in timber trade. In timber trade, the trust towards marketing agent, for the consumer, is more important than the documents describing the timber.

4.3 Mapping of formalization models of community forest management and community timber trade

The focus of this study is the management practices of community forest and community timber. In accordance with the definition in the Forestry Law 41/1999, all community forest within the location of Regencies of Blora, Wonosobo, and Wonogiri grows on land which has community rights (community rights forest). As a comparison, a study towards collaborative forest management (pengelolaan hutan bersama masyarakat/PHBM) which is a collaboration between Perum Perhutani and the community in villages owning forests in the Blora Regency. The status of community forest management in the three regencies is presented on Table 1.

The community timber trade in the three regencies (Blora, Wonosobo, and Wonogiri) is generally similar. The harvesting period is generally conducted when the farmers are in need (needs harvesting). The harvesting system can be conducted with two methods, namely selective cutting and clear cutting.

| Table 1. Status of community forest management in Blora, Wonosobo, and Wonogiri |
|---------------------------------|----------------|-----------------|----------------|----------------|
| Location                        | Forest Status  | Management Model | Administrator | Institution     | Certification |
| Blora Regency                   |                |                 |                |                |               |
| - Blora Subdistrict             | Community rights forest | Community rights forest | Individuals and group | KTH/Gapoktan/Jati Mustika Cooperation | SVLK |
| - Randublatung Subdistrict      | State owned forest | PHBM            | Group          | LMDH           | None          |
| Wonosobo Regency                |                |                 |                |                |               |
| - Jonggolsari Village           | Community rights forest | Community rights forest | Individuals and group | KTH/Cooperation | SVLK          |
| - Besani Village                | Community rights forest | Community rights forest | Individuals and group | KTH/Cooperation | None          |
| Wonogiri Regency                |                |                 |                |                |               |
| - Giriwoyo Subdistrict          | Community rights forest | Community rights forest | Individuals and group | KTH/Cooperation | None          |
Selective cutting is conducted for trade system based on trees, and clear cutting is practiced on the trade system of area cutting. In trade system with area cutting, merchants buy all timber on a certain area, without any limitations on the kind and the size of timber. The selling unit is generally per standing tree, although several farmers have conducted sales in cubic estimation system. The timber administration document commonly used is the SKSKB-Cap KR for community timber of teak and mahogany kinds as implemented in the Regencies of Blora and Wonogiri and SKAU for other kinds of timber such as Albizia chinensis in the Regency of Wonosobo (Table 2).

Basically the formalization of community forest management and community timber trade can be differentiated based on: object, focus, implementation agent, base of implementation, and motivation in the implementation of a certain system. The formalization can be categorized into two big objects, namely forest management and timber. The implementation of sustainable mandatory forest management certification (MHL mandatory) by the Ministry of Forestry in the business permit area of forest products, both in natural forest (IUPHHK-HA or HPH) and in plantation forest (IUPHHK-HT or HTI), the voluntary certification system based on the standard of the Indonesia Ecolabel Institute (Lembaga Ekolabel Indonesia/LEI) and Forest Stewardship Council (FSC) conducted by third parties are formalization systems whose main object is the forest management, which focus on the sustainability of the forest as a goal. The three certification systems (MHL, LEI, and FSC) have the same focus, which is the sustainability of forest management, whose locus is on forest.

Table 2. Community timber trade models in Blora, Wonosobo, and Wonogiri

<table>
<thead>
<tr>
<th>Location</th>
<th>Harvesting Period</th>
<th>Harvesting System</th>
<th>Unit</th>
<th>Purchasing System</th>
<th>Business Documents</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Blora Regency</strong></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>- Blora Subdistrict</td>
<td>Needs Harvesting</td>
<td>Selective cutting &amp; clear cutting</td>
<td>Standing tree</td>
<td>Tree &amp; harvesting area buying</td>
<td>SKSKB-Cap KR</td>
</tr>
<tr>
<td>- Randublatung Subdistrict</td>
<td>Cycle Harvesting</td>
<td>Clear cutting</td>
<td>Cubic</td>
<td>Timber buying</td>
<td>SKSKB</td>
</tr>
<tr>
<td><strong>Wonosobo Regency</strong></td>
<td></td>
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</tr>
<tr>
<td>- Jonggolsari Village</td>
<td>Needs Harvesting</td>
<td>Selective cutting &amp; clear cutting</td>
<td>Standing tree &amp; cubic</td>
<td>Tree &amp; harvesting area buying</td>
<td>SKAU</td>
</tr>
</tbody>
</table>
Wonogiri Regency

- Besani Village
  Needs Harvesting
  Selective cutting & clear cutting
  Standing tree & cubic
  Tree & harvesting area buying
  SKAU

- Giriwoyo Subdistrict
  Needs Harvesting
  Selective cutting & clear cutting
  Standing tree & cubic
  Tree & harvesting area buying
  SKSKB - Cap KR

- Batuwarno Subdistrict
  Needs Harvesting
  Selective cutting & clear cutting
  Standing tree & cubic
  Tree & harvesting area buying
  SKSKB - Cap KR

On the other hand, in the case of Timber Origin Certificate (Surat Keterangan Asal Usul Kayu/ SKAU), Log Validation Certificate (Surat Keterangan Sahnya Kayu Bulat/ SKSKB), Log Validation Certificate for community timber (SKSKB Cap Kayu Rakyat), and Timber Legality Verification System (Sistem Verifikasi Legalitas Kayu/ SVLK), the object is more related to timber forest product whose activity locus is mostly off forest – although SVLK is also related to several aspects whose locus is on forest such as the forest land legality and forest management, especially timber harvesting management system. Annual Work Plan (Rencana Karya Tahunan/ RKT) ratification which becomes the basis of harvesting activity permit in plantation forest related to the determination of harvesting allotment (kind, amount, and volume of trees). The determination of the kind of trees harvested in the RKT is not only related to the timber harvested or off forest, but also to the management of forest sustainability or on forest because the determination of harvesting allotment in the RKT is based on AAC (Annual Allowable Cut) which is recognized as one of the management methods of sustainable product in the science of forest management. Originally the delayed harvesting credit system applied in several community forest farmer cooperatives closes to the principles of RKT implementation in state forests. However, different with the RKT which is mandatory for all concession holders in state forest, the delayed harvesting credit system is voluntary. The delayed harvesting credit system aims for forest sustainability with the motivation to improve the welfare of community forest farmers (Table 3).

Table 3. Formalization system of community forest management and community timber trade

<table>
<thead>
<tr>
<th>System</th>
<th>Object</th>
<th>Focus</th>
<th>Implementation Agent</th>
<th>Implementation Base</th>
<th>Motivation</th>
</tr>
</thead>
<tbody>
<tr>
<td>MHL mandatory</td>
<td>Forest management</td>
<td>Forest sustainability</td>
<td>Third party</td>
<td>Mandatory</td>
<td>Regulation</td>
</tr>
<tr>
<td>RKT</td>
<td>Forest management and timber</td>
<td>Forest sustainability</td>
<td>Forestry Agency</td>
<td>Mandatory</td>
<td>Regulation</td>
</tr>
<tr>
<td>Delayed harvesting</td>
<td>Forest management and timber</td>
<td>Forest sustainability</td>
<td>Owner of community</td>
<td>Voluntary</td>
<td>Fulfillment of community forest farmer needs</td>
</tr>
<tr>
<td>Credit</td>
<td></td>
<td>and welfare</td>
<td>forest</td>
<td></td>
<td></td>
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</table>
4.4 Acceptability of SVLK in the Perspective of Stakeholders

As a system, SVLK would be implemented well if and only if it has high acceptability from the stakeholders. In this case, the stakeholders in relation to SVLK among others are the Ministry of Forestry, Local Government, Community Forest Farmers, Forest Farming Groups, Timber trader, Timber Processing Industries, and Non Governmental Organizations.

4.4.1 Ministry of Forestry

Timber Legality Verification System (*Sistem Verifikasi Legalitas Kayu/SVLK*) is an effort conducted by the government of Indonesia to improve the acceptability of Indonesian timber products in the world market, especially the European Union market. In the beginning, this system is tried on the field with funding from European Union countries. The government of Indonesia, in this case the Ministry of Forestry, considers that SVLK certification is a requirement mandatory to be fulfilled by all business units of forest management and timber industries (mandatory certification), including community forest and community timber industry. In this context, it can be seen that the Ministry of Forestry encourages and even necessitates forestry business unit to obtain SVLK certificate in order to strengthen the legality of Indonesian timber which will enter the international market, especially the European Union market. The problem is that when the SVLK is appointed to be a mandatory certification by the Ministry of Forestry, forest utilization business units or timber processing industry whose business scope is only in domestic market or not orienting to export to countries requiring SVLK, are also obligated to follow the SVLK certification. This will give the consequence of high cost economy which results in decreasing efficiency and product competitiveness and forces domestic consumer to also pay more. The effectiveness of
SVLK as a mandatory certification scheme is very low because SVLK is meant to give legality symbol to Indonesian timber product when in fact, Indonesian timber product is rife with various legality attribute, starting from sustainable mandatory forest management certification (MHL) to timber administration documents such as Log Validation Certificate (Surat Keterangan Sahnya Kayu Bulat/SKSKB) which clearly explain the legality of the log product traded. Therefore, the real problem faced by the government about the Indonesian timber product is not the lack of legality attributes, but the weak legitimacy of the legality attributes of Indonesian timber product. That means the main problem lies on the low trust or low legitimacy of the Indonesian government issuing the timber legality documents. If the problem is low legitimacy, in order to overcome it, it should not be by adding the long line of timber legality papers but improving governance of the government so that in the future, the timber administration document issued by the government of Indonesia is no longer considered meaningless platitude by the international market.

4.4.2 Local Government

Local government, generally, tends to be ambiguous in responding to Timber Legality Verification System (Sistem Verifikasi Legalitas Kayu/SVLK) certification. In the trial phase of SVLK implementation, local government tends to support it for the reason of local pride and hope for better market to the forest product and wood product in their region. The local government also feels happy because the SVLK trial project usually comes together with community forest farmer empowerment programs. SVLK trial project and activities included within: farmer empowerment programs, assessment, and certification process, are funded by donation from donor countries. Institutional preparation activity, farmer empowerment, and certification technical preparation are usually done through Non Governmental Organization chosen by the donor. SVLK assessment and certification are done by independent institution that is chosen and approved by donor country. That is why the local government generally does not object the SVLK trial project for they do not get the consequence to pay the cost.

Despite their support at the beginning of the project, the local government generally objects it when they find out about the financial consequence they have to fulfill in SVLK certification after the trial project is finished. There is a discourse about the local government allocating fund to SVLK certification after the trial project finished, without the aid from the donor country. However, in reality, putting SVLK budget allocation in APBD (Regional Government
Budget ‘Anggaran Pendapatan dan Belanja Daerah’) is not easy because it needs DPRD (Regional Legislative Council or ‘Dewan Perwakilan Rakyat Daerah’) approval, and the local government also needs to allocate less money for other necessary things.

4.4.3 Community Forest Farmers

In a general way, community forest farmers do not mind to follow the SVLK certification trial. They accept SVLK trial project because of some reasons. First, the farmers expect that they will get better selling price for their timbers by getting SVLK certificate. Second, the farmers can get better knowledge in forest management and in organization. Third, by participating in this SVLK trial project, the farmers will not feel left out of the latest information and they also become part of village development process. The farmers think they will get positive impact from their participation in SVLK trial project. They can get knowledge about forestry management and timber marketing such as: how to count diameter of tree, price information, organization skill, and network building ability especially through reinforcement of Gapoktan (‘Joint Groups of Farmers’), during the project.

However, the farmers generally will object the project if there is quite high financial consequence that they have to be responsible for in SVLK certification process. Moreover, not all the farmers agree with the forest management system including volume and harvest time arrangement that must be coordinated and decided by group, which become one of the governance conditions in sustainable community forest management, including SVLK certification. Volume and harvesting time arrangements are difficult to be implemented because the right to manage community forest entirely belongs to the farmer who owns the land. For most of the farmers, community forest has a role for a saving function so that the farmers would harvest or cut the trees in the forest they own when they need money. Harvesting time and the numbers of trees they would cut depend on the amount of money needed by the farmers, not on the decision of the farmers group. If the farmers urgently need money, they will sell their trees even though the size of those trees is still small and unprofitable to sell.

4.4.4 Forest Farmers Group

For the forest farmers group, SVLK trial project is accepted with pleasure because the project gives enlightenment for them to bring back the spirit of togetherness and to strengthen the organization of forest farmers. As the SVLK activity runs, Forest Farmers Group can have many activities in accordance to it and can participate in giving more knowledge to the farmers who are the members of the group through many training
programs and capacity strengthening given by nongovernmental organization that guides them during SVLK preparation. However, forest farmers group also faces difficulties in handling problem of harvest time and volume arrangement for the members. When there is their member who wants to sell the trees that actually have not reached the proper size to harvest because they are in the need of money urgently, forest farmers group cannot do anything about it. Some forest farmers groups have initiative to form Cooperative and try to give hedge fund by buying the trees from the farmers who urgently need money and selling them when they have reached the proper size to cut, and then they share the profit with the farmers. This scheme is pretty interesting and it does not burden the farmers. However, the idea is quite difficult to be realized because of some reasons. First, the cooperative has difficulty to get sufficient amount of hedge fund. Second, accurate estimation is needed to calculate price raise rate of timber volume that will be sold some years in the future compares to the inflation rate. Third, the capability of the cooperative to get client who wants and is able to buy trees with good price, is also needs to be considered.

4.4.5 Timber Trader

Generally, timber traders who run their business in the regencies of Blora, Wonosobo, and Wonogiri are the local timber traders who sell their timber in domestic market. The merchants do not make the existence or absence of the SVLK certificate matter because, in domestic market, the price is determined by considering the volume and quality of the wood, not by the certificate. That is the reason why the local timber traders accept timber with SVLK certificate, but they do not want to pay more for it if it has the same quality and volume with the one without certificate. In this context, it clearly shows that SVLK certificate almost has no influence, or even has no influence at all, in increasing the selling price of timber in the local market.

4.4.6 Timber Processing Industry

Most of the timber processing industries, especially the ones that have orientation to the local market, do not care with the existence or absence of the SVLK certificate. According to the information from the respondent in the location of the research, there is only one timber processing industry in Wonosobo which wants the SVLK certified woods and makes effort to cooperate with the forest farmer cooperative which has SVLK certificate. That timber processing industry is export oriented, and do not mind to buy SVLK certified woods with a little higher price than the non certified woods. However, not all the community forest farmers in Wonosobo agree with the cooperation because of some reasons. The first reason is that the cost of preparation, assessment, and surveillance of SVLK certification which must be
paid by the farmers is possibly higher than the raise of selling price received. The second reason is that the obligation to do SVLK certification with only the small numbers of timber processing industries that are willing to buy with higher price can result to the limitation of the timber market of local people. The structure of market for the certified timber from the locals will tend to be oligopsony, or even monopsony. In the market with oligopsony or monopsony structure, bargaining position of farmers cum sellers is very weak.

4.4.7 Non Governmental Organization

Non Governmental Organization (NGO) as partner of farmers’ group is in difficult situation in dealing with the SVLK mandatory certification plan. On one hand, the NGO agrees with the SVLK trial project because it is funded by donor countries to do guidance, capacity development, and give training for the farmers in preparing them for being eligible in getting the SVLK certificate. On the other hand, The NGO is in quandary because the market of timber with SVLK certificate is more in hypothetic one until now. The same condition goes to the premium price for this SVLK certified timber that is often heard by farmers, but in reality that kind of price is almost nonexistent. If there is a company that wants to buy timber with a little higher price, usually that company will have quite high requirements to meet or so small market segment that make it less economical. In some cases, NGO just does not inform the members of forest farmers group that their community forest is actually certified because they worry that the farmers would demand of the premium price that is nonexistent.
5 POLICY EVALUATION OF SVLK MANDATORY CERTIFICATION

5.1 Estimate Cost and Benefit of SVLK

Is this timber legality verification system beneficial? In a general way, community forest farmers state that their participation in the SVLK trial project gives positive impact to their increasing of knowledge, understanding, experience, and networking capability. Will the community forest farmers agree to do SVLK certification with their personal funding? Even though most of the farmers agree that SVLK is beneficial, getting it with their own money is very unlikely to do. The same condition goes to the other stakeholders: regional government, timber trader, timber processing industry, and partnering NGO). They are also quite apprehensive about the implementation of SVLK mandatory certification.

Those stakeholders base their objection to SVLK mandatory certification with some arguments as follow:

1) The cost of preparation, maintenance, assessment, and surveillance in the scheme of SVLK certification is quite high so that it can burden the farmers. The implementation of SVLK certification is not only related to how big the potential profit that the farmers could get but also at the same time related to the cost that needs to be paid for the certification process. In the mean time, almost all the farmers groups that already have SVLK certificate or in the process of getting it are funded by the third party (relevant international institution) that has given the responsibility to the local or national Non Government Organization. In the context of subsidized certification preparation like this, the farmers and farmers groups usually do not mind to follow certification scheme offered because they do not have to pay the cost of the SVLK certification process.

2) Problem of certification cost for the scheme of non-subsidized certification needs solutions to be thought of because the farmers must pay quite high amount of money. Without subsidized cost and development aids, the farmers generally do not agree to follow the certification scheme. The funding from international institution is only temporary and it is also a pilot project, so that the implementation of SVLK scheme in a bigger scale needs different funding options. One of the options is to include the SVLK certification cost in the regional budget (APBD). But that option is not easy to do because the funding of SVLK certification in APBD needs DPRD’s (regional house of
representative) approval and in the mean time, approving it means the government agrees to cross out other sector’s needs from APBD.

3) Generally, the premium price offered for the SVLK certified timber is not tempting enough for the farmers. On the other hand, the requirements asked are too complicated. The raise of premium price to reach the price that is considered rational is indeed the condition that is still working on. SVLK, just like any other certification system, can run well without being subsidized if the profit gained from the premium price raise is higher than all the cost spent for certification. By having the opportunity to get profitable premium price, businessmen who participate in the trading of timber from the locals’ community forest will be motivated to do SVLK certification through fair and natural business mechanism, without the needs to get subsidized. This thing is often said by community forest farmers groups in the regencies of Wonosobo, Blora, and Wonogiri. They mention the low price of certified timbers, not only SVLK certified timbers, but also FSC or LEI certified ones.

4) There are not many timbers processing industries that are willing to buy SVLK certified timbers with premium price. However, if there is industry that is willing to do so, it does not mean that the problem is solved. New potential problem will emerge because the willingness of certain industry to buy SVLK certified timbers with premium price tends to direct the structure of timbers market to be oligopoly or even monopsony. In this condition, farmers bargaining position to timber processing industry as the buyer of SVLK certified timbers tends to be weakened. If that is not well anticipated, the movement of the market structure to become monopsony will happen in some regions, for examples in Wonosobo Regency where some forest farmers groups cooperate with certain timber industry in timber trading. With this cooperation agreement, farmers have more certain place to sell their product so that they can easily predict the result they could get from the trees they have harvested. However, this cut timber trading chain can also give side effect. Some small village businesses related to this timber marketing chain such as timber collecting trader, timber transportation rental, and other economic activities along the marketing channel (food seller, payroll staff, etc.) become nonexistent. In addition, the consignment paying system that is usually implemented in big scale trading can also invite trouble because the farmers want cash as their payment after they cut their trees. That is why the trading with cooperative-big industry scheme can run well if cooperative or farmers group has hedge funding system (for example by using delayed harvesting credit) that can gives hedge fund for farmers who need to sell their trees because of urgent needs (needs harvesting). This kind of thing has been
worked on by the forest farmers’ cooperative in the regencies of Wonosobo, Blora, and Wonogiri. However, the problems still come from the limited budget that the cooperative owns

5) Timber only contributes 17-30% of the total income of the money for basic necessities in the community forest farmers’ household. In this case, we can say that timber is actually not the only source of income for the farmers’ households. That is why all the efforts, either time, energy, and money, that are needed to be sacrificed by the farmers in the process of SVLK certification should not bigger than the farmers’ work for the main income. For instance, the farmers in Wonogiri tend to let the trees they have planted grow without appropriately be taken care of. They do that because they have spent all their time for working to get income from other sources. Most farmers rely on works unrelated to forestry or money sent by members of the family who work in the city, as their main income. Meanwhile, in the regencies of Wonosobo and Blora, the farmers also need to divide their time of working for the community forest and working for other farm works such as: work in rice fields, plantation, or becoming carpenter.

6) SVLK certification for the community forest is not given to the farmers individually, but it is given to the groups. As a result, this system requires them to manage the forest together in the form of farmers group or community forest cooperative. Not all the farmers accept this collective management system, especially the one related to harvest time and volume of tree that is allowed to cut, because the farmers harvest trees anytime they need money for certain need (needs harvesting). To prevent cutting trees before their time to cut (trees reached proper size) because of an urgent need, some farmers’ cooperatives initiate to give hedge fund for the farmers who urgently need money, and then keep the trees to grow. The trees will be sold years later when they reach economically appropriate size to sell. However, it cannot be done easily because the cooperative only has limited capital to provide the hedge fund, and it also has to face the uncertainty of the price in the future for the trees it has bought comparing to inflation rate.

Besides those six arguments, it needs to be noted that SVLK implementation with the scheme of mandatory certification for community forest is assumed to run ineffective and out of track from the goals itself. This assumption is based on the fact that SVLK is actually made to eliminate the circulation of illegal timber. Usually, illegal logging happens in the state forest, fewer cases happen in community forest or people forest. Therefore, SVLK certification for timbers from community forest is most likely become ineffective because it is not relevant with the initial purpose of why this SVLK certification needed.
implementation of SVLK mandatory certification is also conceptually out of track because timbers are not the main income source of the farmers. Therefore, if the development of community forest uses the formal-business-ethic assumption where the farmers are considered as businessmen who are always responsive to incentive economy, it will be misleading. Since SVLK certification uses formal business ethics where it is considered the basic to stimulate timber business work, this approach is not suitable to be implemented in the villages of the three regions researched: Blora, Wonosobo, and Wonogiri. Moreover, traditionally, timber is only seen as saving account that will be cut whenever the owner needs money for urgent needs. Thus, the SVLK mandatory certification policy for community forest is not suitable to be implemented because the concept of SVLK considers the logic of community forest business equivalent to the business as usual.

The formalization of people timber business, including SVLK mandatory certification scheme, makes the farmers face the new problem that is SVLK certification self financing. In the three locations researched: Blora, Wonosobo, and Wonogiri, it turns out that the farmers are not ready for self-financing SVLK process and maintenance without the funding from the third party (donor institution). Economic restrictiveness and poverty hinder the next process of certification. This means, from livelihood perspective, the certification scheme is actually not compatible with the degree or social-economic status of the farmers. In other words, forcing the farmers to do certification will make their household economy must be compromised. Their livelihood becomes unsafe because they have to spend money for certification cost and in the mean time economical benefit from the certificate they have so far did not give any contribution to their household income.

Funding problem for community forest mandatory certification is not easy to solve. Government intervention, for example through Regional Government, to help community forest farmers household by providing hedge fund or any kinds of funding from APBD for certification and surveillance cost, appears to be difficult. Regional Governments in the three locations researched face limited public budget (APBD) that prevents them to help Joint Groups of Community Forest Farmers (Gabungan Kelompok Tani Hutan/Gapoktan) in funding the certification.

Economically, SVLK certification also faces an odd logic. Certification or formalization of timber market a la SVLK certification is directed to shorten timber trading-arrangement chain. The assumption is that by using SVLK, certified farmers will be partnered with industry directly. Both parties will be bonded in supply-chain mechanism business partnership between timber processing industry and community forest farmers. The consequence of this shortened trading–arrangement chain is some numbers of businesses related to the
distribution from the farmers to industries become nonexistent. Ideally, trading order margin from the lost businesses can be given fairly to both parties: farmers and industries. The problem is, usually, margin accumulates only to one party. It is assumed that the industries will get cheaper price for the timbers because the supply of timbers after being certified come directly from the farmers. On the other hand, farmers do not get additional raise for their timbers’ price. It means the industries will benefit from market efficiency as a result of formalization through certification.

This shortened timber trading-arrangement chain will result in some global economic issues. First, SVLK certification process makes the trading process shifts from farmers-timber gatherer to farmers-industries. This can potentially make farmers suffer financial lost because trading process from farmers to gatherer is done immediately and in cash, whereas the process with the industries is usually done in consignment so it takes longer time and the payment will be received in latter time. This shortened chain as the result of certification will impact to the closing of small scaled saw mill industry. It means the possibilities of people losing their jobs and the increasing number of unemployment should be anticipated by all the stakeholders to prevent social chaos after the implementation of SVLK mandatory certification.

SVLK mandatory certification will also result to high cost economy. This will result to the decreasing of community forest timber business because the business margin tends to go lower compare to the alternative use of land for non timber plant. If action is not taken to stop this condition, the community forest is potentially lost because farmers are no longer getting sufficient incentive. A case happens in Wonosobo Regency where farmers do not get sufficient incentive for their sengon (albizia) woods because market structure or income from wood is not more interesting than the one of salak (zalacca fruit or snake fruit). Salak fruit, at the beginning, was introduced in Wonosobo Regency as intercropping plant to be planted below main plants that are sengon trees. Slowly but surely, salak fruit has replaced the position of sengon as main plant. The reason of which is, technically, salak fruit can result in cash-income, without complicated regulation to meet, faster than sengon. That is why it is no wonder that in some places in Wonosobo Regency, farmers start to convert their land from sengon wood forest to salak fruit plantation.

5.2 Forest Management and Formal Timber Distribution Policy Options

Policy options of community forest management and formal timber distribution that are developed in this research are based to the reality pictured from the fields (the regencies of
Wonogiri, Blora, Wonosobo), complaints and expectations from relevant parties, the positive law applied at the moment, and ideal condition that is normatively wanted to be achieved.

5.2.1 Community Forest Management Institutional Options

Institutional matters related to the management of community forest include two aspects as follow:

1) Production System Institution

Production system institution includes financial capital aspect, input supply, planting, cultivation, and harvesting. There are some options for each aspect in production system that are possible to be implemented (Table 4):

<table>
<thead>
<tr>
<th>Table 4. Options in community timber production system institution</th>
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<tbody>
<tr>
<td><strong>Aspect</strong></td>
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<tr>
<td>Financing</td>
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<tr>
<td></td>
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<tr>
<td>Input supplying</td>
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<tr>
<td></td>
</tr>
<tr>
<td>Planting</td>
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<td></td>
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<tr>
<td>Harvesting</td>
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First aspect in production system that needs to be paid attention to is financing. To develop a good community forest needs sufficient financial capital for setting up land, supplying input, and cultivating land. There are three options that can be conducted for financing, among which are:

1) Independent or self-supporting financial capital
This option of self-supporting financial capital is suitable in the condition where farmers are economically strong. The other condition is where the community forest built are mixed ones, so the tree planting can be conducted step by step, or where the community forest is bund type which does not need too much financial capital.

2) Financial capital provided by farmer’s business partner

The second option, the financial capital of community forest development is provided by candidate of buyer, in this case timber industry partner or farmers’ business partner. This option will be possible to be implemented if there is long term partnership agreement between farmer who owns the land and business partner. In the location when this research is done, this option was not found. However, community active participation in PHBM program that was run together with the Perum Perhutani (a state-owned forestry company) in the regency of Blora is actually close to this second option. In PHBM, trees are planted in Perum Perhutani’s land and all the forest development cost is in its responsibility. Community actively participate in planting, cultivation, and securing the forest. At the time of harvesting, community gets sharing benefit based on the agreement with the Perum Perhutani.

3) Financial Capital from forest farmers group or forest farmers cooperative loan

The third option of financing for the forest development comes from the loan from farmers group or farmers cooperative. This third option can be implemented if farmers become members of farmers group or farmers cooperative that has sufficient fund and mechanism to channel the loan or other continuous scheme to help providing financial capital to its members for forest development.

The second aspect that must be concerned of in production system is input supply (seed, fertilizer, pharmaceutical product, and other farming-production facilities). There are three options in supplying input, namely:

1) Farmers provide input on a self supporting basis.

This option can be chosen if farmers have good knowledge about suitable seeds, fertilizer, and pharmaceutical product, and those necessary inputs can be found easily in the market.

2) Farmers provide input from farmers group
This option is suggested if farmers do not have sufficient knowledge about quality of the input and the necessary input cannot be found easily in the market. The other condition is if it is more economical to get the input supply collectively through farmers group or cooperative.

3) Farmers get input from Regional Forestry Service or other institution in charge.

This option can be the best option if certain input with certain standard quality is required, for example superior seeds, and can only be provided by certain institution such as Regional Forestry Service or Perum Perhutani. The same goes to other inputs like fertilizer and pharmaceutical product that need particular specification and can not be found easily in the market. Even though not entirely similar to this third option, PHBM activity in Blora Regency practically follows this option because all standards of inputs meet requirement of Perum Perhutani, and the community only implement it based on the guidelines given.

The third aspect in production system is planting. There are two options in dealing with community forest planting, namely:

1) Planting is conducted by self financing.

This option is the most used in the practice of forest development that is exist now. For most of village community who work as farmers, planting is not a hard thing to do so that they generally plant their own trees, or involve their family in it. If the community forest that is wanted to be planted is quite vast, capable farmers will hire farm worker.

2) Planting is conducted and arranged by farmers group.

This option is not commonly done, but is reasonable to be considered in certain condition. For instance, farmers do not have sufficient knowledge in planting particular kinds of trees which have commercial value but is not common to be cultivated in certain regions. This option also can become a logical choice in condition where most of the land owners work in city so that they do not have time and energy to do planting. This kind of case can be found in Wonogiri Regency. At this moment, community forest planting in Wonogiri is mainly done by family members who still live in the village, most of them are elders because many productive men power from the land owners’ family members work in the city.
Harvesting is the last aspect that needs to be noted in production system. There are two options in harvesting that are possible to be implemented by community forest farmers, namely:

1) Harvesting based on individual preference.

This option is the most used at the moment. Almost all community forest farmers conduct harvesting based on their individual preference which based on financial needs (needs harvesting).

2) Harvesting based on recommendation or regulation of farmers group.

This second option, harvesting based on recommendation or regulation of community farmers group, is rarely to be done even until now. This option is actually required to forests that have sustainable community forest management certification, either issued by the Indonesia Ecolabel Institute (Lembaga Ekolabel Indonesia/LEI), Forest Stewardship Council (FSC), or other certification institutions. SLVK certification also gives certificate to the group, not to individual person, so that this option is actually a certainty. However, this mechanism is not easy to be done as long as farmers group or cooperative does not have hedge fund in sufficient amount to cover its members’ needs when they urgently need money (to prevent needs harvesting).

2) Community Timber Marketing System Institution

There are four important aspects in institutional matters related community timber marketing system, among which are: first, selling time arrangement; second, selling unit; third, selling system; and fourth, selling purpose (Table 5)

Table 5. Institutional Options in community timber marketing system

<table>
<thead>
<tr>
<th>Aspect</th>
<th>Option</th>
<th>Condition to make it posible</th>
</tr>
</thead>
<tbody>
<tr>
<td>Selling time arrangement</td>
<td>1) Needs Harvesting</td>
<td>Farmers urgently need money.</td>
</tr>
<tr>
<td></td>
<td>2) Cycle Harvesting</td>
<td>Farmers have other sufficient source of income and no urgent</td>
</tr>
<tr>
<td></td>
<td>3) Delayed Harvesting</td>
<td>Cooperative has sufficient hedge fund for farmers who urgently need money and want to delay harvesting. (delayed harvesting credit)</td>
</tr>
<tr>
<td>Selling unit</td>
<td>1) Individual Standing tree</td>
<td>Farmers do not have enough knowledge about timber cubic and/or the size of trees are approximately similar.</td>
</tr>
<tr>
<td></td>
<td>2) Standing tree Cubic estimation</td>
<td>Farmers have sufficient knowledge about estimating timber cubic and the size of trees are different.</td>
</tr>
<tr>
<td></td>
<td>3) Log cubic estimation</td>
<td>Farmers have enough capital and skill for cutting and transporting logs to the trading place, and have networking with timber collector trader or timber</td>
</tr>
<tr>
<td>Selling system</td>
<td>Selling objective</td>
<td></td>
</tr>
<tr>
<td>----------------------</td>
<td>----------------------------------</td>
<td></td>
</tr>
<tr>
<td>1) Tree harvesting</td>
<td>1) Gatherer</td>
<td></td>
</tr>
<tr>
<td>2) Area harvesting</td>
<td>2) Timber industry</td>
<td></td>
</tr>
<tr>
<td></td>
<td>3) Cooperative</td>
<td></td>
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</tbody>
</table>

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<thead>
<tr>
<th>Selling system</th>
<th>Selling objective</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Tree harvesting</td>
<td>Farmers need a small amount of money, so they sell trees in a certain numbers as they need</td>
</tr>
<tr>
<td>2) Area harvesting</td>
<td>Farmers need funding in a big amount and all at once.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Selling system</th>
<th>Selling objective</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Gatherer</td>
<td>Farmers do not have access to timber industry.</td>
</tr>
<tr>
<td>2) Timber industry</td>
<td>Farmers have access to timber industry and the location is within reach.</td>
</tr>
<tr>
<td>3) Cooperative</td>
<td>Cooperative has sufficient funding to buy timbers from farmers with the same or higher price than the market.</td>
</tr>
</tbody>
</table>

Selling-time arrangement is the first aspect in community timber marketing system that needs to be paid attention to. Options related to community timber selling-time management are:

1) Timber selling-time based on needs (needs harvesting)

   This scheme is factually the most practiced by community forest farmers at the moment. Farmers only cut their timbers when they need fund thus timber selling-time must agree with farmers' needs of fund. This thing is done because timber, for most of the farmers' households, has function as saving, so they will cut it when they need it. The weakness from this system is that the selling-price of timber in farmers level tends to be low because farmers are urged by needs (needs harvesting), so farmers tend to accept the price offered by buyer (gatherer), because when they need money, their bargaining position as seller is weak.

2) Timber selling-time based on tree economical cycle.

   This scheme can only be done by farmers who do not have financial dependency on timber or Forestry Company, like Perum Perhutani, which runs forestry business professionally and long term profit oriented.

3) Timber selling-time is arranged to make better selling price by using delayed-harvesting scheme

   This option can be conducted if farmers group or farmers cooperative has sufficient hedge fund to purchase timbers from farmers who need money (delayed harvesting) and sell them years later when they are bigger so that the selling price will be better.

The second aspect that needs to be noted in marketing system is selling unit. There are three options in selling unit that can be chosen by community forest farmers, namely:
1) Selling-unit based on standing tree unit

The selling based on standing tree unit is suitable to conduct in condition where farmers do not have sufficient knowledge about timber cubic, and/or the size of the trees are approximately similar.

2) Selling-unit based on standing tree cubic estimation

Selling unit based on trees’ cubic estimation can be conducted if farmers have sufficient knowledge about timber cubic estimation, and the sizes of trees are different.

3) Selling-unit based on log cubic estimation

Selling can be conducted based on log cubic estimation if farmers have enough financial capital and skill to cut and transport log to the selling place, and have a good networking with timber gatherer or industry.

The third aspect in marketing institution is selling-system. There are two options in selling system that is commonly practiced by farmers, namely:

1) Timber selling-system by tree harvesting

This tree harvesting option is usually chosen when farmers need fund in only a small amount so that they sell trees in a certain number based on their need.

2) Timber selling-system by area harvesting

This area harvesting option is a choice that is commonly conducted when farmers need big amount of fund all at once.

The fourth option in marketing institution is selling objective, in which farmers have options to whom they will sell their timbers, among which are:

1) Timber is sold to gatherer

This option is the most practiced by the community forest farmers because they do not have access to timber industry.

2) Timber is sold to processing industry

This option is chosen when farmers have access to timber industry and the location of the industry is within reach so timber can be carried economically.

3) Timber is sold to Cooperative
This option is the best choice if the cooperative has sufficient fund to buy timber from farmers with the same or higher price than the market price.

5.2.2 Institutional Options of Community Timber Business Management and Legality

Community timber business management and legality institution is related to three aspects, among which are (Table 6):

1) Sustainable community forest management
2) Community timber cutting and transporting license
3) Community timber Legality

Table 6. Options in community timber business administration and legality institution

<table>
<thead>
<tr>
<th>Aspect</th>
<th>Option</th>
<th>Condition to make it Possible</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sustainable community forest management</td>
<td>1) Sustainable community forest mandatory certification</td>
<td>Community forest farmers have sufficient fund and knowledge to do all the steps of certification.</td>
</tr>
<tr>
<td></td>
<td>2) Sustainable community forest management voluntary certification.</td>
<td>Community forest farmers have opportunity to get premium price of the product resulted from sustainable forest management.</td>
</tr>
<tr>
<td></td>
<td>3) Sustainable community forest management practice.</td>
<td>Community forest farmers have knowledge and willingness to implement sustainable forest management without certification.</td>
</tr>
<tr>
<td>Community timber cutting and transporting license</td>
<td>1) Issued by/Provincial Forestry Office</td>
<td>If the kind of community timber has similarity to timber produced from state owned forest area.</td>
</tr>
<tr>
<td></td>
<td>2) Issued by Head of Village</td>
<td>If the kind of timber from community forest is not similar to the one produced from state owned forest area.</td>
</tr>
<tr>
<td></td>
<td>3) Issued by Head of Farmer Group</td>
<td>If forest farmer group has had legal entity and complete data of all potential timber and its mutation done by the members.</td>
</tr>
<tr>
<td>Community timber legality</td>
<td>1) Timber legality attached to the accompanying document.</td>
<td>If to get the document needs to fulfill most of the timber legality requirements.</td>
</tr>
<tr>
<td></td>
<td>2) Timber legality must be proven by a certain timber legality certificate</td>
<td>If the document exist has not fulfilled most of the timber legality requirements.</td>
</tr>
</tbody>
</table>

Sustainable community forest management is one of the aspects that are often related to community timber business administration system and legality. There are three options that
can be conducted in bringing sustainable community forest management into reality, among which are:

1) Mandatory certification of sustainable community forest management

Mandatory certification scheme for sustainable community forest management can be conducted if community forest farmers have sufficient fund and knowledge to carry out all the certification steps.

2) Voluntary certification of sustainable community forest management

Voluntary certification scheme is suitable in the condition where community forest farmers have opportunity to get premium price of the product resulted from sustainable forest management.

3) Sustainable community forest management practice

Sustainable community forest management practice can actually be implemented without using certification instrument. This can be conducted if community forest farmers have knowledge and willingness to implement sustainable forest management.

Regulation aspects related to business administration and legality of community timber are cutting and transporting license. There are some options of institutions that can give license to cut and transport timber from community forest, namely:

1) License issued by Regional Forestry Office

Timber cutting and transporting license is given by Regional Forestry Office or other institution which handles forestry affair in the regency if the kind of community timber is similar with the one harvested from state owned forest. This system, at the time being, has run for community timber especially for teak and mahogany kind. The trading of community timber of teak and mahogany kind must be equipped with Community Timber Brand Log Validation Certificate (SKSKB-Cap KR) issued by local Forestry Office.

2) License issued by Head of Village

Timber cutting and transporting license only needs to be given by Head of Village if the kind of community timber is not similar to the one harvested from state owned forest.
area. For example, sengon-wood-trading in Wonosobo Regency does not need SKSKB document from Regional Forestry Office, but it will do only with Timber Origin Certificate (Surat Keterangan Asal Usul Kayu/SKAU) from Head Village.

3) License issued by head of forest farmer group

This scheme has not yet been implemented, but discourse about it has been voiced in some forums. Community timber cutting and transporting license can be considered to be given by Head of Forest Farmer Group that has had legal entity and complete data of all timber potential and its mutation done by the members.

There are two options related to boundary of the document that is needed to determine community forest legality, namely:

1) Timber legality attached to the accompanying document.

Timber legality should attach to the document that comes along with. SKSKB, for instance, in accordance with the meaning of the abbreviation, means that the timber that is explained in the document is timber harvested legally based on the valid regulation. In other words, timber that is accompanied by SKSKB document is legal timber. This thing implies that timber with SKSKB document does not need additional document that states the legality of the relevant timber. Conceptually, this kind of thing is possible if all the requirements to get the SKSKB document already fulfill most of the elements that are required by timber legality verification system.

2) Timber legality needs to be proven by a certain timber legality certificate

Timber legality needs to be proven by publishing a certain timber certificate beside the existent system if the requirements to get the valid business administration document for the time being are considered not meeting most of the elements that are required in timber legality verification system. If the requirements to get cutting allotment (RKT), sustainable forest management (MHL), and community timber brand log validation certificate (SKSKB) have fulfilled most of the elements required by SLVK, so actually, mandatory certification will not be needed.

5.3 Strategy Directive of Community Forest Development Policy

Generally, the strategy directive of community forest development policy is grouped into two categories, namely:
1) Strategy options of community forest institution
2) Strategy options of community timber regulation and business administration

The strategy option of community forest institution is approached by mapping the strengths of farmers and farmer groups in one cross cutting matrix (Figure 2).

**Figure 2. Strategy options’ matrix of community forest institution**

From the matrix on Figure 2, it can be seen that the strategy options of community forest institution differs depending on the strengths of the community forest farmers and farmer groups in a region, which can be elaborated as follows:

1) **Group control strategy** is the best option when the farmer group organization is strong and the average farmer members are weak. In this situation, the active role of the farmer group organization, starting from the production aspects to the marketing, is much expected. The active role of farmer group will not face resistance from its member, it would even be welcomed because of the weak access the farmers have to the development of knowledge, market, and capital. Generally in cases like this, the group control will be effective when led by a local motivator, which is respected by the community and has networking skills with the market and the decision-making authority. The figure of a “village teacher” who is also a farmer, for instance, in many cases in various villages is one of the local figures that can be the leader of farmer group and an effective motivator for its member (Nurrochmat 2005).

2) **Marketing collaboration strategy** is the best option in the condition that both the farmers and the farmer group are strong. In several cases of successful community forest management, where community forest farmers have no financial dependency in the production aspect towards other parties, the most probable role played by the farmer group or cooperation is collaborating on the marketing of community timber. This is very logical because marketing will be more
effective and efficient when done collectively. Farmers can effectively monitor market information through the cooperation and can sell or distribute timber coordinatively through the farmer group improving efficiency.

3) **Information network strengthening strategy** is the option advised for the condition where community farmers are strong while farmer group organization is weak. This commonly occurs in suburban areas, where the community has strong independence and there is no respected leader figure. In such condition, community forest farmers will search for their own markets and when not regulated, it is not impossible that price competition occurs among community forest farmers. This occurs because there is asymmetrical information between the community forest farmers as the timber seller and gatherers as the timber buyer. Gatherers can ascertain where the potential trees are to buy, but farmers cannot ascertain who the buyers that needs timber are. Therefore, the best strategy in this condition is the information network strengthening among community forest farmers in relation to the name and address of potential timber buyers, and information sharing on timber price in the processing industry. If this is done, the bargaining position of farmers will strengthen. As a case study, this strategy has successfully been implemented in East Kalimantan in improving saline value of medicinal plants (rhizomes) in the farmer level by distributing pocket books containing information of names, contact, needs, and price range offered by merchants in traditional markets, restaurants, and herbal medicine home industry to farmers.

4) **Mentoring strategy** is the option that has to be conducted in the condition that both farmers and farmer group are weak. Mentoring can be conducted by field instructor assigned especially to conduct mentoring or by third parties, such as Non Governmental Organization (NGO). In this case, the mentors have to work hard to improve the individual capacity of farmers and conducting various efforts for strengthening the organizational capacity of the farmer group organization. Without mentoring, in this condition, farmers will only be cannon fodder in a timber trade system.

On the other hand, the strategy options of community timber regulation and business administration can be approached by creating a cross-cutting matrix between legality and legitimacy (Figure 3).
Figure 3. Strategy options matrix of community timber regulation and business administration

Based on the matrix on Figure 3, generally there are four strategy options of community timber regulation and business administration viewed from the legality and legitimacy aspects, as described below:

1) **Improving governance** is the best option that should be taken in a condition which have strong legality with weak legitimacy. For instance, the timber equipped with the SKSB documents already has strong legality as legal timber because SKSB is none other than Log Validation Certificate. However, even though the SKSKB per definition is the legality certificate of timber, the legitimacy of SKSKB for consumer, especially consumer in European Union countries, is very low. Therefore they demand the existance of paperwork which guarantees the legality of the traded timber for consumer, hence the release of what is now known as the Timber Legality Verification System (Sistem Verifikasi Legalitas Kayu/SVLK). Noting that the true problem is legitimacy, the SVLK mandatory certification is not effective because it has the potential to repeat consumer disbelief, such as that of the SKSKB because the problem is not on the paperwork, but on the low trust or legitimacy towards the institution or authority issuing or regulating those stipulations. Therefore, improving governance, for instance through hard work to improve good governance indicators, is a more rational strategy option to improve legitimacy rather than creating a new regulation adding legality documents.

2) **Mandatory certification** is a regulation option which can be applied in a condition of strong legality and strong legitimation. The timber already obtaining the SVLK certificate, for instance, will be different from timber without the SVLK certificate if and only if the legality of SVLK certificate in the national law is strong and SVLK has strong legitimacy from the timber market. In other words, the certificate is not only an obligation of paperwork, but is also an advantage and/or is one of the determining factors for consumer to buy the product. In this context, the SVLK mandatory certificate for community timber with the effect of high cost economy will be ineffective. This is because most community timber is marketed to fulfill domestic market demand which does not consider SVLK certificate as a determining factor in purchase. Moreover, the export market for SVLK certified timber product is still limited with low premium price so that a regulation applicable massively is expected to only cause an oversupply of SVLK
certified timber. A regulation uniform with mandatory certification or formalization which is still considered for the current situation of community timber trade is the obligation for teak and mahogany community timber to complete the SKSKB Cap KR by improving the process records to further ensure the source and legality of the timber.

3) **Improving legal system** is needed in a condition where legitimacy is strong but legality is weak. SKAU is an example of documents which have strong legitimacy as the recognized document in community timber trade activities, but its legality as a legitimate document is often questioned by the security personnel in the community timber distribution. In these cases, there is a need for a stronger regulation for SKAU document or an improvement of SKAU form with attributes which can guarantee its legality such as document originality holograms, regulation base that is collaborative with the SKAU document, or other methods which can strengthen the document legality attributes.

**Voluntary certification** is an option worth considering in timber business administration with weak legality and weak legitimacy. This condition is common in international market, especially the European Union market, which does not recognize the paperwork issued by the government as documents guaranteeing the timber legality because the low trust level or low consumer legitimacy towards the regulator, in this case the Indonesian government. In this condition, the only way to penetrate the market is by equipping the product with certificate issued by independent bodies which adhere to certain standards recognized by the market. Generally the market of this product is not too big so it is more appropriate to use the voluntary certification approach. Voluntary certification is originally an economic instrument, so on voluntary certification, the need for a product to be certified should be based on business calculation.

### 6 CONCLUSIONS AND POLICY RECOMMENDATIONS

#### 6.1 Conclusions

Generally, timber is not a main source of income for farmers’ households. However, community forest plays an important role as function of savings for farmers. Community forest farmers will sell their trees when they are in the need of fund for certain purposes (needs harvesting). Community timber also plays an important role as a supplier of raw materials of timber processing industry in Java. Regulation issues that greatly affect the
sustainability of the timber industry in Java are the regulations of timber allocation for the fulfillment of local needs. The policy enforcement of timber allocation for local needs in the log producing area is worried that it will directly hit the areas that became the center of timber processing industry.

Meanwhile, the issue of certification, either certification of sustainable community forest management (MHL) and certification or Timber Legality Verification System (SLVK) is less in getting attention from community forest farmers, forest timber traders, and local timber processing industries. The certificate is not a determining factor in the trade of local timbers. The price of local timbers is not determined by availability of the certificate, instead by the quality and volume of timbers. Therefore the premium price for certified timbers in the local market is (almost) nothing, but some of the export-oriented timber processing industries are willing to buy SLVK certified timbers with a little higher price than non certified timbers.

Generally, people welcome the SLVK certification trial project because there is no cost consequence to be paid by them. More than that, people also feel the benefit of it, especially of the knowledge in forest management, the strengthening of organization, the ability of networking, and other non-material benefits. However, most community forest farmers object if later when the SLVK mandatory certification, the cost will be charged to the farmers. The cost of preparation, maintenance, certification, and SLVK surveillance is quite big, while expected premium price is not yet exist or the value is very low and is not relevant to the high cost for certification.

Sustainable community forest management is one of the aspects related to the business management system and the legality of timber. There are three possible mechanisms in order to realize sustainable community forest management, among which are:

First, mandatory certification of sustainable community forest management. A mandatory certification scheme for sustainable community forest management can be conducted when community forest farmers have sufficient knowledge and funds to do all stages of certification.

Second, voluntary certification of sustainable community forest management. A voluntary certification scheme that is suitable to the condition of the community forest farmers has a chance of getting a premium price of products harvested from sustainable forest management.

Third, practices of sustainable community forest management. Practices of sustainable community forest management can surely be realized without using certification instruments.
This can be done if community forest farmers have knowledge and willingness to implement sustainable forest management.

Regulation aspect related to business management and legality of community timber is license for cutting and transporting community timber. There are some institutions that can be considered to give license for cutting and transporting timber, namely:

Regional Forestry Service. Cutting and transporting community timber license is provided by the Regional Forestry Service or agency dealing with forestry matters in the district when the kind of community timbers has similarities with the type of timber harvested from the State owned forest area. This system has run for community timbers especially for teak and mahogany kind. The trading of community timbers of teak and mahogany kind must be equipped with Log Validation Certificate for community timber (SKSKB-Cap KR) issued by local Forestry Office. SKSKB-Cap KR in no longer valid since the issue of Permenhut P. 30/Menhut-II/2012 on July 2012 which outlines that community timbers do not need to use SKSKB but simply use SKAU or a transportation note. However, as a policy option SKSKB-Cap KR or other similar documents may still be considered for certain conditions in the areas where the capacity of village authorities issuing SKAU are still low or the level of insecurity of the illegal timber circulation from the State owned forests is still very high.

Village Head. Timber cutting and transporting license only needs to be issued by a village head when the kind of community timbers does not have similarities with the type of timber harvested from the State owned forest areas. For example, sengon-wood-trading in Wonosobo Regency does not need SKSKB document from Regional Forestry Service, but it will do only with Timber Origin Certificate (Surat Keterangan Asal Usul Kayu/SKAU) from Head of Village.

Head of Forest farmer group. This scheme has not yet been implemented up to now, but discourse about it has been voiced in some forums. Community timber cutting and transporting license can be considered to be given by Head of Forest Farmer Group that has had legal entity and complete data of all timber potential and its mutation done by the members. In the SLVK certified group, farmer group has an authority to manage the number of trees to be cut and the harvest time. However, up to this time, head of forest farmer group still cannot issue yet SKAU or something that has legality (and legitimacy) as a community timber transportation document.

There are two options related to boundary of the document that is needed to determine community forest formalization, namely:
First, timber legality attached to accompanying documents. Timber legality should attach to the document that comes along with. SKSKB, for instance, in accordance with the meaning of the abbreviation, means that the timber that is explained in the document is timber harvested legally based on the valid regulation. In other words, timber that is accompanied by SKSKB document is legal timber. This thing implies that timber with SKSKB document does not need additional document that states the legality of the relevant timber. Conceptually, this kind of thing is possible if all the requirements to get the SKSKB document already fulfill most of the elements that are required by timber legality verification system.

Second, Timber legality needs to be proven by a certain timber legality certificate. Timber legality needs to be proven by publishing a certain timber certificate other than the existent system if the requirements to get the valid business administration document for the time being are considered not meeting most of the elements that are required in timber legality verification system. If the requirements to get cutting allotment (RKT), sustainable forest management (MHL), and log validation certificate (SKSKB) have fulfilled most of the elements required by SLVK, so actually, additional mandatory timber certification will not be needed.

6.2 Policy Recommendation

Recommended strategic policy options for community forest institution are varied, depending on the conditions of community forest farmers of forest farmers group in a region, as follows:

First, in the condition where the farmer group organization is strong and the average farmer members are weak, a recommended strategic option is “group control”. In this situation, the active role of the farmer group organization, starting from the production aspects to the marketing, is much expected.

Second, in the condition that both the farmers and the farmer group are strong, then a recommended institutional strategy option is “marketing collaboration”. In several cases of successful community forest management, where community forest farmers have no financial dependency in the production aspect towards other parties, the most probable role played by the farmer group or cooperation is collaborating on the marketing of community timber.

Third, in the condition where community farmers are strong while farmer group organization is weak, then a recommended institutional strategy option is “information network strengthening strategy”. The best strategy in this condition is the information network
strengthening among community forest farmers in relation to the name and address of potential timber buyers, and information sharing on timber price in the processing industry. If this is done, the bargaining position of farmers will strengthen.

Fourth, in the condition where both farmers and farmer group are weak, then “mentoring” strategy is a recommended institutional strengthening strategy option. Mentoring can be conducted by field instructor assigned especially to conduct mentoring or by third parties.

The regulation strategy option of community timber regulation and business administration can be approached by creating a cross-cutting matrix between legality and legitimacy. There are four regulation strategy options and community timber business management viewed from the aspect of legality and legitimacy as follows:

First, in condition of strong legality but low legitimacy, then a recommended strategy option is improving governance. Improving governance, for instance through hard work to improve good governance indicators, is a strategy option to improve legitimacy.

Second, in the condition of strong legality and legitimacy then “mandatory certification” option is a strategy that can be done to encourage “formalization” of community forest management and community timber trade. A regulation uniform with mandatory certification or formalization which is still considered suitable for the current situation of community timber trade is the obligation for community timber (teak and mahogany) to complete the SKSKB Cap KR by improving the process records to further ensure the source and legality of the timber.

Third, in condition where legitimacy is strong but legality is weak then Improving legal system is a recommended “formalization” strategy option for strengthening of community forest management and community timber trade. SKAU is an example of documents which have strong legitimacy as the recognized document in community timber trade activities, but its legality as a legitimate document is often questioned by the security personnel in the community timber distribution. In these cases, there is a need for a stronger regulation for SKAU document.

Fourth, in condition of low legality and legitimacy then “voluntary certification” is a “formalization” strategy option worth considering. It needs to be emphasized that voluntary certification is originally an economic instrument, so on voluntary certification, the need for a product to be certified should be based on business calculation.
REFERENCES


