



# Governance Brief

## Why are forest areas relevant to reducing poverty in Indonesia?

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Indonesia is one of approximately 70 countries around the world that have agreed to make poverty alleviation a top policy priority through Poverty Reduction Strategies.<sup>1</sup> While these strategies have helped to focus efforts, there are some important gaps. In many countries, including Indonesia, the special nature of poverty in forests and the potential role of forests in poverty alleviation have been little appreciated.

Bappenas (*Badan Perencanaan Pembangunan Nasional*) and KPK (*Komite Penanggulangan Kemiskinan*) officials are currently consulting a wide range of organizations, including those concerned with forests, to revise Indonesia's interim poverty strategy and prepare the nation's Medium Term Plan (*Rencana Jangka Menengah*), which is expected to have a strong poverty emphasis. The revised Poverty Reduction Strategy Paper (PRSP) is expected to be completed by January 2005 and the Medium Term Plan will go before the national assembly in January 2005. In this brief, we provide information to support this process in its effort to understand and reduce poverty in forests.

Why is it essential that Indonesia's PRSP and other poverty reduction efforts give stronger attention to poverty and poverty alleviation in forest areas?

**(1) People in forests constitute one of Indonesia's largest groups of the poor.** The majority of the rural population outside of Java lives on or near state forest lands. About 48.8 million people live on state forest land, and about 10.2 million of these are considered poor.<sup>2</sup> An additional 20 million people live in villages near forests, of which six million receive a significant share of their income from forests.<sup>3</sup>

**(2) People living in forest areas tend to be chronically poor.** The lack of infrastructure and remoteness from markets and health and education services make it difficult for the poor to make the transition to better livelihoods. The costs for government to provide services to people in remote locations are high.

<sup>1</sup> In 1999 the World Bank and IMF made these strategies a requirement for low income countries seeking financial assistance. PRSPs are required for assistance from the International Development Association (IDA), the Poverty Reduction and Growth Facility (PRGF) of the IMF and the Heavily Indebted Poor Countries (HIPC) Initiative, which is an agreement among official creditors to help the most heavily indebted countries to obtain debt relief. See also <http://www.worldbank.org/poverty/strategies>.

<sup>2</sup> Brown, T. 2004. Analysis of population and poverty in Indonesia's forests. Draft. Natural Resources Management Program Report, Jakarta.

<sup>3</sup> Sunderlin, W.D., Resosudarmo, I.A.P., Rianto, E., and Angelsen, A. 2000. The effect of Indonesia's economic crisis on small farmers and natural forest cover in the outer islands. Occasional Paper 28(E). Bogor, CIFOR.



Photo by Douglas Sheil

**(3) Forests are important resources for the poor.** Forests are often essential to the needs of the poorest households, who rely on them for a wide spectrum of food, construction materials and other goods. Forests enable swidden farmers to maintain the soil fertility and weed control necessary to supply their basic rice needs. They also provide an economic safety net when agricultural production fails or wage incomes are not available. For many families, trading forest and agroforest products provides their most important source of cash income, much needed for agricultural inputs, school fees and medical costs. More than 90 non-timber forest products are traded in Indonesia. More than 50,000 farmers in Kalimantan are believed to depend on rattan income, 18,000 families in northern Sumatra on benzoin (*Styrax benzoin*), nearly all the households in Krui in southern Sumatra on damar (*Shorea javanica*) and several thousands of families in East Kalimantan on gaharu (*Aquilaria* spp.).

**(4) Forests provide ecosystem services crucial to the livelihoods and well-being of nearby populations, especially the poor.** Forests protect catchments that provide clean fresh water, reduce the destructive impacts of floods, stabilize steep slopes and prevent landslides. In drier regions forests protect springs, and mountain forests capture moisture that feeds into rivers vital in lower-lying areas. Mangrove forests protect coastal-regions against erosion and provide an ecological role in maintaining fish

stocks. Loss of forest cover is often associated with serious changes in health such as increases in vector-borne diseases like malaria and dengue. Forests often underpin cultural and spiritual values important to maintaining social cohesion and dignity. Too often, these protection services are overlooked, and when they are lost, the poor suffer.

**(5) Increased international demand for natural products, certification and green markets, together with improved market infrastructure create opportunities for people in forest areas to engage in new types of enterprises.** These opportunities remain vastly underutilized in Indonesia.

**(6) Land in most forest areas is formally under state control.** The millions of rural people living on forest lands in the outer islands are, legally, landless squatters. They have no security of access to land, farmers' most essential resource. There is a vast amount of evidence that rural livelihoods are improved where people have secure access to adequate land. Although most people find ways to use forest resources to meet their livelihood needs, periodic conflicts, like the destruction of coffee trees on national forest land in Manggarai in 2003 and 2004, show that access to forest lands is an ongoing problem with potentially volatile outcomes. Decentralization, which has increased the authority of district governments without clarity about the role of national bodies and programs, has added to confusion over control and tenure. It is essential to involve the Forestry Department and local governments in land reform to give real security and access to the poor in forest areas.

**(7) The value of resources harvested, mined or used from forest lands is significant.** Domestically sold teak (*Tectona grandis*) logs and sawn timber alone reached a value of USD 87 million in 2001.<sup>4</sup> In 2002 the export value of pulp was USD 706.8 million and of all sawnwood USD 363 million. Ironically local people rarely get a share of benefits from the valuable timber or mineral resources around them. There has been little

<sup>4</sup> Maturana, J. 2004. Learning more about private teak plantations in Java: proper incentives to promote better income for the poor. Unpublished report.

policy effort to allocate the revenues to local poverty alleviation or to ensure their wise investment in human, financial, physical or natural assets for the long-term. Quite the reverse usually occurs, where local people suffer the environmental and social consequences of imposed developments. Policy makers tend to give priority to short-term economic gains at the expense of natural forests.

**(8) Many of the policies designed to alleviate poverty in Indonesia since the 1960s have been based on rural conditions outside of forests, especially in Java.** These policies have either overlooked people in forest areas or lacked relevance to the conditions of people in forest areas. For example, in the 1960s, when agrarian laws made it possible for people to register their land, shifting cultivators were not recognized as farmers, and information about the registration requirements was late or not available in the outer islands.

**(9) Sectoral assistance through the Forestry Department is unlikely to have significant impact.** Forestry departments do not have the expertise or mandate to do poverty alleviation. Their interests in conservation and timber production are often in direct conflict with local people's livelihoods needs. Previous "*Bina Desa*" (later PMDH or *Pembinaan Masyarakat Desa Hutan*) programs of HPH's provided uneven, minor and short-term assistance. Development assistance through the forestry sector alone will leave these areas further behind. There is a real risk of forest areas "falling through the administrative cracks" unless they are integrated into broader development programs.

**(10) Increasing poverty and inequality create potentially explosive social conditions that can lead to increased theft, violence, insecurity and uprisings.** Especially in forest areas where decentralization has stimulated sudden economic growth, certain people are rapidly accumulating enormous wealth from forest exploitation, while others are scarcely benefiting at all. The gap has already reduced social cohesion in certain areas. There is a real risk that political volatility and social instability will increase if the gap widens or persists.



Photo by Douglas Sheil

The first five points indicate the needs and opportunities related to local people and their use of forest resources. The last five points suggest where policy changes are required to meet these needs.

## Actions that can be taken

The scale and significance of poverty issues on Indonesian's forest lands demand that poverty alleviation efforts give special attention to forest areas and the people living in them. It is not sufficient to look at rural populations without considering current forest ownership and management patterns, the economic opportunities forests offer and the constraints to development in these areas.

Four actions would enhance attention to poverty in forest areas:

- Create targets and indicators specifically to address poverty in forest areas in the medium term plan and PRSP.
- Constitute local and national task forces under Bappenas to develop programs to meet these objectives.
- Coordinate with the Department of Forestry and local governments to create clear access rights and security of land tenure.
- Develop monitoring systems for poverty and the impacts of government actions in forest areas to provide input to poverty reduction efforts.

Photo by Douglas Sheil



In addition, central and district governments need to acknowledge farmers in forest areas and their needs for land security, access to markets, information and other inputs to maintain and improve their livelihoods.

Specialists in poverty alleviation from across sectors, including health, education, small enterprise development, governance, empowerment, environment, need to cooperate and be included in poverty reduction in forest areas. It is not realistic to expect foresters to become poverty specialists. It is important nonetheless to work with forestry officials to rationalize land use and coordinate social programs. Making good use of maps to diagnose and monitor poverty in forests would be important to informing policy decisions and geographically targeting forest areas.

The PRSP guidelines of the World Bank<sup>5</sup> suggest that environment (including forest) and poverty linkages need to be considered in diagnosing poverty and choosing appropriate public actions. They suggest that teams should identify where environmental issues are relevant to poverty, by examining:

- Percentage of people dependent on forests for their livelihood and during times of crisis;
- Influence of macroeconomic policies on local access to natural resources;
- Distribution and type of property rights to natural resources;

- Changes in natural resources;
- Conflicts in use of natural resources;
- Local people's organizations and institutions for managing natural resources;
- Local people's awareness of their rights;
- Links of poor people with environmental NGOs and the extent to which NGOs focus on issues of concern to poor people or involve poor people.

The guidelines suggest that public actions to address issues relevant to Indonesia's forest areas include to:

- Remove policies that encourage short-term mining of renewable natural resources;
- Ensure recognition of the protection functions that depend on forests, and on the need for protected forests;
- Ensure a wider appreciation of the goods and services that derive from forests;
- Provide local stakeholders security of access to natural resources, especially forest products;
- Develop community-based management;
- Develop educational curricula demonstrating links between local people's environment and well-being to expand people's awareness about the impacts of resource degradation and where the effects might be irreversible.

We also suggest:

- Improve access to information and skills to help local people participate in markets and capture higher benefits;
- Remove implicit and explicit subsidies on natural forest products to large-scale industries;
- Improve the delivery of services, especially in health and education, to remote areas;
- Protect local people's access to important subsistence and safety-net resources by, for example, designating use zones in timber concessions and protected areas;
- Build districts' capacities to measure and monitor poverty, including especially the impacts of their own programs on poverty;
- Give local poverty reduction committees (*Komite Penanggulangan Kemiskinan*) clear mandates and budgets to implement them. Involve district forest services in the committees.

<sup>5</sup> World Bank, 2002. A Sourcebook for Poverty Reduction Strategies, Vol. I. pp. 386-387.

CIFOR and the University of Freiburg, together with local governments of Kutai Barat and Malinau in East Kalimantan, are currently designing a simple approach to developing indicators and monitoring tools for local governments' use in forest areas. The approach is being developed and tested and will be available for general use in 2005. In reviewing BPS (*Biro Pusat Statistik*) and BKKBN (*Badan Koordinasi Keluarga Berencana Nasional*) indicators, we found there was a need for districts to develop a smaller subset of their own indicators for differentiating poverty within their regions. There is a need for indicators to also show

where people are better off, as these can indicate opportunities for improved well-being.

## Conclusions

Indonesia has a significant opportunity now to make real strides in poverty reduction by giving attention to the types of poverty issues that exist in forest areas, the types of government interventions that can address them across sectors, and to monitor the resulting changes. Addressing forests and people in forest areas is essential to poverty reduction in Indonesia.

## What are PRSPs?

Poverty Reduction Strategy Papers (PRSPs) describe a country's macroeconomic, structural and social policies and programs to promote growth and reduce poverty, as well as associated external financing needs. PRSPs are prepared by governments through a participatory process involving civil society and development partners, including the World Bank and the International Monetary Fund (IMF).

- country-driven - involving broad-based participation by civil society and the private sector in all operational steps;
- results-oriented - focusing on outcomes that would benefit the poor;
- comprehensive in recognizing the multidimensional nature of poverty;
- partnership-oriented - involving coordinated participation of development partners (bilateral, multilateral, and non-governmental);
- based on a long-term perspective for poverty reduction.

PRSPs contain:

- A description of the participatory process that was used: A PRSP will describe the format, frequency, and location of consultations; a summary of the main issues raised and the views of participants; an account of the impact of the consultations on the design of the strategy; and a discussion of the role of civil society in future monitoring and implementation.
- Comprehensive poverty diagnostics: A good understanding of the poor and where they live allows the PRSP to analyze the macroeconomic, social, structural and institutional constraints to faster growth and poverty reduction.
- Clearly presented and costed priorities for macroeconomic, structural, and social policies: In light of a deeper understanding of poverty and its causes, the PRSP sets out the macroeconomic, structural, and social policies that together comprise a comprehensive strategy for achieving poverty reducing outcomes. It is important that policies are costed and prioritized as far as possible so that they do not become a "wish list."
- Appropriate targets, indicators, and systems for monitoring and evaluating progress: A PRSP will define medium and long-term goals for poverty reduction outcomes (monetary and non-monetary), establish indicators of progress, and set annual and medium-term targets. The indicators and targets should be consistent with the assessment of poverty and the institutional capacity to monitor, and the policy choices in the strategy.

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CIFOR's Forests and Governance Programme examines how decisions about forests and forest-dependent people are made and implemented in order to promote the participation and empowerment of disadvantaged groups; the accountability and transparency of decision-makers and more powerful groups; and democratic, inclusive processes that support fair representation and decision making among all groups.