INTRODUCTION

Background

Indonesia is facing an ongoing process of fundamental change and democratic reform, including developing a stronger governmental relationship with civil society. This transitional phase, together with the economic and social impact of the 1997-98 economic crises, has created a fragile and volatile situation. The reform movement has encouraged improvements in political life. As an example, the efforts to maintain national sovereignty and to increase the role of all stakeholders are followed by reducing government dominance politically. However, such reforms are a long-term development process, because they require not only legal acts but also changes in the institutional set-up and management of public affairs.

The reform movement that started in 1998 has pushed the implementation of governmental decentralization in a relatively short time. Since Independence in 1945, the governance system has been changed no less than six times, back and forth from centralized to decentralized. The current system, adopted as a political commitment, is decentralization, based on the issuance of Act No. 22 of 1999, which went into effect January 1, 2001. However, the legal formulation, carried out rapidly and under transitional circumstances following the fall of the previous regime, led to an Act that was incomplete and imprecise.

A few months after the issuance of Act No. 22, a new Forestry Act (Forestry Act No. 41, 1999) was passed. The implementation of these two Acts has created problems for the parties responsible for managing the forest and forest resources. Problems are particularly severe between the central government and local government agencies, due to different interpretations of the term “decentralization.” Lack of understanding, coordination and synergy between central, provincial and local governments have led to misperceptions in identifying responsible actors in forest management. Therefore, distribution of authority and roles has become an area of conflict among the parties concerned. In addition, problems also emerged due to lack of transparency and accountability in managing and maintaining forest resources as a life support system rather than only as a source of timber.

Misperceptions regarding the implementation of decentralization in the forestry sector by local authorities was mainly caused by the short-term orientation of forest resources managers. It is also related to the terms of office of local government administrators, which are five years. As a result, the forest is perceived as a source of timber that generates local revenues needed for local development. Timber-cutting licenses were and are issued locally. Their implementation has neglected sustainable principles and led to rapid deforestation.
Decentralization of the forestry sector should, however, be viewed as a positive development to bring public services closer to the people through managing forest resources in a sustainable manner for the community’s welfare. Therefore, differences should be discussed in constructive dialogues in a transparent manner to yield solutions agreed by stakeholders.

The Minister of Home Affairs declared that the decentralization process would be conducted in a step-wise manner covering four stages, namely initiation, installation, consolidation and stabilization. The four steps have become a baseline for all development sectors to implement decentralization within their respective authority.

With a view to handling the current complex problems of the forestry sector, the Ministry of Forestry formulated the “Five Priority Policies of Forestry Sector.” The five commitments of the Indonesian Ministry of Forestry are: 1) combating illegal logging; 2) controlling land and forest fire; 3) rehabilitation and conservation; 4) restructuring the forestry sector; and 5) strengthening the decentralization process of forestry. In addition, two cross-cutting programs are being conducted, namely social forestry and human resources development. These five priorities are designed to guide forestry stakeholders seeking solutions to problems at the national scale. An important tool designed for such an approach to decentralization is the National Forest Program, a policy framework that requires multistakeholder dialogue at all levels.

The objective of decentralization in the forestry sector is to bring public services closer to Indonesian people by providing local communities better access to forest resources in their areas. Access, however, must be in line with the principles of sustainable forest management that is planned and widely disseminated to local people. In this way, in the future, sustainably well-managed forests can support better living conditions and increase the welfare of the Indonesian people.

DECENTRALIZATION IN THE FORESTRY SECTOR

Act No. 22 of 1999 concerning Local Government and Act No. 25 of 1999 concerning Financial Balance between Central and Local Governments oblige decentralization in most aspects of governance. A transformation from centralized to decentralized governance is not an easy move given that the term, decentralization, may have different interpretations among different parties. In the forestry sector, some local governments have interpreted decentralization as total freedom to do whatever they want to forest resources within their region. Such a misinterpretation obviously endangers the very existence of forest resources. On the other hand, regardless of the negative excess, as a political commitment, decentralization has reached a point of no return, and therefore, it must proceed. Consequently, smoothing and accelerating the decentralization process in the forestry sector has now become an urgent priority. This requires intensification of communication, coordination and collaboration among the parties concerned.

Decentralization means to hand over political, financial and administrative authority from central to local (district/city) governments, so that the government can facilitate and guarantee better public services for the people. The success of decentralization depends on
the availability of proper institutions and qualified human resources in implementing all aspects of decentralization, and other supporting factors such as infrastructure, technology, information access, personnel and institutional capacity in planning and more importantly, the proper distribution of natural resource benefits.

Recognizing the spirit of autonomy, implementation of forestry decentralization should not be trapped in the polemic of disputes over authority. However, it should be oriented to achieving sustainable forest management consistent with the vision of national forestry development on the one hand and promoting people’s welfare, on the other. These two dimensions of forestry development could be achieved through establishment of proper coordination and understanding among the parties involved, both at central and local levels. Administrative boundary, therefore, should not be a barrier in forest management; in fact forests and forestry should become a kind of “glue,” as forests have significant benefits to regional, national and international development in terms of economic, ecological and socio-cultural factors.

**Acts and Regulations**

As a result of different perceptions and understandings of decentralization, conflict over natural resource management has remained, particularly in regard to regulations. Policy gaps between Act of No. 22 and Act No. 41 need to be resolved to clarify responsible parties and agencies in achieving sustainable forest management at central and field levels. However, since the two Acts are already in effect, a synergistic approach to the two, within the framework of national sovereignty, is the most important thing to be discussed.

Basically, Act No. 22 authorizes district governments to execute all government tasks except those related to national and international issues, including foreign affairs, national defense and security, justice, fiscal and monetary matters. However, utilization of natural resources, including forests, natural resources conservation and standardization are still the responsibility of the central government. The statement that “management of natural resources situated in the region is under authorization of respective governments and they become responsible in maintaining the sustainability of the environment according to existing Acts and regulations” leads to different interpretation and disagreement on natural resources management, including forests.

As part of the decentralization process, the Ministry of Forestry issued Decree No. 05.1 of 2000 to decentralize the issuance of small-scale forest concession licenses that permit the utilization of timber coming from land-clearing. Implementation of the Decree has led to an uncontrolled number of licenses that tend to stimulate forest degradation. Hence, in June 2002, the government issued Regulation No. 34 of 2002, withdrawing Decree No.05.1 2000. Since then, disagreement between district and central governments has emerged and created considerable debate among forestry stakeholders.

**Forestry Regulation No. 34 of 2002**

Regulation No. 34 of 2002 concerning Forest Management and Forest Management Plan Formulation was issued as an implementing regulation of Forestry Act No. 41. Regulation
No. 34 and No. 35 of 2002 concerning the Reforestation Funds also refer to some other relevant Acts, such as Act No. 22, as well as Act No. 18 of 2001 and Act No. 21 of 2001 concerning Special Autonomy for the Provinces of Aceh and Papua, respectively. According to Regulation No. 34, all development activities undertaken by all government agencies, including local government, must promote the spirit of “good governance.” Therefore, local government shall not only take the authority but also the responsibility for conducting development activities in a transparent and accountable manner. Since forestry development has many implications for the economy, ecology and culture, forest degradation and forest Act enforcement should become a shared duty and responsibility of all levels of government.

As part of the forest management system, authority in issuing forest utilization licenses, to some extent, becomes a focus in decentralization disputes. The mechanism for granting forest utilization license has been clearly defined under Regulation No. 34, including a coordination mechanism among central, provincial and district governments. However, misunderstandings emerged regarding forest product utilization within natural or plantation forest that should be approved by the Minister of Forestry. The issue triggered disagreement and the mechanism is perceived as recentralizing authority. In many areas, the issuance of permits for timber utilization and small-scale forest concessions by local authorities is still occurring. The situation leads to unsustainable practices of forest harvesting and results in further severe damage to forests, the environment, and ecosystem. Uncontrolled utilization of forest products has occurred upstream and downstream in watershed areas and has even exceeded district, province and national boundaries.

Although the authority to issue licenses for forest product utilization is now with the Minister of Forestry, technical recommendations from the Head of the District are required as the main reference to issue such license. It is expected that through this mechanism, proper monitoring can be developed and maintained. The line of responsibility among stakeholders is also clear, for instance if negative impacts are encountered during execution of this license. Hence, in order to achieve better coordination, a clear mechanism of role and responsibility between central, province and district/city governments as well as state owned companies is crucial. Furthermore, Regulation No. 34 also defines the utilization of forest and forest concessions that have been granted to the Company and State-Owned Forest Company, as still in place.

**Tenure Conflict**

In this era of decentralization, land tenure has become a crucial and disputed issue. Some “Adat” (or customary) communities claim that lands, including forestlands should be owned and approved based on the history of forest occupation. In addressing this issue, the government sets some policies regarding forest and land governance based on Act No. 41. The policy on forestland is aimed at avoiding further degradation and fragmentation on forestlands and resources. Under this policy, the communities are being involved in all forestry development and granted the rights to manage the forests for their livelihood provided they do not neglect sustainability or sacrifice the environment. In many cases, due to economic pressures experienced by local communities, land ownership is easily transferred to other parties in order to gain quick cash. In turn, the landless farmers begin to
engage in illegal practices in utilizing the forestlands and resources. Therefore, land ownership will not always ensure that the community can increase its long-term income.

Financial Arrangements

District revenue as indicated in Act No. 22 is comprised of four major components: 1) locally generated revenue or Pendapatan Asli Daerah (PAD); 2) balance of fund or central government transfers; 3) loans, and 4) other sources. PADs are revenues generated within a local jurisdiction. Balance of fund or central government transfers consist of: a) local shares of land and building tax, fees for land and building acquisition, and natural resource revenues; b) general allocation funds (Dana Alokasi Umum or DAU); and c) specific allocation funds (Dana Alokasi Khusus or DAK). Specific allocation funds, provided to cover the expenditures for specific needs, include the Reforestation Funds (Dana Reboisasi or DR). Other sources include grants and emergency funds. Act No. 25 (Balancing of Funds between the Central and Regional Governments) stipulates that the general allocation funds allocated to regions (i.e., provinces, districts, and municipalities), should be no less than 25 percent of the domestic revenues stipulated in the National Budget (Anggaran Pendapatan dan Belanja Negara, or APBN). Of this, 10 percent goes to the provinces, and 90 percent goes to the districts and municipalities.

Of the revenues collected from natural resources, namely from the forestry, general mining and fishery sectors, 80 percent goes to the respective regions (i.e., provinces, districts, and municipalities) and 20 percent to the central government. Compared to other natural resource sectors, the regions’ share of forest-derived revenues is quite significant. Only 15 percent of revenues received from oil go to producer regions, while 85 percent go to the central government. In the case of revenue from gas, only 30 percent is returned to the producer regions and 70 percent goes to the central government.

The Reforestation Fee is a scheme of budgeting that is collected from concession holders as non-tax revenues and can be spent only for reforestation and rehabilitation of degraded forests. As stated in Regulation No. 35, utilization of the Reforestation Fee shall be allocated for the following activities under loan schemes, except for conservation and protection purposes:

1. Replanting the degraded production and protection forests, and conservation areas, except nature reserves and the core zone of a National Park.
2. Reforestation, particularly for community or private forest, forest conservation related activities, and watershed conservation for agricultural systems.
3. Enrichment planting within production and protection forests.
4. Supporting activities including conservation area management, prevention and suppression of forest fire, management of forest boundaries, monitoring and surveillance, fining, seed development, research and development, education and training, extension as well as empowering local communities in forest rehabilitation activities.

The collected Reforestation Fee is divided into two portions. Forty percent goes to the timber-producing regions and 60 percent goes to the central government, with the expectation that this 60 percent will be focused on forest rehabilitation and forestry development in non-
timber producing regions, including forestry development supporting activities. It is suggested that a proper mechanism and distribution of revenue from natural resources sector needs to be developed in a more transparent manner.

**Five Priority Policies**

Considering the current complex problems in the forestry sector, the Ministry of Forestry has developed and launched the “Five Priority Policies on Forestry” for immediate action. The policy specifically mentions the need to strengthen the decentralization process in the forestry sector. The other four are combating illegal logging, controlling forest and land fire, rehabilitation and conservation of forest resources, and restructuring of the forestry sector. The policy should then be utilized as a main reference and guideline for forest management and forestry development in the provinces and districts.

In the context of the Five Priorities, decentralization of the forestry sector is prioritized in order to build common perceptions and understandings among central, provincial and local stakeholders. Even though this is not an easy task, Indonesia believes that progress can be achieved by implementing concrete efforts and a proper strategy.

**CONSTRAINTS AND STRATEGY**

**Constraints and New Strategies in Forestry Decentralization**

The decentralization policy in the forestry sector was aimed at handing over roles and authority for forest resource management from the central to local governments. However, its implementation was slow, and to some extent created conflict among parties due to the complexity of problems and the time required for clear understanding of the forest management model in the field.

The accumulation of problems and constraints in implementing decentralization in the forestry sector are demonstrated by obvious uncontrolled forest degradation during the era of decentralization. The annual rate of forest degradation recorded has increased from 1.6 million hectares to more than 2.1 million hectares for the last three years. Moreover, other causes of deforestation include conversion of forestland for agriculture, estate crops and other purposes and unsustainable timber exploitation in the region. The following are the problems that are thought to be the main handicaps in implementing decentralization in the forestry sector.

1. Different perceptions and low levels of understanding of decentralization among most forest management authorities persist. Local governments were unprepared in terms of institutional and human resource development as well as their capacity to manage forests.

2. The hierarchy between central and local governments, both province and district, was interrupted since autonomy was launched. Therefore, it is necessary to redesign Act No. 22 of 1999 concerning Local Government for better implementation in terms of transparency and harmony.
3. Some stakeholders propose revising Act No. 22 because of its exaggerated implementation of decentralization. Members of the People’s Consultative Assembly (MPR) and House of Representatives (DPR) anticipated the situation by issuing a Decision and a letter to the government. MPR issued Decision No. IV/MPR/2000 concerning policy recommendations on implementation of decentralization, while DPR issued a letter in February 2001 proposing amendment and improvement of Act No. 22.

4. Controversy remains about local government regulations at the district level on small-scale concessions and licenses for timber utilization. The current policy actually contradicts Government Regulation No. 34. The short-term orientation of district governments to increase their local revenue from timber harvesting activities is clearly seen.

5. Claims on forestland by local communities, particularly traditional “Adat” communities, to own forestland have emerged since autonomy and decentralization were launched.

6. Conflicts in managing forests in the field have been routinely encountered due to incomplete instructions for the implementation of Forestry Act No. 41.

7. Although various programs and projects have facilitated a forum for dialogue and discussion in terms of the National Forest Program process, constraints remain due to weak institutional capacities, little knowledge and understanding on decentralization as well as lack of coordination among stakeholders.

**Strategy**

Considering all constraints in implementing decentralization in the forestry sector, the following efforts and strategies are required.

1. Implement the National Development Program (PROPENAS) and Annual Development Plan (REPETA) according to existing acts and regulations. This should be followed by proper implementation of the Five Priorities Programs of the Ministry of Forestry at all levels.

2. Promote dialogue and effective communications among forestry stakeholders that involves government agencies at all levels, legislative institutions, universities, NGOS, the private sector, and representatives of local communities (Adat) through implementation of the national forest program.

3. Draft relevant government regulations as an elaboration of Forestry Act No. 41 and other implementing supportive regulations. Three out of 10 planned government regulations were issued by the President. The seven remaining are in the process of intensive discussion among interrelated institution.
4. Develop standards and criteria for sustainable forest management (SFM), and at the same time increase the capacity of institutions as well as human resources in the forestry sector.

5. Build a positive image in forestry development by establishing two-way communication, particularly with mass media.

6. Build good cooperation with donors (international institutions) in terms of SFM.

7. Enforce the Forestry and other relevant Acts pertaining to conducting illegal forestry practices.

An important recommendation of the World Forestry Congress 2003 in Quebec, Canada, is that forestry needs to be put on the political agenda of each respective country. That agenda could then be channelled in the wider context of poverty reduction, economic and national development as well as cultural integrity and respect, worldwide climate and decentralization. These issues are important because forests and forestry have significant impacts on these factors. To meet these agendas inter-sectoral, governmental and multi-stakeholder dialogues need to be established and maintained properly. The tool designed for such an approach is the National Forest Program (NFP), which is progressing slowly.

**Development and Implementation of the National Forest Program as an Instrument for Decentralization**

Following the IPF/IFF Proposal for Actions under the UNFF process, the concept of a National Forest Program has been introduced and is presently at the initial stage of policy formulation. In the context of decentralization, in which multistakeholder participation is recognized as important to achieve sustainable development, there is an increasing awareness of the importance of involving as wide a scope as possible of stakeholders in the NFP process.

The NFP was accepted as the reference framework for sustainable forest management. Conservation and development of all types of forests are expected to be effective in tackling existing environmental problems. The NFP is also recognized as a tool in achieving sustainable forest management in particular and sustainable development in general. The challenge lies in how this process can be implemented effectively. A wide range of interests among stakeholders and a knowledge gap among them are factors that need special attention in the participatory process.

To ensure transparency in the process and equity in benefit sharing, an appropriate mechanism should be established including liability of stakeholders involved. Furthermore, a conflict resolution scheme is required given the diverse backgrounds and interests of stakeholders in forest management. NFP is believed to be an effective tool to build common perceptions among stakeholders that remain highly relevant to Indonesia, taking into consideration the current circumstances which are characterized by intoxicating decentralization awareness, and lack of understanding of forest resources management. NFP
could be a medium that could provide all forestry stakeholders with a synergistic spirit, working together cooperatively towards sustainable forest management.

Yet, the concept of NFP as a process of establishing a comprehensive cross-sector framework is relatively new to most Indonesian forestry stakeholders. There is a prevailing perception that a national forest program is merely a program with national coverage, centralistic in nature. Therefore, the first action taken was to clarify the meaning of NFP concepts and principles. This step was then followed by establishing an institution to undertake NFP development, with immediate action plans. This was initiated in 1999 with the involvement of donor countries through the Consultative Group on Indonesian Forestry (CGIF).

In 2001, a working group on NFP was established and was able to identify a list of strategic issues pertaining to Indonesian forestry development. These strategic issues were brought to several multistakeholder consultations across the country to gather responses and suggestions as well as to trigger local initiatives. These issues, influenced by all the input collected, will be the basis for developing the key themes for Indonesian forestry. Presently, the working group is drafting a National Forest Statement, a key component of NFP.

Sharing the concept of NFP has been carried out through consultation and workshops in the provinces. During 2001, several workshops identifying forestry strategic issues have been carried out covering 10 provinces of Indonesia. The wide range of interests of different stakeholders and the knowledge gap encountered among stakeholders was carefully considered in a participatory manner. Several issues of common understanding have emerged from the workshops, ranging from technical to conceptual and from local to national. Stakeholders were able to share a common perception on some fundamental issues such as the concept of sustainable yield and ecosystem-based forest management, a review to harmonize forestry legislation and the need to reduce logging and rehabilitate degraded forests and lands. The need for a benefit-sharing mechanism among stakeholders including upstream-downstream compensation mechanisms was also discussed as well as the important role of local communities in promoting their own welfare.

Discussions on macro planning within the context of NFP have also been conducted by involving various stakeholders. The discussions have come up with recommendations, including among others to utilize the NFP as a tool for developing comprehensive policymaking and to develop a mainstream policy framework accommodating the complex problems of forestry development. Developing a partnership mechanism with international institutions and NGOs to support a forest and land rehabilitation and a conservation program was also recommended.

In line with Indonesia’s decentralization policy on forestry, it is believed that NFP could become a useful instrument to effectively build common understanding and develop coordination among stakeholders, and ultimately to come up with an agreement that elicits the commitment of all stakeholders. Since its adoption in 1997 NFP has consequently been used for the promulgation of decentralization policies under which all services and management of forests were to be transferred from the central to local level.
Noting the importance of consultation and discussion in the provinces and districts, open mindedness and transparency are particularly needed to implement decentralization successfully.

CLOSING

The implementation of decentralization in the forestry sector is just in initial stages, and progress is slow due to constraints like the conflict of policy and regulations. Different perceptions and understandings of the spirit of decentralization can be solved gradually by establishing proper dialogue mechanisms as well as consensus and capacity building; the National Forest Program could be used as an effective framework. Preparation of policy and regulations as well as guidelines, criteria, and indicators need to be accelerated to keep decentralization of the forestry sector on the right track.

Indonesia will continuously organize consultation with local stakeholders and campaign on the importance of forests for present and future generations. Learning from natural catastrophes that have happened in Indonesia recently, due in part to improper forestry development and management, it is believed that local stakeholders will gradually implement forest management in a more sustainable manner.