Indonesia

nfp UPDATE - information as of 2004

Nfp process

This section brings a brief chronology of the nfp process, from its early phases to the latest developments. Details are given on the mechanisms, procedures and structures put in place to advance the implementation of the nfp, as well as on the main issues constraining its progress. A final overview on the forthcoming actions and activities closes the section.

Chronology of the nfp process

The Indonesian government, with assistance from FAO and the World Bank launched a comprehensive analysis of the forestry sector in 1989. The results were used to formulate the Indonesian Forestry Action Plan (IFAP) which was finalised in 1997.

Important results of the IFAP included:

- More NGO involvement in forestry sector development;
- Establishment of concessionaire forestry village development (HPH bina desa hutan) within the context of people's participation, people's welfare, etc.;
- More efforts and resource allocation for plantations, critical land rehabilitation, watershed development, and forest conservation;
- Introduction of environmental impact assessments (EIA) for forestry activities;
- Strengthening of inter-sectoral linkages and a programme-oriented approach through transmigration programmes in plantation development;
- Decentralisation of forestry management and planning;
- Establishment of the Biodiversity Conservation and Management Action Plan (BCMAP), complementary to the IFAP, to be supported by the Global Environment Facility (GEF).
- The Spatial Arrangement, Act No. 24 of 1992, strengthened the legal status of forest areas. It is also strengthened the Forestland Use by Consensus programme launched in 1984.

In February 2000, the Interdepartmental Committee on Forestry identified eight areas for action, namely:

- To coordinate with other Ministries in imposing strong measures against illegal loggers especially those operating within national parks, and to enforce the closure of illegal sawmills.
- To speed up forest resource assessment as the basis of a national forest programme (nfp). This includes resolving land use conflicts at the district level
- To evaluate policies relating to conversion forests and place a moratorium on all natural forest conversion until the nfp is agreed.
- To downsize and restructure wood based industries to balance supply and demand for raw materials and most importantly to increase the competitiveness of Indonesian wood based industries.
- To close heavily indebted wood industries and link proposed debt write-off to capacity reduction.
- To relate reforestation to existing forest industries and those under construction.
- To recalculate the real value of timber.
- To use decentralization processes as a tool to enhance sustainable forest management.
In the CGIF Meeting 2001, four issues were added as additional commitments, relating with forest fire, the national forest programme, land tenure and forest management systems.

The following five issues have been identified as central foci of MoF programmes and activities during the period 2001-2004:

- Combating illegal logging.
- Controlling forest fire.
- Restructuring the forestry sector.
- Conservation and Rehabilitation.
- Decentralization of the forestry sector.

Other areas being actively considered for policy reform include:

- **Social forestry**, seen as having a major role in enabling communities to share in the benefits of forest management. This is related to land tenure reform under decentralisation.
- **Ecotourism**, which has not realised its full potential in generating revenue for the sector.

**Mechanisms and procedures**

The [Consultative Group on Indonesian Forestry](https://en.wikipedia.org/wiki/CGIF) (CGIF) was established in 1994 as a coalition of institutions from various donor countries, initially to address the problem of coordinating the many (sometimes conflicting) donor-funded projects in forestry. In 1999, CGIF supported the formation of a team consisting of representatives from government, academics, NGOs, donor countries and individuals. Their task was to prepare the national forest program (nfp) but this was not finalised.

![Diagram of national forest programme in Indonesia](diagram.png)

(From Chrystanto & Justianto, 2003)

In 1998, Indonesia participated in the six country initiative of the Intergovernmental Panel on Forests (IPF). This exercise included the prioritization of the IPF Proposals for Action according to the country context. Cluster I.A., 'Progress through national forest and land-use programmes' was judged to be highly relevant.
The problems the forestry sector is facing are of an inter-sectoral nature and should be on the agenda of various related ministries. For that reason, an **Interdepartmental Committee on Forestry** (IDCF) was established through Presidential Decree No. 80/2000 as a Governmental coordinating mechanism. To create a more dynamic IDCF, the active support of the private sector and NGOs is necessary. Multi-stakeholder fora in co-operation with IDCF should, therefore, be established taking into account the important role of the Provincial and District Governments and all relevant/representative parties at these levels, in line with decentralization and regional autonomy.

Following the IPF/IFF Proposal for Actions under the UNFF process, the concept of national forest programme (nfp) has been introduced and is presently at the initial stage of policy formulation. Along with the decentralisation process in which ‘multi-stakeholder participation’ is important in order to achieve sustainable development, there is an increasing awareness to involve as wide as possible scope of stakeholder in the nfp process. The nfp is also one of twelve issues of the ‘National Commitment on Forestry’ as stated in its action plan.

However, the concept of the 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 programme is merely a programme with national coverage and centralistic in nature. Therefore, the first action taken was to promote the nfp concept and its principles.

In 2001, a working group on nfp was established and was able to identify a list of strategic issues that pertaining Indonesian forestry development. Those strategic issues were brought to several multi-stakeholder consultations across the country to gather response and suggestions as well as to trigger local initiatives. Later on, the strategic issues will be the basis for developing the thematic lines of Indonesian forestry. Presently, the working group is working on drafting a **National Forest Statement**, a key component of nfp.

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

Discussions on macro planning within the context of nfp have also been conducted by involving various stakeholders. The discussions come up with recommendations, among others, to utilize the nfp as a tool for developing comprehensive policy making 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 forest and land rehabilitation and conservation programmes was also recommended.

In line with decentralization policy on forestry, it is believed that the nfp could become a useful instrument to building common understanding and to developing coordination among stakeholders, resulting in the commitment of all stakeholders.

Indonesia is taking a lead role, together with the World Bank, in promoting the work of the **Task Force on Forest Law Enforcement and Governance** (FLEG), which brings together approximately 20 Asian and developed-country partners and organizations to address law enforcement and governance issues. In related efforts, Indonesia has recently signed bilateral agreements with several countries (including the United Kingdom and Malaysia) to combat illegal forestry activities, especially illegal trade.

**Main constraints**

Major constraints to the successful establishment of an nfp in Indonesia have been:
• The additional complexity brought about through decentralisation of forestry institutions
• Policy conflicts both within and outside the sector and poor intersectoral cooperation
• Failure to establish a solid nfp secretariat with stakeholder representation - the IDCF is not seen as sufficiently active and representative
• Laws (and related regulations) have been designed to prevent over exploitation but law enforcement is still very weak.

Future actions

As a consequence of Act No. 22/1999 and its Government Regulation No. 25/2000, devolution of forest management must be carried out. The change from a centralized to a decentralized system in managing forest resources requires institutional restructuring and changes in forest policy and planning.

The National Forest Statement of the IDCF is expected during 2004, followed by further action to implement this statement through the nfp.

Forest policy

The national forest policy and theirs main achievements are hereby pointed out, together with the draft or official policy statement, when available. Two specific sub-sections on forest tenure and financial issues provide a more complete vision on the socio-economic context influencing the forest policy.

Main achievements

The need for a sustainable and equitable basis for the use of natural resources (including forests) was recognized from the nation's infancy and has been embodied in the Constitution of 1945 and other laws (see section 'Other legislation relating to forestry').

Policy trends in Indonesian forestry cannot be separated from trends in national policy since the sector has been one of the major contributors to the national economic development. The current condition of forest resources, however, as well as additional pressure from various groups of the community at various levels, demands substantial reform in the forestry sector. In response to this situation, for the next 20 years forest policy in Indonesia will focus on rehabilitation of the degraded forest land and conservation of the remaining forests.

The balance between the different forest policy instruments has changed in recent times following the general developments in Indonesia towards deregulation and reduced state intervention in the economy and the evolution of decentralization processes. Extension services and the transfer of knowledge and expertise are becoming more important since the local government and forest owners have greater responsibility than in the past. Subsidies are now only used as a policy instrument to promote the conservation of forest environment.

Conflicts with other policies

There are some conflicts between forestry and non-forestry sector policies, especially in the case of estate crops and mining which tend to utilize increasing forest areas for their purposes. For example, the mining sector has awarded hundreds of licenses to investors for exploring mining possibilities in protection and conservation forests. Furthermore, the transmigration program posed a huge pressure over the forest resources, using millions of hectares of convertible forest land.

To avoid further improper land conversion, the MoF has instructed governors and regents to implement a moratorium on natural forest conversion for non-forestry development under Ministerial Decree No. 603/2000. Also in this case law enforcement is the major constraint.

Forest, trees and land tenure
Forests have been traditionally owned and administered by the State, and responsibility for forestry development and management still rests with the Ministry of Forestry. Within this ministry, the Directorate General of Production Forests has the authority to release logging concession rights.

Under the Local Government Act No. 22 of 1999, however, many forestry affairs are being delegated to local governments. Under the decentralisation schemes, the authority for the management of production forests is partly handed over to provincial governments, district governments, state enterprises, and communities. The legal basis for local communities to manage land and forests according to their own needs and for their own benefit, can be found in Forestry Law No. 41/1999. The article points out that local communities have the right to benefit from the environmental quality of the forests.

Under the Basic Agrarian Law of 1960, the government assumed the right to re-allocate underutilized lands for public benefit. Under ‘Adat’ or traditional law, if adat communities live in forest areas, possibilities exist for securing land rights. If rights are acknowledged then the land is "converted" into agricultural land and falls under Basic Agrarian Law - and can thus also be registered - rather than under the Forestry Law.

Land-use conflicts related to forestry often result in the displacement and alienation of rural communities with devastating effects on the forest resources.

Depending on land use, Indonesian forests can be divided into protection forests, production forests, conservation forests and convertible forest land. Convertible forest land may be turned over to alternative uses such as transmigration, agriculture, estate crop plantation development, road construction and other public work projects.

**Forest finance**

The state budget, reforestation funds and forest resources provisions are the main sources of domestic funds for forestry. The national Reforestation Fund (DR) was set up to promote the establishment of private timber estates and is currently receiving 32% of the total forest revenue (more than US$ 700 million in 1997).

Financial resources for carrying out the recent programmes and activities necessary to achieve forest rehabilitation in the next decades will be mainly provided by the DR under the rules defined on the recently approved PP No. 35/2002. As a consequence of other policies, such as the selective moratorium on logging and soft landing (gradual reduction of annual allowable cut), forestry sector revenue for input into the DR will decline considerably. It is expected that the decrease in revenue will be about 60%, which will considerably affect the financial aspects of implementation of the new long-term policy.

Given Indonesia’s importance in world forestry, it has long been the recipient of significant funds from overseas donors. During 1987-1992, for example, there were about 70 donor-assisted projects with a total support of US$ 342 million.

**Institutions**

This section presents an overview on the main forestry and forest-related public bodies operating at the national and local level. Details on the decentralization processes and structures are also provided, when available. A special subsection on the major national and sub-national stakeholders outside the public sector completes the picture.

**Decentralization**

Law No. 22 of 1999 concerning Local Government and Law No. 25 of 1999 concerning Financial Balance between Central and Local Governments oblige decentralization in most aspects of governance. The transformation from centralized to decentralized governance has not proven easy given that the term decentralization may have different interpretations among different parties. In the forestry sector, some local governments interpreted decentralization as a total freedom to administer forest resources within their region. Such an interpretation led to negative impacts on a life support system that recognizes no administrative boundary. As a political commitment, decentralization has reached point of no return and must proceed. Consequently, smoothing and accelerating the decentralization process
in the forestry sector has now become a priority to be immediately undertaken. This requires the intensification of communication, coordination and collaboration among the parties concerned.

Decentralization entails the handing over of 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 resource in implementing the aspects of decentralization, and other supported factors such as infrastructure, technology, information access, personnel and institutional capacity in planning and more importantly natural resource benefits.

Other stakeholders

An Association of Indonesian Forest Concessionaires acts on behalf of concessionaires.

To strengthen their role in forest management, many NGOs have established networks, such as the Community Forest System Development Group (KPSHK), the Community Forest Communication Forum (FKKM) and the Participatory Mapping Cooperation Network (JKPP).

Legislation

The main forestry laws and regulations, either enacted or under development, are listed and shortly presented. Details are given on other significant legal instruments pertaining to sectors having a bear on forestry, such as agriculture and environment. A complete list of legal papers from the joint ECOLEX database is provided.

Forestry legislation

The Basic Forestry Act No. 5/1967 authorized the State, through the Ministry of Forestry, to control, regulate, manage, and administer forest resources. Essentially, this Act determines that forest resource development is directed at water regulation, flood and erosion prevention, wood and non-wood production, and source of income.

The original Act was superseded by the Basic Forestry Act No.5/1997 and the new Forestry Law No.41/1999 which incorporated the core forest management principles of utility and sustainability, people and partnership, transparency and integrity.

The Forestry Law is currently the primary source of authority and guidance for all forest administration and regulations. It enables forest areas to be classified and delineated according to functions (e.g. protection, production, nature reserves and recreational purposes). The Law also defines the main objective of the forest sector to as the maximisation of the population's affluence. This should be achieved, in particular, by:

- securing an adequate and evenly distributed forest area;
- optimising the forest management referring to the various functions of the forest;
- improving the quality of the water catchment areas;
- enhancing and strengthening the capacities of the local communities;
- distributing forest revenue in an equitable and sustainable manner.

Other relevant legislation

In total there are 5 laws, 11 regulations and 32 ministerial decrees relevant to the Indonesian forest policy.

With regard to natural (forest) resource management, the most important point of the Constitution is found in Chapter XVI, Article 33, paragraphs 2 and 3, stating

- Paragraph 2: Branches of production, which are important for the State and which affect the life of most people shall be controlled by the State.
Paragraph 3: *Land and water and the natural richness therein shall be controlled by the State and shall be made use of for the greatest welfare of the people.*

Decentralization of forestry affairs is part of the mandate given in Law No. 22 (1999) and Government Regulation No. 25 (2000).

List of the legal instruments dealing in various extents with forestry:

- The 1945 Constitution
- Law No. 4 of 1982, Basic Environmental Management Law.
- Law No. 5 of 1990 concerning Conservation of Natural Living Resources and their Ecosystems
- Law No. 24 of 1992 concerning Spatial Planning
- Law No. 23 of 1997 concerning Environment Management
- Law No. 22 of 1999 concerning Regional Governance
- Law No. 25 of 1999 concerning Fiscal Balance Between the Centre and the Regions
- Government Regulation No. 33 of 1970 concerning Forest Planning
- Government Regulation No. 25 of 2000 concerning Government Authority and Provincial Authority as an Autonomous Region
- Government Regulation No. 51 of 1993 concerning Environmental Impact Analysis
- Government Regulation No. 28 of 1985 concerning Forest Protection
- Government Regulation No. 7 of 1999 concerning Preservation of Flora and Fauna Species
- Government Regulation No. 8 of 1999 concerning the Utilization of Species of Flora and Fauna
- Government Regulation No. 25 of 2000 concerning Government Authority and Provincial Authority as an Autonomous Region. It elaborates and clarifies the division of functions between central and provincial governments.
- Government Regulation No. 84 of 2000 concerning Guidelines for Regional Organization
- Government Regulation No. 39 of 2001 concerning Execution of De-concentration
- Government Regulation No. 4 of 2001 concerning Control of Environmental Degradation and Pollution in Correlation with Forest & Land Fires
- Presidential Decree No. 32 of 1990 concerning the Management of Protected Areas
- Government Regulation No. 35 of 2002 concerning Reforestation Funds

Edited: A. Alba – April 2008