Development of Permanent Forest Management Units and New Governance for Forest Concessions in Indonesia

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Outline

1. Brief background on FMU
2. FMU and landscape approach
3. Progress and projections
4. Forest concessions governance in the FMU framework
5. Standing issues
Brief background on FMU
• The roots of the issues:
  • weak definition on forest land rights → leads to tenure conflicts among state, private sector and communities,
  • It is estimated that there are conflicts in 24-34 million ha of forests taking the form of overlapping claims
  • weakness of forestry development institutions to address the actual problems on the ground, absence of forest governance on the ground.
  • When licenses expire or are inactive, the respective forests become open access, enabling anyone to utilise them without any control, resulting in large-scale deforestation and degradation.
Performance of concessionaires (Kartodiharjo, 2014)

- Concessions on natural forests:
  - IUPHHK-HA TDK AKTIF: 67 Mio ha
  - IUPHHK-HA AKTIF TDK BERSERTIFIKAT: 179 Mio ha
  - IUPHHK-HA AKTIF BERSERTIFIKAT: 48 Mio ha

- Concessions on forest plantation:
  - IUPHHK-HT TDK AKTIF: 80 Mio ha
  - IUPHHK-HT AKTIF TDK BERSERTIFIKAT: 139 Mio ha
  - IUPHHK-HT AKTIF BERSERTIFIKAT: 26 Mio ha

Only 21% accomplished 50% of targetted plantation areas

34 Mio ha open access
Legal setting of FMU

• Forestry Law (Law No. 41/1999) stipulating that Forest Management Units (FMU) would be established not only in production forest, but covering all forest areas and functions.

• The issuance of Government Regulations No. 6/2007 and No. 3/2008 has shown that forest areas have to be preserved as permanent forest units as the basis for sustainable forest management.

• Laws 23/2014: establishment of FMUs is mandatory. Province is responsible to establish FMU on protection and production forests, while Central Government is to establish FMU conservation.
Scope of FMU authorities

• FMU range of authorities and duties are separated from those performed by Forestry Offices.

• Performance of the FMU’s main duties and functions consists of the performance of forest management on site/on the field, while the main duties and functions of the Provincial (and District Forestry Services up to 2016) covering functions and tasks of forest administration.
Tasks and functions to be performed by Forest Management Unit – covering execution of forest governance (taking care public interests), and execution of management measures on the ground:

- Forest Inventory in FMU area, Management Planning at FMU level
- Implementation of management in FMU area
  1. Execution of forest use planning – limiting the planned deforestation
  2. Execution of forest maintenance, utilisation and forest area use – clarity and security of rights
  3. Execution of watershed rehabilitation and reclamation.
  4. Execution of nature protection and Conservation
  5. Facilitating research, education and training
  6. Undertaking supervision on operators within FMU Area
  7. Undertaking forestry business partnership – industrial, communities
  8. Conflict resolution management

The red words show things that concessionaire holders are lacking in resources and capacity
FINANCING FMU – PPP
Financing FMUs by Facilitation of State budget
(Reference: Ministerial Decree No : P.20/MenLHK-II/2015)

• MoEFor mainstreams the state budget to facilitate the development and operation of the FMUs trough its technical unit offices in the regions. Coverage:
  • Forest area organisation and planning
  • Forest utilisation
  • Forest Rehabilitation and reclamation
  • Forest protection and nature conservation
  • Organising, monitoring, executing, inspection, and control of FMUs
  • Promotion for investment opppportunities for FMU development
• Special Allocation Fund (Dana Alokasi Khusus (DAK)). It is a state fund to be transferred to particular sub-national governments aimed to support special activities (Ministry of Finance Regulation, 2015) to accelerate establishment and development of FMUs, supporting the operation of FMUs, recovering the health and carrying capacity of watersheds, increasing access of communities to forest resources, improving extension work and community empowerment in sustainable forest management...

• For Province with FMUs, at least 60% of the DAK budget has to be allocated to support the operation of FMUs and at the rest 40% to be allocated to cover activities within forest areas, community forests, and/or city-forest
Third party funding contribution to FMU – CSO contribution

- **FFI** – Flora Fauna International. This organisation contributes community based partnership at KPH Merangin Jambi, contributing the implementation of community carbon program at KPH at NTB/West Nusa Tenggara, and significantly accelerate the operation of 3 KPHs at Aceh.

- **TNC** – The Nature Conservancy Indonesia Program. It is currently active working with KPH Berau Barat at East Kalimantan and seeking opportunities to start initiatives with KPH at Suamtra

- **CI** – Conservation International has been active in promoting the establishment of KPH Batang Toru at North Sumatra.

- Samdhana Foundation is active working with KPH at Papua (KPH Biak Numfor and KPH Yapen), with special focus on promoting adat-based KPH management

- **WWF Indonesia** has been working with KPH Kapuas Hulu at West Kalimantan, and currently seeking opportunities to set up new KPH-framework activities at Sumatra

- **Wetland International** has been significantly supportive to KPH Beram Hitam at Jambi, particularly in providing forest inventory, socio-economic surveys, and spatial data which were deem needed by the KPH

- **SCF** – Sulawesi Community Foundations, based at Makassar is fenomenal in providing services to KPH particularly in delivering technical assistance in preparing KPH management plans and community empowerment programs under the framework of KPH.
International development partners’ contribution

• When forest and REDD+ was introduced in the debate and negotiation, FMU was also strongly proposed to be the main governance improvement in forestry in Indonesia that is necessarily required in the implementation of REDD+.

• It was GIZ FORCLIME that was fenomenal in supporting FMU policy, program and development in Indonesia.

• Later on, in 2012 the World Bank started to take a look into FMU framework when it brought up the FIP (Forest investment program) – a window under CIF. FIP was urged to find strong unit of implementation in the ground and FMU was finally sought as the best choice. DANIDA is chipping in this initiative.

• France – AFD, Germany – KfW, Korea, Japan, USAID, and lately UK-CCU trough MFP3 Program started to seek for opportunities to contrubute to FMU development in Indonesia.
FMU and landscape approach
• the Forestry Law (Law No. 41/1999) stipulates that Forest Management Units (FMUs) are to be established not only in production forest, but covering all forest areas and functions - landscaping.

• For all types of forest benefits, their existence and preservation, forest stands or stock constitute the natural wealth at the landscape level that needs to be protected by the FMU operators.
Landscape in the planning system

• Forestry Planning Systems is basically a forest-landscape approach, in combination with regional development planning

• Basic:
  • Forestry Laws No 41/1999
  • Development Planning Laws No 25/2004
  • Environmental Laws No 32/2009

• Implementation under FMU – setting of alignment
  • FMUs engineering design at province level
  • FMU based REDD+ approach
  • FMU Based regional development planning
  • Watershed based FMU design and planning
Part of Province FMU Design - Molucas
KPH and REDD+ target areas, Riau Province (Kampar Peninsular)
KPH TBS and concession areas, Riau
Progress and projections
• Progress on Provincial engineering design
• Progress on FMU establishment
• FMU performance
• FMU in the mainstreamed forestry development plan – the 5-year plan
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<td>447 units 24 Prov</td>
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<td>FMU Cons</td>
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<td>FMU Prot and Prod</td>
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## FMU Establishment targets in the 5-year Strategic Plan

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<td>209</td>
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Challenging: professional human resources
Targets in providing new recruits of professional staff to FMUs

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<td>New graduate recruitment</td>
<td>1000</td>
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Forest concession governance in the FMU framework
CHANGE GOVERNANCE
(adopted from Bappenas, 2015)

Management
Regime

Licensing
Regime
ROLE PLAY
(Adopted from Bappenas, 2015)

GOVERNMENT AS REGULATOR
KPH/FMU AS OPERATOR
THIRD PARTIES AS PARTNERS

CHANGES ARE CATALYSED BY THE ISSUANCE OF Laws 23/2014 on Sub NATIONAL GOVERNMENT
STRUCTURAL CHANGES HAVE TO BE EXECUTED BY SUB NATIONAL GOVERNMENT IN 2016
CHANGES IN PROGRAMMING AND BUDGETING

Forest concessions communities
Projected fund required to cover FMU overhead (Bappenas, 2014)

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<td># FMUs</td>
<td>120</td>
<td>140</td>
<td>273</td>
<td>407</td>
<td>527</td>
<td>629</td>
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<td>IDR Billion</td>
<td>720</td>
<td>1.560</td>
<td>2.358</td>
<td>4.800</td>
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<td>IN USD Million</td>
<td>53.3</td>
<td>115.5</td>
<td>174.6</td>
<td>355.5</td>
<td>408.9</td>
<td>467.5</td>
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Bappenas: National Planning Agency)
STRATEGIES

• One FMU – single management plan ⇒ synchronisation of Concessionaires’ long-term plans

• Opens windows for FMU-Concessionaires-Communities partnership – starts with NTFP and environmental services

• New options for FMU-Private partnerships:
  • Conventional licensing by Central Government
  • Direct business and management partnership between FMU and Private

• “Private” could be community base forestry business operators
STANDING ISSUES
1. Changing mindset
   a. From desk work inspection to taking the lead in managing forests at site
   b. Eliminating forest rent mental attitude
   c. From taking royalties and taxes to distribution of benefits – including maximising internal revenues for the Sub-national Governments
   d. From timber oriented to all potential forestry based businesses (NTFP, environment services)
   e. From awarding licenses to sharing based partnership
2. Professionalism:
   a. GR 06/2007: FMU should be operated by professionals, demonstrated by competency certificates issued by third party independent professional certification bodies
   b. FMU partnership approach requires professionalism in management and business
   c. FMU needs for 3000 new recruits annually, with specified qualification

3. Forest certification:
   a. Ideally one FMU holds single forest and forest products certificates that applies to all economic operators within respective working area → group certificate system that increase efficiency
   b. Forest certification at FMU level promotes acceleration of professional management under FMU
4. FMU performance – massive capacity building

5. Needs for regulatory reform particularly in the context of forest utilisation
   a. Stronger regulation on FMU business partnership
   b. Strengthen regulation on legality verification – TLAS
   c. Clear regulation on the relationship between Forestry Office and FMU
   d. Stronger regulation on FMU based investment
   e. Regulation on facilitation of multiple product and services under FMU management
   f. Clear regulation on relationship between FMU management and adat (IP) forest rights
THANK YOU – MUITO GRATOS