

AN INNOVATIVE POLICY FOR RURAL DEVELOPMENT ? RETHINKING BARRIERS TO RURAL COMMUNITIES EARNING THEIR LIVING FROM FORESTS IN INDONESIA**AHMAD MARYUDI**

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ABSTRACT

The government of Indonesia (GoI) has trialed a number of community forestry schemes, ranging from collaborative management to long-term forest management rights handed to local communities, and implements them in state forestland. This policy shift toward community forestry in Indonesia shows an emerging signal on acknowledgement on the ability of local forest users to manage forest resources sustainably, and gives the people opportunities to benefit from the resources and eventually improve their daily life. With so much of promises community forestry brings, this paper primarily asks why the program is yet to meet the high expectation of rural development, tackling the pervasive rural poverty. It aims to identify, analyze and address key constraints of rural communities in exercising their rights which are considered as key factors to improve their livelihood and alleviate rural poverty. That the government-initiated community forestry schemes fall short of the initial targets in terms of the extent of state forestland areas managed by to forest communities to a large extent is explained by the regulatory barriers of tenurial uncertainties and the complex licensing procedures. Those coupled by the limited capacity as technical assistance rarely provided by government institutions appear to impede local people to secure better livelihood.

Keywords: *community forestry, livelihood, rural communities, poverty alleviation, regulatory barriers.*

INTISARI

Pemerintah Indonesia telah meluncurkan berbagai program kehutanan sosial di kawasan hutan negara, mulai dari skema kemitraan sampai dengan pemberian hak kelola hutan bagi masyarakat lokal. Pergeseran paradigma kebijakan menuju kehutanan sosial memunculkan sinyal pengakuan terhadap kemampuan masyarakat lokal dalam mengelola hutan secara lestari, dan memberikan kesempatan bagi mereka untuk memanfaatkan sumberdaya hutan untuk memperbaiki kehidupan sehari-hari. Pertanyaan kunci yang diangkat dalam artikel ini adalah mengapa program kehutanan sosial belum mampu menggapai tujuan mulia untuk memerangi kemiskinan yang sangat akut di pedesaan sekitar hutan. Tujuan dari artikel ini adalah mengidentifikasi, menganalisis dan memecahkan berbagai hambatan yang dipandang sebagai faktor kunci bagi masyarakat pedesaan untuk memperbaiki tingkat penghidupan. Belum optimalnya berbagai program kehutanan sosial yang diluncurkan oleh pemerintah secara garis besar disebabkan oleh ketidakpastian tenurial dan prosedur perijinan yang sangat kompleks. Hal ini diperparah oleh terbatasnya pendampingan teknis yang pada akhirnya menghambat masyarakat pedesaan untuk menggapai penghidupan yang lebih baik.

Kata kunci: *kehutanan sosial, penghidupan, masyarakat pedesaan, pengentasan kemiskinan, hambatan kebijakan.*

INTRODUCTION

Community forestry has widely been promoted as an innovative pathway to inclusive rural development and local livelihood, providing solution to chronic rural poverty (Sikor *et al.*, 2013). In part, the program emerged in response to the failure of the forest industries development model to lead socio-economic development (Westoby, 1987; Gilmour and Fisher, 1991). Community forestry mobilizes the participation of poor rural households in forest activities with a return of increased access to essential livelihood resource (Acharya, 2002; Dev *et al.*, 2003; Glasmeier and Farrigan, 2005; Sunderlin, 2006; Maryudi *et al.*, 2012; Sikor *et al.*, 2013). The participation of the rural people is widely expected to produce increasing benefits for the local community, to trigger innovation, and to contribute to sustainable forestry comprising economic, social and ecological benefits (Kellert *et al.*, 2000).

Governments of many countries across the world have placed community forestry at the top of their policy (Sikor *et al.*, 2013). Likewise, the government of Indonesia has trialed a number of community forestry models, ranging from collaborative management to long-term forest management rights handed to local communities, and implements them in state forestland (Maryudi, 2011). Looking at the chronic poverty in forest regions in Indonesia, the implementation of community forestry generates enthusiasms that the program can contribute meaningfully to the efforts on poverty alleviation. Thus, GoI has set a target of the implementation of community forestry on approximately eight million hectares of state forestland by 2015 (Ministry of Forestry, 2012). However, the implementation of state-led community forestry in Indonesia has been slow and fall short of the targets. More importantly, community forestry programs in Indonesia rarely

produce the comprehensive blend of social, economic and ecological outcomes (Djamhuri, 2008; Maryudi *et al.*, 2012; Sikor *et al.*, 2013). The goals of poverty alleviation of rural people are yet to materialize. The current arrangements of community forestry in Indonesia are said to only produce “subsistence economy” for rural communities, instead of the improvement of their life quality (Maryudi, 2011; Maryudi and Krott, 2012).

With so much of promises, this paper primarily asks why community forestry is yet to meet the high expectation of rural development, tackling the pervasive rural poverty. The policy changes favoring the rights and responsibilities of local communities might not necessarily benefit them; particularly those directly depend on the forest resources for their life (Larsson *et al.*, 2010). It is often argued that the rights and responsibilities alone might not be sufficient for achieving improved livelihood of forest users as well as sustainability of the resources (Dahal *et al.*, 2011). There are a set of enabling factors, such as regulatory frameworks, governance systems and supportive institutions, that allow the community forestry policy to optimally work in practice (*ibid.*). It is indicated that local communities in Indonesia face with numerous legal requirements, administrative and technical barriers to meaningfully benefits from the resources (for instance see Maryudi, 2012). The people are often constrained in exercising their rights as formally promised by the community forestry program.

This study aims to identify, analyze, and address key constraints of rural communities in exercising their rights which are considered as key factors to improve their livelihood and alleviate rural poverty. The key constrains here include both formal regulatory frameworks and informal environments. It is argued here that the regulatory barriers reduce the

viability of community forestry and smallholder forestry. This study assumes that the more benefits that communities obtain from forest management and utilization, the more incentives for them to improve and sustain their productive base leading to improved forest condition and environmental services. The study proposes uses rights and tenure as the entry point for generating sharing improved knowledge on the scale of the current impacts, with particular reference to costs of missed opportunities through restricting rights, governance and market access issues.

THEORETICAL UNDERPINS: THE CORE ISSUES OF COMMUNITY FORESTRY

Over the four decades, community forestry has been explained both in scientific and practical discourses. A significant number of scholars (*e.g.* Shackleton *et al.*, 2002; Pagdee *et al.*, 2006; Thompson *et al.*, 2005; Poffenberger, 2006; McDermott and Schrekenberg, 2009), have reviewed the concepts and definitions of community forestry, and have even attempted to link it with broader discourses such as neo-liberalism (McCarthy, 2006). Looking back on the history of community forestry development, at the time of the World Forestry Congress in Jakarta in 1978 it was seen very broadly as ‘*any situation that intimately involves local people in forestry activity*’ (FAO, 1978). Although this definition clearly distinguishes community forestry from ‘centralized management’, it fails to speak clearly to three important issues: 1) how that ‘intimate involvement’ is or can be structured - who has ultimate decision-making authority, 2) representation - who is involved locally and how are they selected, and 3) equity - who pays and who benefits (Duinker *et al.*, 1994).

Later, Shepherd (1985) defined community forestry as “*any form of forestry activity undertaken specifically and principally to provide communal benefits to the people living in villages or small communities in the vicinity of the forest area which involves them directly in its management*”. The issue of control later connects community forestry with the political processes by which the local forest users are empowered to control the use and management of forests. Krogman and Beckley (2002) infer community forestry as an entity that has an explicit mandate and legal decision-making authority to manage a given forest for the benefits of the rural community. McDermott and Schrekenberg (2009:158) have elaborated the concept of community forestry as the exercise of power by local people to influence decisions regarding management of forests, including the rules of access and the disposition of products. This definition entails community forestry as ‘power shift’ from the state to the local communities and opens a question of power sharing in order to deliver its objectives into practice.

Charnley and Poe (2007:303) highlight three characteristics of community forestry. First, in community forestry the degree of responsibility and authority for forest management is formally vested by the state to the local communities. Second, a central objective of forest management is to provide local communities with social and economic benefits from the forest. And third, ecologically sustainable forest use is a central management goal, with forest communities taking some responsibility for maintaining and restoring forest health. However, despite generalization: three attributes: i) who decides; ii) who benefits, and iii) how broad-ranging are the management objectives; are the traits of a community forest which set it apart from other types of forests (Duinker *et al.*, 1994: 717).

It must be noted that all of the aforementioned definitions often shed light on what community forestry should be, rather than what community forestry actually is. There is a need for defining and understanding community forestry in relation to specific contexts and with a realization of gaps between actual and ideal versions (Shrestha, 2005). The research group of community forestry policy of Goettingen University later defined community forestry as: “forestry practices which directly involve local forest users in common decision making processes and implementation of forestry activities” (see Devkota, 2010; Maryudi, 2011). It argues that meaningful ‘community forestry practices’ require decision-making autonomy to the direct forest users in setting objectives, local control in forest management and utilization, and ownership of the benefits from the forest resources.

COMMUNITY FORESTRY IN INDONESIA: FROM EXPERIMENTS TO FORMAL POLICY

Since the 1978 World Forestry Congress, there has been a gradual shift in perspectives regarding the role of communities and forest management including Indonesia. However, it was until the 1990s that the government formally launched policy on community forestry. Prior, access on the state forest resources was limited to, at best, usufruct rights. This was particularly practiced by Perhutani in the management of Java’s forests. A number of forest access schemes were experimented, but most of them centered on the temporal uses of forest floor for agricultural cropping (Lindayati, 2000; Mayers and Vermuelen, 2002; Bratamihardja *et al.*, 2005; Maryudi, 2011). The experimental schemes received strong criticisms due the lack of genuine involvement of rural people in decision making procedures and for

the limited schemes to improve the livelihood of the people (Sunderlin *et al.* 1990; Peluso, 1992; Lindayati, 2000).

In 2001, Perhutani introduced its new community forestry program under the scheme of collaborative forest management of *Pengelolaan Hutan Bersama Masyarakat/ PHBM*. The scheme serves as a generic model implemented for all forests under the administration of the state forest company. It rests on (supposedly) joint forest management between Perhutani and local community institutions--usually at the village level--that formally encourages both parties and other interested stakeholders to share roles in decision making processes, the implementation of forest activities and eventually the benefits from the forests. In PHBM, the management rights over the state forestland remain at the possession of Perhutani. It also maintains the main feature of access on the forestland for agricultural cropping for forest users. The major advance is the schemes of benefit sharing, *i.e.* shares from the sales of main forest products, for the groups of local people. The benefit sharing mechanism was initially lauded as one of the major improvements in community forestry practices in Indonesia (Kusumanto & Sirait, 2002; Lindayati, 2000), and is expected to provide major boasts for efforts on alleviating the poverty of local people.

More progressive schemes occurred in a small fraction of state forestland unencumbered by any other rights or concessions; local communities are handed with long-term management rights as of the utilization rights granted to large scale companies. The handing over of such rights involved long advocacy and uncertainties. The first formal arrangement was the introduction of *Hutan Kemasyarakatan/ HKm* in 1995 through Ministerial Decree No. 622. This program is generally aimed to

rehabilitate degraded land and/or to protect conservation areas while providing locals with economic opportunities. Following the aforementioned downfall of President Suharto, community forestry appeared to gain momentum as the Minister of Forestry and Estate Crops brought the popular rethoric of “Forest for People”. The Ministry then took a concrete initiative by issuing Decree No.677/1998, which conferred on target beneficiaries long-term usufruct rights for subsistence and income generation. However, the ensuing events have seen the back and forth process due to a serial of HKm regulatory changes (Table 1), centering on the contestation between central and local government over the authority to issue forest licenses, and over the rights of customary communities in forest resources (Colchester, 2002; Maryudi, 2011).

In 2007, Government Regulation PP No.6/ 2007 was issued to provide a platform for community forestry in Indonesia. This regulation was used as the principal implementing regulation under the Forestry Law 41/1999. PP6/2007 introduced the current set of formal community forestry arrangement, including three new schemes in addition to HKm, *i.e.* Village

Forests (*Hutan Desa*), People’s Timber Plantations (*Hutan Tanaman Rakyat*–HTR), and Company-community Partnerships (*Kemitraan*). HKm scheme, which has been started in 1995 is added to the schemes, so that community forestry in unencumbered state forestland include HKm, HD, HTR and *Kemitraan*. The scope and conditonalties of HKM, HD and HTR are tabulated below (Table 2), while *Kemitraan* scheme is regulated accordingly to individual agreements between company and community.

There are major differences on the objectives and the targets of the three schemes that will have implication on how local people/ communities access the forest resources. HKm principally aims to empower local communities (individuals), to improve their ability to sustain their livelihood through improved access and optimal uses of forest resources. HKm community forest is expected to become as the main source of livelihood of the communities. The target of the scheme is individuals who are considered as dependent on the forests, although in obtaining the HKm license the people have to organize themselves in a community forestry group. The individuals do not necessarily come

Table 1. HKm-related ministerial decrees and regulations in early experimentation

| Ministerial Decrees & Regulations | Key Features |
|-----------------------------------|--|
| No. 622/ 1995 | Long-term community empowerment and rights in forest management; access to harvest only non-timber products |
| No. 677/ 1998 | The farmers as a group granted Utilization Permits, lasting for 35 years; farmers allowed to harvest forest products (including timber); prescribing establishment of a single community institution; never been implemented |
| No. 865 / 1999 | Aimed to improve some practical weaknesses of the previous decree but apparently no fundamental changes; elaborating Forestry Law No.41/1999 |
| No. 31 /2001 | Elaborating decentralization law; Local governments authority to grant CF licenses; Prescribed that CF to be implemented in protection and production forests, and prohibited in conservation forests; Reduced the duration of CF rights to 25 years |
| No.1 /2004 | Utilization rights, instead of ownerships; in practice, the promises have yet to be realized |

Table 2. Arrangements for HKm, HTR, and HD community forestry schemes

| | HKm | HD | HTR |
|----------------|---|--|---|
| Scope | Group or cooperative use rights over: <ul style="list-style-type: none"> ▪ Timber from <i>planted trees</i> only, in Production Forest ▪ Non-timber forest products. ▪ Environmental services. | Village management rights over: <ul style="list-style-type: none"> ▪ Timber from both natural and planted forest, in Production Forest areas. ▪ Non-timber forest products. ▪ Environmental services. | Individual or cooperative use rights in Production Forest, under three different models: <ul style="list-style-type: none"> ▪ Independent, established at own initiative and cost. ▪ Partnership or joint venture with plantation company. ▪ Led by a company under an outgrower scheme. |
| Conditionality | Use subject to separate business license. Not alienable, cannot be collateralized. | Use subject to separate business license. | Use rights granted at outset. Not alienable, only planted trees can use be used for collateral. |
| Duration | 35 years | 100 years | 60 years |

Source: Adapted from Royo and Wells (2012).

from the same village. Unlike, the targeted beneficiaries of HD scheme is the village institution. HD is implemented in state forest within village boundaries, to foster the village development and to improve the prosperity of the people within the village. It remains unclear how the benefits from the forests are eventually distributed.

While HKm and HD focus on the livelihood of local people, HTR scheme aims to encourage local people to engage in more financial-oriented forest practices to accelerate the development of timber plantations. This scheme was principally driven by the slow progress of large-scale/ industrial plantation forests. HTR is expected to increase the domestic timber supply for the national forest industries. HTR has a range of targets, *i.e.* individuals, households/families, groups of local people, cooperatives and local government-owned enterprises.

The community forestry schemes allow communities access to forest resources, and give them the right to exploit and benefit from timber and non-timber resources. In addition, communities can exclude others from using their forest resources. The long-term rights granted means that the forests are

effectively held by the communities, close to close to ownership rights¹. However, securing the rights do not necessarily mean the community forestry grantees have the actual access and the ability to use and benefit the forest resources. Ribot and Peluso (2003) distinguish access as “a bundle of power”, from property as “a bundle of rights”. Therefore, the actual ability to use the forests is the key whether the existing community forestry schemes in Indonesia enable smallholders and local people earning their livelihood from the forests.

WHAT PREVENTS THE PROGRESS OF COMMUNITY FORESTRY?

The previous section reveals the clear regulatory frameworks on community forestry in Indonesia. However, progress in implementing community forestry, particularly in unencumbered state forest land has been slow and falls short of the targets. Overall by the end 2011, the total area of forest land has been transferred to local communities is less than 30,000 hectares, while the land that has been approved to be designated for the communities is less than a million hectares. Such represents a tiny

¹ According to the definition by Right and Resource Initiatives

fraction of the state forestland. Even for the communities already securing community forestry rights, there is limited evidence on the improved access to the forests local people can have. Applicants of community forestry face a number of legal and technical barriers, such as tenurial uncertainties and complex licensing procedures. In addition, there are external environments, *e.g.* markets and informal institutional environment that reduce the the access to and therefore limit the benefits from the forest resources.

Tenurial uncertainties

There is an ambiguous tenurial system in Indonesia, principally in regard to indigenous rights. While the Basic Agrarian Law recognizes traditional practices as a form of tenurial system, the Forestry Law No. 41/1999 continues to consider the forest areas where indigenous groups dwell as (state) Forest Zones. Royo and Wells (2012) argue that the definition of state forests in the Forest Law – which is the land without any titles attached, contradicts with the fact that the land registration system does not explicitly exclude titling of collective rights. Obidzinski and Dermawan (2010) argue that the land tenure issues will have a significant consequence given the magnitude of the targeted expansions of community forestry. The implementation of the community forestry schemes under Government Regulation PP No.6/ 2007 (HKm, HTR, HD) particularly rely on the availability of state forest areas that are not under any other licenses. It is said that the state forest land that are potentially designated for the community forestry reaches as much as 40 million hectares (Hindra, 2006).

However, such sites are extremely hard to find (Kartodihardjo *et al.*, 2011). A study on the HTR-designated areas in North Sumatra indicates the discrepancies between the actual land conditions and

official qualifying criteria for indicated HTR sites (Noordwijk *et al.*, 2007). Only a small fraction of HTR-designated land is considered as clear (Obidzinski and Dermawan, 2010). Although the allocated land is resulted from so-called Forest Land Use Consensus Plan (*Tata Guna Hutan Kesepakatan*), there are often other activities on the land, such as residential areas and agricultural sites. Without proper and transparent delineation process, the community forestry is vulnerable to land and resource conflict and poses significant risk of instability (Royo and Wells, 2012). Even the clear sites are available; they are often too far, scattered and fragmented, making it less attractive financially because the likely increased transportation costs (Obidzinski and Dermawan, 2010; Kartodihardjo *et al.*, 2011). That leads to the limited interests on the scheme (Kartodihardjo *et al.*, 2011).

In terms of tenurial arrangements, the existing schemes under Government Regulation PP No.6/ 2007, principally HTR, arguably offer tenurial security, quite close to the ownership rights as defined by Rights and Resources Initiative (Sunderlin *et al.*, 2008). However, uncertainties remain. According to the implementing regulation (Permenhut 23/2007 art. 15), HTR permits cannot be traded, transferred or inherited, therefore limiting household management options (Obidzinski and Dermawan, 2010). HTR is a risky investment due its long-term nature and uncertainties in the future markets. Thus, the uncertainties over the future tenurial rights might dampen the enthusiasm of local communities to engage in HTR plantation (Schneck, 2009).

Complex licensing procedures

Another account associated with the slow progress of community forestry is the complex licensing process. For the three community forestry

programs under Government Regulation PP No.6/2007, a number of Ministerial Decrees have since been issued for establishing licensing procedures for the community forestry arrangements, including processes for prior determination of suitable sites for HKm, HD and HTR.² Licensing is said necessary for ensuring the tenurial rights the people that they can exclude non-grantees from accessing and using the forests once being granted with the licences (Muttaqin, 2010). It is argued that the legal frameworks community forestry licensing processes are designed to be simpler than those for large-scale industrial forestry (Kartodihardjo *et al.*, 2011). Two General Directorate regulations (Perdirjen No.10/2010 and Perdirjen No.11/2010) promise to proceed the application for licenses of the three community forestry schemes under Government Regulation PP No.6/2007 within 60 days (for HKm initially 90 years).

In fact, the process takes longer time. The average time needed is about a year, with a case in Jambi even needed approximately three years (Partnership Program, 2011). This is because the processes are technically demanding, and involves transaction costs. The lengthy processes were in part to the examination on whether the groups are of the competences for managing the forests (Maryudi, 2011). In addition, local communities in rural areas have to deal with a number of different governmental institutions at sub-district, district and provincial levels as well as the different directorates at the Ministry of Forestry, which are often beyond the reach of people in rural communities. A particular concern is when community forestry is not the policy priorities of the institutions. Andriyanto *et al.* (2006) found that a number of district governments have yet

to place poverty alleviation and community forestry as their top priority.

Regarding the transaction costs, formally no costs are involved in the licensing processes. However, informal fees and payments are indicated to occur during the processes (see Noer, 2011). In addition, significant costs are involved in the preparation of the application. Experience from HKm grantees in Yogyakarta suggest that, despite the assistance and facilitation from an NGO, it took nearly a year to prepare the management plan. The process involved the development of the group constitution and internal rules, forest delineation and mapping, forest inventory, and documentation and reporting. It is suggested that a facilitator used to assist three HKm groups with the total HKm area of around 15 ha per group (Exwan Novianto, an HKm facilitator, personal communication 25 February 2013). A facilitator was paid around two million IDR, so assisting three groups cost around 24 million IDR (8 million IDR/ a group of 15 ha). In addition, conducting inventory and mapping of 15 ha HKm cost roughly 10 million IDR. Data processing, documentation and reporting further cost 2 million IDR (*ibid.*). Overall, preparing a management plan for a group of 15 ha cost roughly 20 million IDR.

The licensing process is further complicated by two-layered processes; management rights and (timber) utilization rights are distinguished, meaning that the people have to deal with two sets of application procedures before before being able to cut timber from the forests. This regulation applies for HKm and HD schemes. Before secure the utilization rights, HKm and HD grantees are only permitted to use the forestland and harvest non-timber products. The problem the people face is

² No. P.37/Menhut- II/2007 and No.P.18 /Menhut-II/2008 on HKm; Permenhut No. P.49/Mehut-II/2008 on Hutan Desa; Permenhut No.P.23/Menhut-II/2007, Permenhut No.P.5/Menhut-II/2008 and P.55/Menhut-II/2011 on HTR

that there is only few non-timber products in the forests, as the case of HKm in Yogyakarta. This in part suggests the schemes, which both are focusing on people's livelihood is less-prioritized than HTR, which is more financial oriented. In fact, in HTR scheme the right to timber is bundled with the principal permit. In addition, the government has allocated more financial support for the HTR grantees. Even so, as regulated in Ministerial Regulation P.55/Menhut-II/2011, HTR has set the maximum size to 900 ha, meaning that communities seeking to manage larger areas will need to apply for multiple permits (Royo and Wells, 2012).

Management & business plans as technical barriers

Of the existing schemes under Government Regulation PP No.6/ 2007 require the development of management plans, for both management and utilization rights. The plans usually cover both strategic and tactical activities to be implemented in the respective community forestry schemes. It is suggested in Article 27 of the Forest Ministerial Decree No.37/ Menhut-II/ 2007 on HKm that the management plans will be used for the reference for the HKm grantees in conducting the forest activities and as a means of control by both central and local (provincial and district) governments. In addition, the people have to carry out forestland gazettelement and mapping as well as preparing reports of forest activities to the government. Further, before being able to make use of timber and other products, communities are also required to business licenses - in addition to the permits granting them rights in an area (Royo and Wells, 2012).

Looking at the limited capacity of forest users (in most cases possess limited education) and poor

documentation, the requirement pose a great deal of challenges. Here, costs of producing management and business plans are a bottleneck (the estimation has been discussed in the previous section). The communities already securing HKm and HD licenses were assisted by NGOs through donor-funded projects (Maryudi, 2011). Kartodihardjo *et al.* (2011) point to the nearly non-existent assistance from the forest service/ officials to the local communities in obtaining the permits. For HKm scheme, Ministerial Regulation P.37/ 2007 stipulates that facilitation on developing groups, creating management plans and empowerment must be carried out by district and provincial governments. However, local governments are yet to show meaningful roles in accelerating the implementation of the community forestry scheme. The limited human resources and budgets is often cited as the main reason (Partnership Program, 2011). Local governments often see the schemes as the program implemented by the central government (Ministry of Forestry), to which they have no structural responsibilities.³ Further, the community forest schemes are perceived to offer limited investment opportunities to boost the incomes for local governments (*ibid.*).

Limited access rights

Rural communities engaged in most of community forestry schemes in state forestland (both Perhutani-PHBM and the three schemes under Government Regulation PP No.6/2007) are yet to enjoy major forest products (notably timber). In PHBM-scheme, instead of cutting trees, the farmers are given a share from sales of timber and/ or main forest products. In teak forest, the participating groups are given 25 % of timber sales, while in pine forests the group is given 25 % of timber sales and 5

³ Local governments are responsible to the Ministry of Intern Affairs

% of pine resin sales.⁴ Whether the forest users enjoy the share depends on the current potential of the forests and the distribution of the money within the group. In most cases, community forest activities focus on rehabilitating the forests (reforesting the land) and improving the security of the forests. Harvests are rare, if not non-existent, given the generally young forest structure, meaning limited money has been splashed out. The limited inflow funds are usually used for constructing community forest related building and facilities such as group offices (Maryudi and Krott, 2012). Of few cases on large amount of money given to the communities, due to rich and mature forests, only a small fraction is given to the people. Most of the money is used for buildings, committed to associations at sub-district and district levels, or even returned to Perhutani's officers for forest management activities, including forest patrols (*ibid.*).

In the other schemes, timber cuts are theoretically allowed (Maryudi, 2011; Royo and Wells, 2012). In HD scheme implemented in production forests, timber cuts are permitted although a 50 m³ limit is set, regardless the size of the forests and the member households. The limited allowable cut cannot make up the long and complex harvest permits that might involve high transaction costs.⁵ In HKm, farmers are only allowed to cut planted trees. However to date, the farmers are yet to be able to cut trees. Even the farmers have met the requirement and have applied for cutting licenses; the government has yet allowed the farmers to cut trees that they have planted. The government is still exercising how the sales are

distributed to the government and the people (see Djamhuri, 2008). It is quite remarkable as the trees were fully planted and nurtured by the people. The government argues that it contributes in the tree planting in the form of forestland (Djamhuri, 2008).

Only HKm communities in Yogyakarta (a total of approximately 1,200 ha) have recently been granted cutting rights, only for one year. This was made possible through long dialogues and advocacy culminated in the end of 2012 when the Forest Minister visited the forests, checking the forest conditions and the people's competence. Rumors circulate that such is political move by the Minister, a politician, to raise the votes for his political party in the national election, held in 2014. Such a visit is unlikely to be made in all community forestry grantees across the country. The cuts in the following years remain in doubts. It is thought that the ministry of forestry will require the farmers to submit an annual application each year (Exwan Novianto, HKm facilitator, personal communication 25 February 2013).

Financial barriers

Local communities are also experiencing with financial burden in implementing the community forestry schemes. As previously described, before being permitted to cut trees, community forestry grantees have to prepare the management plans, conducting forest gazette and mapping, and reporting. The problem is the limited financial support from the government. For instance, only USD 5.7 million (in the form of grants) had been allocated for assisting HKm and HD grantees in

⁴ The share is corrected with a coefficient of rotation of harvested compartment divided by the running year of the agreement. For example: an 80 year old compartment harvested in the 5th year of the agreement, the share received amount to = (5 : 80) x the sales.

⁵ Formally no costs involved, but preparation of the application certainly does. As there is yet harvest cases from HD, the costs cannot be presented. Nonetheless, estimations have been presented in obtaining management rights/ licenses in the section of complex licensing processes.

preparing the management plans whereas the actual cost may be in the region of USD 27.8 million for total of 500,000 ha, as targetted (Royo and Wells, 2012).

More financial support is provided for HTR. As previously said, this scheme is preferred by the government due the objectives of fulfilling demand for the national timber industries, and also involves large business entities. The Ministry of Forestry has established the Forest Development Funding Agency (*Badan Layanan Umum Badan Pembiayaan Pembangunan Hutan*) to support the development of HTR plantations. The HTR grantees can access the government HTR fund of around USD 5 billion derived from the Reforestation Fund (*Dana Reboisasi*) from 2007 through 2016. Loans are provided with the interest rate will follow the rate set by the Indonesian Deposit Insurance Corporation (*Lembaga Penjamin Simpanan*), which is generally lower than the commercial interest rate (Obidzinski and Dermawan, 2010).

However, few HTR grantees have been able to access the financial support. One of the reasons is the complicated procedures in accessing the funds. In fact, the funding agency does not have regional offices, meaning that the grantees must apply directly to Jakarta office (Kartodihardjo *et al.*, 2011). There is an absence of an intermediary institution (the funding agency does not have offices at the regional levels) with the capacity to nurture and aggregate HTR groups at a scale capable of absorbing the financing schemes (Royo and Wells, 2012). It is argued it is unlikely that applicants particularly under the independent scheme will be able to access the subsidized funding from the Ministry of Forestry due to complicated application procedures (Kartodihardjo *et al.*, 2011). There are also concerns on the financial feasibility, particularly for HTR

scheme, whether the financing schemes are enough to meet the true cost of set-up and maintenance (Schneck, 2009; Obidzinski and Dermawan, 2010; Royo and Wells, 2012). Schneck's study (2009) on 22 proposed HTR sites reveals the negative Net Present Values under the predicted base-case prices. This means that HTR is unattractive as the HTR will basically costs more than the financial benefits.

CONCLUSION AND POLICY RECOMMENDATIONS

Forest policy and management in Indonesia is long characterized by the state's centralistic control and the exclusion of forest dependent people from having meaningful involvement in the decision making and the uses of the resources. The recent policy shift toward community forestry in Indonesia shows an emerging signal on acknowledgement on the ability of local forest users to manage forest resources sustainably, and gives the people opportunities to benefit from the resources and eventually improve their daily life. Nonetheless, challenges remain before the policy achieved the intended objectives of improved forest resources, empowered forest communities and their better quality of life. Local forest users and smallholding tree growers face a number of regulatory and technical barriers as well as limited financial support from the government.

That the government-initiated community forestry schemes fall short of the initial targets in terms of the extent of state forestland areas managed by to forest communities to a large extent is explained by the regulatory barriers of tenurial uncertainties and the complex licensing procedures. Those coupled by the limited capacity as technical assistance rarely provided by government institutions appear to impede local people to secure

the community forestry licenses. Those securing the community forestry licenses are yet to obtain meaningful benefit from the forests, particularly timber. Further, the government rarely provides technical and financial assistances to the community forest people. Only HTR grantees appear to receive better support, but concerns remains as some assumptions used for the financial subsidies/loans does not encourage viable business.

The government should make concrete efforts to remove both regulatory and technical barriers which prevent local communities and smallholding growers to benefit from the forests. That can include removal/revision of unfavorable policies, providing technical facilitation and financial support to encourage the competitiveness of community forestry business. For community forestry schemes in the state forests, a simplified licensing procedure (for both management and harvest rights) is one of the foremost supports. If possible, both licenses can be secured in one single application. This will reduce the costs of the preparations of the necessary documents. Regarding the numerous institutions involved in the process, establishing a single and integrated task force/ desk closer to the people will also reduce the time, and also will minimize informal fees/ payments. The integrated desk can also be tasked to provide services for community forestry grantees in accessing the current financial support provided by the government (BLU scheme). This means that the people will have easier access to the financial support.

Technical assistance and capacity building for the people in dealing with the complex managerial requirements are also crucial. Local people, due either the lack of knowledge on community forestry regulations and managerial skills or lack of time, need external support to swiftly engage in the

community forestry. The government can collaborate with other institutions, *e.g.* universities, NGOs and local governments in providing the people with technical assistance. This consequently requires more financial commitments from the governments. While substantial fund has been allocated, the challenge is how to ensure that BLU scheme can be equally accessible for all community forestry schemes.

Mainstreaming community forestry among related institutions and stakeholders should be further improved. The Ministry of Forestry is unlikely to single-handedly remove the regulatory and technical barriers as well as informal environments disadvantaging smallholders/ community forestry grantees. The ministry of forestry can build inter-sectoral cooperation with for instance the Ministry of Home Affairs (the patron of local governments), National Police and Highway Service and other related institutions. First, this can minimize additional payment charged by local governments (village, sub-district and district) upon the harvests, and informal payment along the road. Second, this can reduce the dependence of tree growers on timber traders, which currently deals with the complex procedures involving a number of institutions. There are also a number of windows of opportunity community forestry grantees might also get improved financial/ economic benefits. This includes payment for environmental service schemes and recently carbon trading. Both promise financial reward the good forest practices. The government should make necessary steps to help the people to benefit from the new opportunities.

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