

The Dynamics of Decentralization in the Forestry Sector in South Sulawesi

The History, Realities and Challenges of Decentralized Governance

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Glossary

Adat	Customary
APBD	<i>Anggaran Pendapatan Belanja Daerah</i> , District Budget
APL	<i>Areal Penggunaan Lain</i> , a non-forestry utilization area controlled by district government
Asmindo	<i>Asosiasi Pengusaha Meubel dan Kerajinan Indonesia</i> , Indonesian Furniture and Handicraft Association
Bappeda	<i>Badan Perencanaan Pembangunan Daerah</i> , Regional Development Planning Board
BPDAS	<i>Balai Pengelolaan Daerah Aliran Sungai</i> , Provincial-level Watershed Management Bureau
BPKH	<i>Balai Pemantapan Kawasan Hutan</i> , Forest Area Designation Bureau
BPN	<i>Badan Pertanahan Nasional</i> , National Land Agency
BPS	<i>Balai Pusat Statistik</i> , Central Statistics Bureau
Bupati	District Head
CDK	<i>Cabang Dinas Kehutanan</i> , District-based Forestry Office, accountable to the Provincial Forestry Office
CIFOR	Center for International Forestry Research
DAK	<i>Dana Alokasi Khusus</i> , Special Allocation Fund
DAU	<i>Dana Alokasi Umum</i> , General Allocation Fund
Dinas Hutbun	<i>Dinas Kehutanan dan Perkebunan</i> , Regional Forestry and Estate Crops Office
Dispenda	<i>Dinas Pendapatan Daerah</i> , District Revenue Office
DPRD	<i>Dewan Perwakilan Rakyat Daerah</i> , District Legislative Assembly
DR	<i>Dana Reboisasi</i> , Reforestation Funds
FGD	Focus Group Discussion
FKKSS	<i>Forum Komunikasi Kehutanan Sulawesi Selatan</i> , South Sulawesi Forestry Communication Forum
FORDA	Forestry Research and Development Agency
GN-RHL	<i>Gerakan Nasional Rehabilitasi Hutan dan Lahan</i> , National Programme for Reforestation and Land Rehabilitation
HK	<i>Hutan Konversi</i> , Conversion Forest
HL	<i>Hutan Lindung</i> , Protected Forest
HPH	<i>Hak Pengusahaan Hutan</i> , Large-scale Commercial Forestry Concession
HPHH	<i>Hak Pemungutan Hasil Hutan</i> , Small-scale Forest Product Harvest Concession
HPT	<i>Hutan Produksi Terbatas</i> , Limited Production Forest
HTI	<i>Hutan Tanaman Industri</i> , Industrial Timber Plantation
IHPH	<i>Iuran Hak Pengusahaan Hutan</i> , Forest Concession Licence Fee

IPK	<i>Ijin Pemanfaatan Kayu</i> , Timber Clearance Permit for Convertible Forest Areas
IPKTM	<i>Ijin Pemanfaatan Kayu Tanah Milik</i> , Timber Clearance Permit for Privately-Owned Land
IPKPJ	<i>Ijin Pemanfaatan kayu Pembangunan Jalan</i> , Timber Clearance permit for Road Construction
IPKR	<i>Ijin Pemanfaatan Kayu Rakyat</i> , Timber Clearance Permit for Community Forests
Kanwil Kehutanan	<i>Kantor Wilayah Kehutanan</i> , District Forestry Office, accountable to the central government
Kawasan Hutan	State Forest Area controlled by the central government
Kecamatan	Sub-district
LAG	Local Advisory Group, a research advisory group working with CIFOR in the region
NGO	Non-governmental Organization
NIT	<i>Negara Indonesia Timur</i> , Eastern Indonesian Nation
NTFP	Non-timber Forest Product
Otonomi Daerah	Regional Autonomy – the beginning of decentralization in Indonesia
PAD	<i>Pendapatan Asli Daerah</i> , District Own-source Revenue
PAR	Participatory Action Research
Perda	<i>Peraturan Daerah</i> , District Regulation
PP	<i>Peraturan Pemerintah</i> , Law
PRA	Participatory Rural Appraisal
PSDH	<i>Provisi Sumber Daya Hutan</i> , Forest Resources Rent Provision
Rakorbang	<i>Rapat Koordinasi Pembangunan</i> , Development Coordination Meeting
RHL	<i>Rehabilitasi Hutan dan Lahan</i> , Forest and Land Rehabilitation
RKPH	<i>Rencana Kerja Pengusahaan Hutan</i> , Company Logging Schedule
RKT	<i>Rencana Kerja Tahunan</i> , Annual Logging Schedule
SKT	<i>Surat Keterangan Tanah</i> , Land status certificates issued by village heads
SP3	<i>Sumbangan Pihak Ketiga</i> , Third-party Contribution
TNI	<i>Tentara Nasional Indonesia</i> , Indonesian Armed Forces
UNHAS	<i>Universitas Hasanuddin</i> , Hasanuddin University in South Sulawesi
UPT	<i>Unit Pelaksana Teknis</i> , Technical Executive Unit
UUPK	<i>Undang-Undang Pokok Kehutanan</i> , Basic Forestry Law
YBS	<i>Yayasan Bumi Sariwegading</i> , a local NGO based in Luwu District

Preface

This case study is part of a series describing the impacts of decentralization in the forestry sector in Indonesia. Over the last two years (2002–2004), a team of researchers from regional universities, NGOs and CIFOR worked on a policy action research project: ‘Can Decentralization Work for Forests and the Poor?’, intended to help inform policy decision making. The research has involved working with multi-stakeholder networks in five provinces across Indonesia (South Sulawesi, East Kalimantan, Jambi, West Kalimantan and Papua) in gathering and sharing detailed socio-legal, economic and ecological analyses of the impacts of decentralization on forestry and the poor.

The foundations for decentralizing Indonesia’s highly centralized governance system were laid out in Law No. 22/1999 on Regional Governance and Law No. 25/1999 on Fiscal Balancing between the Central and Regional Governments. Decentralization has provided district governments with considerable opportunities to reform their governance, development and public service delivery. The most tangible manifestation of decentralization in the forestry sector was that district heads were given authority to grant small-scale forest concessions for the first time.

The first two years of decentralization in Indonesia represented a time of transition and adjustment. Forest-rich districts celebrated this new freedom to gain direct economic benefits by establishing district timber regimes. As a result there was a boom in small-scale logging. The national government reacted with a new

set of forestry policies attempting to limit forest degradation, mainly by curbing district authority. At about the same time, many district governments and local stakeholders started to realize that their level of timber exploitation was not sustainable. In these districts, a process of policy learning led to new, more carefully considered district forestry policies. However, their potential was limited as the central government had already taken back much of the district’s authority for forestry.

Under the New Order regime, the forest governance system had created an unsustainable timber extraction regime. It has also been described as a ‘poverty-creating’ model of forest management (DFID 1999)¹. So far, decentralization in Indonesia has not magically solved the problems built up over decades of over-exploitation and under-investment in natural resource-based development. Decentralization has undoubtedly brought short-term economic windfalls to some forest-dependent communities, and brought decision-making closer to local stakeholders. However, if forest and eco-system management at the local level is to be sustainable, all the stakeholders who will be impacted by government policies in this area need still greater involvement. Their input should help to ensure that final policies provide them with real opportunities to improve their livelihoods and the natural environment within a framework of sustainable natural resource management.

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Bogor, Indonesia

Siân McGrath
Project Coordinator

Abstract

Having broken away from Luwu District in 2001, the Luwu Utara District Government has faced many problems in its three years of implementing decentralization. The obstacles to implementing decentralization were due mainly to the inconsistency of national laws and regulations, unclear division of responsibility and authority between district, provincial and central governments, an unfair balancing mechanism for reforestation funds between producing and non-producing districts, increased claims of tenure by local communities, low levels of public participation in decision-making processes and a lack of spatial planning at the district level. This study found that at the beginning of decentralization the district government was not very well prepared and lacked adequate human resources and facilities for taking over the management of its forests. As time progressed, the Luwu Utara District Government, especially the Forestry and Estate Crops Office, strove continuously to improve its forest management capacity. However, due to a lack of resources and uncertain division of authority, many aspects of forest management are still not handled properly. By using an inclusive decision-making process for the research process, this study helped the district government and local communities to look at underlying causes of problems in implementing forestry sector decentralization in their areas and to find alternative solutions to these problems. As a result, the district Forestry Office has undertaken many activities in direct response to the outcomes of this research project, such as a social forestry programme for local forest-dependent communities and the adoption of more inclusive processes for district forestry planning. There have also been changes in attitudes to customary rights over natural resources, and the provision of technical assistance and capacity building for rural forest-dependent farmers. The study concludes that the framework for forestry decentralization needs to be reformed to promote better and more accountable forest management, at the regional and central levels, and to give the district governments more room to manage their own resources in the interests of the poorest forest-dependent people in their areas.

The intention behind regional autonomy (*Otonomi Daerah*), or decentralization, was to bring decision-making processes closer to the public, to make public policy more acceptable and productive, and to fulfil demands for justice at the grassroots level (Resosudarmo 2004). Through the decentralized system of government, districts have been given greater opportunities to develop their own policies according to local social and cultural characteristics, economies and needs. As it has brought decision-making processes closer to the grassroots, the new system can be considered far more democratic than the centralized system of government in place under Soeharto's New Order regime.

Since the collapse of the New Order regime in 1998, decentralization has also created opportunities for better and wiser forest management in the districts. Based on preliminary assessments of decentralization literature, this study investigates several hypotheses about benefits that were expected following forestry decentralization in South Sulawesi. These benefits were: (a) decentralization would provide a basis for better distribution of income because most of the benefits gained from the forests would go to the local people; (b) there would be potential for more transparent policy making at the district level; (c) districts that benefit directly from forest management would be more motivated to control forest exploitation, thus enabling more appropriate monitoring; and (d) decentralization would encourage better coordination between local institutions located

at the same area, thus allowing more intensive formal and informal interaction.

As well as investigating how well decentralization delivered benefits, this study also assumed that decentralization could impact negatively on district development when: (a) central government did not properly prepare district and provincial governments, thereby failing to help build the capacity they needed to carry out their shared responsibilities; (b) with the nation-wide, even world-wide, benefits provided by their forests (e.g. carbon sequestration, timber supply, etc.), the districts were entitled to only small incentives for maintaining forest resources sustainability; and (c) local elites had strong positions, and decentralization could strengthen the pre-existing power relations in districts, instead of pushing them towards democracy.

In April 2001, the Forestry Department at the University of Hasanuddin (UNHAS), in cooperation with the Center for International Forestry Research (CIFOR), embarked on a collaborative research project to look at the processes, problems and impacts of decentralization in the forestry sector in South Sulawesi Province. Research in South Sulawesi was conducted in three phases: Phase I (2001/2002), Phase II (2002/2003) and Phase III (2003/2004). Each phase adopted a different theme and focus². The research was designed to be participatory, and UNHAS and CIFOR involved local stakeholders, i.e., community representatives, customary leaders, entrepreneurs, the local media, academics, non-governmental organizations and officials from

local institutions working in the development of the forestry sector in South Sulawesi³.

The first and second rounds of research successfully identified various positive and negative impacts of decentralization. Findings from these rounds highlighted key constraints and issues arising from the implementation of decentralization in the forestry sector. The research revealed that obstacles to the implementation of decentralization in South Sulawesi in the early years (2001–2002) were due mainly to the following: inconsistent national laws and regulations (see Section 4); unclear division of responsibility and authority between district, provincial and central governments; an unfair balancing mechanism for reforestation funds (*Dana Reboisasi*, DR) between producing and non-producing districts; increased claims of tenure by local communities; low levels of public participation in decision-making processes and a lack of special planning capacity at the district level. The third phase in this research used a series of Participatory Action Research (PAR) methods, which enabled us to devise alternative solutions and recommendations based on local stakeholders' inputs and our analysis of the results of our first two rounds of research.

This report is a summary of all three phases. The report opens with a context-setting review of the various laws and regulations related to forest sector decentralization and a section giving a brief overview of the research sites. The following sections describe and discuss issues concerning the processes and effects of decentralization on local forest management, forestry institutions, fiscal balancing and local people's livelihoods. Each section provides recommendations for possible problem-solving mechanisms. As it broke away from Luwu District as recently as 2001, it is not surprising that the Luwu Utara District Government has faced many problems in its three years of implementing decentralization. The Luwu Utara District Forestry and Estate Crops office (*Dinas Kehutanan dan Perkebunan, Dinas Hutbun*) is striving continuously to improve its forest management capacity. Many recent projects introduced by the district have been undertaken as direct responses to earlier findings. The district government has been extremely willing to follow up on policy recommendations facilitated through this research project, such as a social forestry programme for local forest-dependent communities, renewal of the district's Forestry Spatial Plan, and providing technical assistance and capacity building for rural forest-dependent farmers.

As the different phases of this study had different focuses and emphases, different methodologies were used for each.

The first phase of the study focused on district forestry sector decentralization mechanisms and implementation processes, and used a more conventional extractive methodology, mainly via open or structured interviews. Interviews involved district and provincial stakeholders from institutions in Luwu Utara and South Sulawesi working in the forestry sector⁴, non-governmental organizations, forestry entrepreneurs, and local people from the three villages of Sepakat, Cendana and Seko living in or around the forest⁵.

The second phase of the study was aimed at observing the district administration's forestry sector decentralization policies, and obtaining community responses towards the implementation of decentralization. Comparative data was also collected from Mamuju District, which was selected because its level of fairly extensive forest cover makes it similar to Luwu Utara. The same conventional methodology was using during this phase. Interviews involved a more varied group of stakeholders⁶, including forest concessionaires and sawmill owners from Luwu Utara District, Mamuju District and Makassar Municipality, in order to determine how far decentralization had affected forestry enterprises. In response to demands from district stakeholders for more information on the balancing mechanism for Reforestation Funds (*Dana Reboisasi*, DR),

questionnaires on the issue were distributed to all District Forestry and Estate Crops Offices in South Sulawesi during this phase of the research. The questionnaires were used to collect district opinions on the prevailing DR balancing system and to discover the proportion of DR allocation received by contributing and non-contributing regions. Data was triangulated with information received from the provincial and central governments.

The third and last phase of research looked at underlying causes of problems in implementing forestry sector decentralization at the district level, particularly coordination between district and provincial governments. The research also aimed to find alternative solutions to these problems by using an inclusive decision-making process for the research process. An action research methodology was applied during this phase to involve local stakeholders in a more participatory manner from planning up until the end of the research project. Stakeholders were also included through a Local Advisory Group (LAG). This was a research advisory group convened to work with CIFOR and the University of Hasanuddin (UNHAS). LAG members included individuals, government and non-governmental institutions at every level. They met periodically to give input, criticism and feedback on research activities, so the individuals and/or the institutions they represented would have a sense of involvement in the processes and outcomes of the research. Ongoing results were evaluated at every LAG meeting, in order that the research team and

stakeholders could formulate the next action plan together in an inclusive manner.

Several methodological tools such as Participatory Rural Appraisals (PRA), Focus Group Discussions (FGD), workshop/seminars, participant observation and interviews with key informants were used. Two customary communities, one making a claim over a customary forest (Pulao, Sassa village) and another with claims over customary land (Pampli, Sepakat village), were selected for the study. Data was triangulated through FGDs and village workshops. The PRA method proved effective for gathering information on the claims of customary forest/land and the communities' access to forest benefits. Stakeholders used the findings (during workshops or FGDs) to formulate recommendations for solving problems that were adaptable to conditions in their local communities.

In-depth analyses of district policy-making processes were made from three FGDs in the district⁷. Unfortunately, although they received invitations, the police never joined any of these discussions. Similar FGDs

were held at the provincial level with district government officials from Gowa, Maros, Wajo, Polmas, Barru and Luwu Utara. These helped give examples and possible solutions to the coordination problems between the district and provincial governments in South Sulawesi. A workshop held jointly by the research team and the South Sulawesi Forestry Communication Forum (*Forum Komunikasi Kehutanan Sulawesi Selatan* (FKKSS))⁸ was aimed at promoting synergy and coordination in district and provincial level forestry sector programmes.

At the end of every research phase, workshops were held to invite consultation and to formulate research recommendations together with all district and province-level stakeholders⁹. Recommendations were intended for all levels of government (central, provincial and district). The public was informed of workshop outcomes through the local newspapers (*Palopo Post* and *Fajar* dailies). Participants also expressed their commitment to formulate action plans to follow up on these research findings.

3.1. Geography and ecology

Sulawesi's unique biodiversity was first recorded when the British explorer and naturalist Alfred Russel Wallace travelled throughout the Indonesian archipelago in the 1850s. Due to their bio-geographical isolation in the ancient past, Sulawesi's forests have a very high number of endemic species (i.e., species found nowhere else in the world). Sulawesi's unique biodiversity has been the subject of great concern among world scientists keen to promote the conservation and sustainable use of the island's biodiversity (Whitmore *et al.* 1989).

Luwu Utara is the largest district in South Sulawesi, covering almost a quarter of the landmass of the province¹⁰. Most of the area is mountainous, but flat topography spreads along the Bone Gulf (on the eastern coast). The district is covered mainly by tropical rainforest. Several high-value commercial timber species¹¹ such as *Diospyros celebica* (local name: *kayu hitam*) and *Kalappia celebica* (local name: *kalapi*), the two most valuable tree species endemic to Sulawesi, are found in the district. Local forest farmers classify these tree species as Class 1 timber. Dipterocarpaceae¹² timber species, e.g., *Anisoptera thurifera* and *Shorea assamica*, are commonly found in natural forests in Luwu Utara. The district is home not only to wet tropical forests but also to swamp-forest ecosystems, dominated by sago¹³ trees, as well as to rare mangrove, karst, lake and limestone ecosystems. These unique and diverse ecosystems provide valuable ecological and financial services to local communities, including water source preservation, non-

timber forest product (NTFP) collection, timber production, eco-tourism etc.

3.2. Administration, population and socio-economics

Luwu Utara is a new district formed in 2001. In 2003 most of its eastern area separated to form yet another new district, Luwu Timur (or East Luwu). Until the middle of 2004, the government affairs of both districts continued to be managed jointly. Luwu Utara consists of 19 subdistricts (*kecamatan*) with 271 villages (Fig. 1). The total population is around 452 498, with a 2.47% growth rate (BPS Kabupaten Luwu Utara 2002).

Since the 1960s, this area has been targeted by various transmigration programmes. Some people have moved in from other islands, such as Java, Bali and Lombok, while others, particularly Buginese, have come from other areas in South Sulawesi. The indigenous people of Luwu Utara generally live close to forest areas and gather forest produce (rattan or timber) to support their livelihoods. Most people are now also farming rice or planting cacao, oil palm or oranges. Almost all the indigenous people own fruit plantations (durian, langsats, rambutan etc), which provide additional incomes during the fruit harvesting season from November to May. For one entire season, a farmer's income from fruit harvests may vary between US\$ 16.70 and US\$ 55.60 (1 US\$ = Rp. 9000), depending on harvest quantities. The predominantly Javanese migrants had more advanced farming techniques (e.g., drainage and pest control systems), which enabled them to benefit from larger yields (rice, vegetables

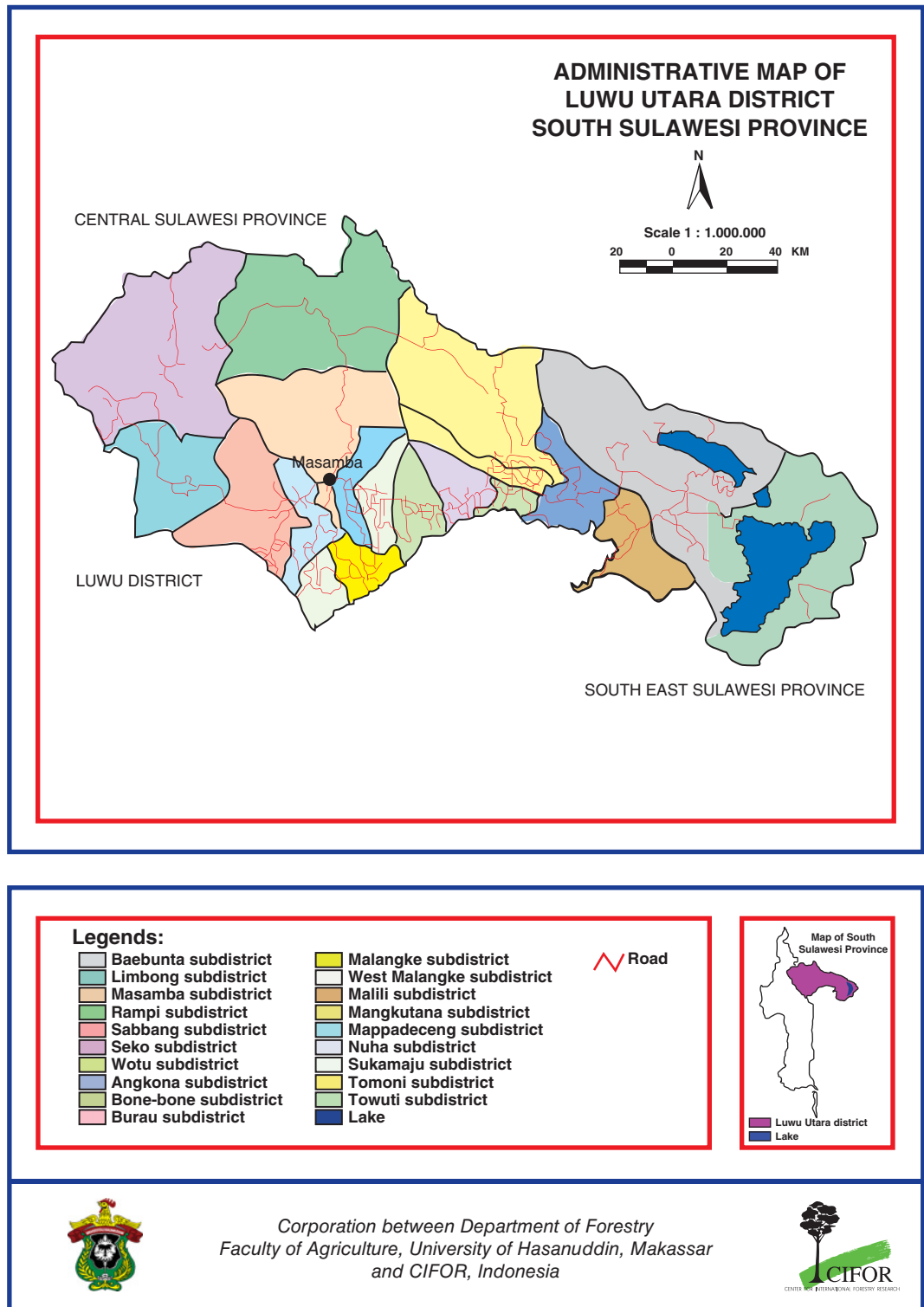


Figure 1. Luwu Utara District administrative map

etc.) than the original inhabitants had managed. The transmigrants also purchased land from indigenous communities. Many local people later copied the farming techniques introduced by migrants, but they were less successful as they did not invest the same level of time in agricultural activities because they were still busy with other activities in the forests. Adult men from local communities usually leave their fields after the planting season and instead collect forest products for ready cash. More than 31% of the population lives below the poverty line, which is twice the average for other districts in this province (BPS Kabupaten Luwu Utara 2002). The poorest people are those living in or around forests. Forestland use is financially and ecologically vital to them. Of all the stakeholders, they are the most dependent on the district's forests. This issue will be discussed in more detail from Section 8.

3.3. Land use and natural resource potential

Luwu Utara has more forest cover than any other district in South Sulawesi. Its forests cover more than two-thirds (72.86%) of its area, and they are the most ecologically and economically important natural resource in the district (Table 1). In 2000, 26.27% of total district revenue (US\$ 89 470 of US\$ 340 560.60, at US\$ 1 = Rp. 9000) came from the forestry sector (Reforestation Fund (DR) funds excluded). Moreover, local forest products, especially rattan and timber, are a staple resource, heavily

relied on by local communities for their daily livelihoods needs.

Of around 1 045 273 ha of forest in Luwu Utara District, 55% is classified as protected forest (*Hutan Lindung*, HL), 15% as nature reserves (*Cagar Alam*) and the remaining 30% as Limited Production Forest (*Hutan Produksi Terbatas*, HPT). Production potential (the total harvest available in the district) for forest products is 29 044 000 m³ of round wood, 21 539 900 m³ of sawn timber, 15 000 m³ of veneer, 25 000 tons of *damar* (resin) and 30 000 000 tons of rattan (Dinas Kehutanan dan Perkebunan Kabupaten Luwu Utara, 2001a).

Until 1997, there were seven Large-scale Commercial Forestry Concessions (*Hak Pengusahaan Hutan*, HPH) companies operating in the district with concessions covering 354 525 ha¹⁴. By 2001, only one HPH – PT. Panply – was still operating, and it reportedly ceased operations in mid-2002. Research findings showed four main factors driving the HPH companies pulling out of the district. First, commercial timber stocks in the forests of Luwu Utara were too small for HPHs to profit from their logging activities. Interviews with an employee of PT. Matano, a new HPH company coming into the district in 2003, indicated that commercial timber stands in the forest areas were no longer sufficient to meet the company's production targets. For its business to survive, PT. Matano had to buy logs extracted from privately owned forests by local communities.

Table 1. Land use area and percentages in Luwu Utara District

Land Use	Area (ha)	% Use
1. Crops and rice fields	196 052	13.66
2. Plantations	75 415	5.26
3. Forests	1 045 273	72.86
4. Mangroves	2 882	0.21
5. Grasslands	27 305	1.90
6. Garden, housing	13 580	0.95
7. Fisheries	15 892	1.10
8. Rivers, lakes, etc.	58 367	4.06
Total	1 434 766	100.00

Source: Bappeda Kabupaten Luwu Utara (2001).

Second, HPH companies received increasing numbers of complaints and claims from local communities over their concession areas. With the onset of *reformasi* following the fall of Soeharto, rises in local communities' complaints and claims over HPH concession areas were reported in most parts of the country. Third, HPH companies were

obliged to pay additional administrative and operational costs such as local taxes and levies, Third-party Contributions (*Sumbangan Pihak Ketiga*, SP3) etc. to the district government after forest sector decentralization. Fourth, with decentralization, the district government gained more authority over HPH activities in its area and subsequently used this influence

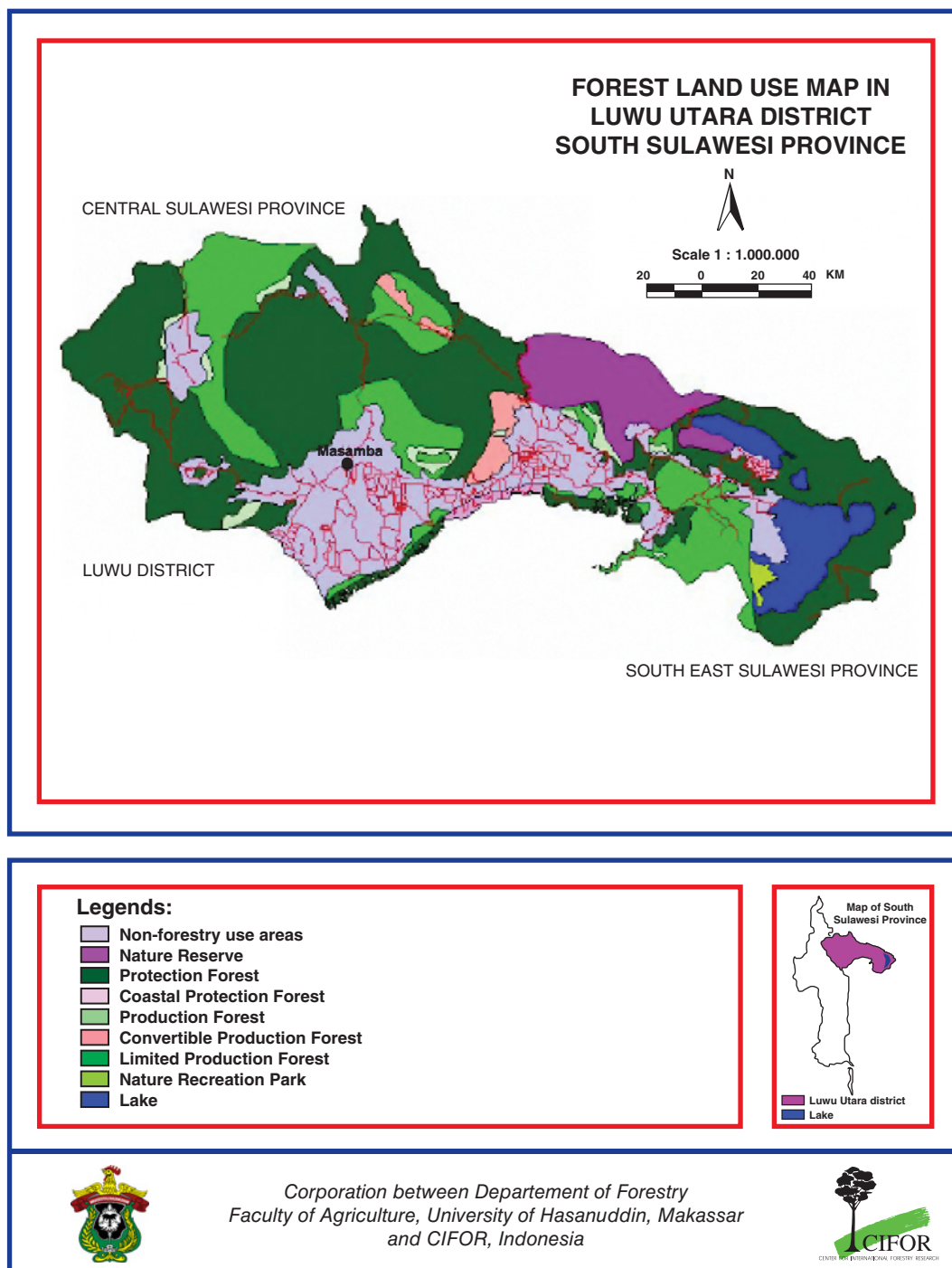


Figure 2. Forest use in Luwu Utara

to limit their activities. An interview with the Head of the Luwu Utara District Forestry and Estate Crops Office revealed that some HPH companies had paid neither their central forestry taxes (DR and Forest Resources Rent Provision (*Provisi Sumber Daya Hutan*, PSDH)) nor their local taxes. Consequently, the district government decided to hold back on issuing recommendations for HPH permit extensions in the area. HPH companies require recommendations from District Forestry and Estate Crops Offices to secure logging permits from the Ministry of Forestry and Estate Crops.

Our research found that the economic returns from environmental services of the forests in Luwu Utara were often higher than the potential returns from NTFPs and timber exploitation put together. For example, the forest around the Larona watershed area preserves the water supply for Lake Towuti, which is used to power a hydroelectric generating plant. In 2001, the PT. INCO mining company paid billions of Rupiah (around US\$ 524 909.3 at that time) in water levies to the district government for using this resource. Rongkong, another watershed area in Luwu Utara, is a commercial tourist area well known for rafting and water sports, with national competitions often held in the area. The district's proximity to Tana Toraja¹⁵ also makes its forests potential sites for ecotourism. Experiences in other districts with forest conditions similar to those in Luwu Utara (e.g., Bantimurung Forest in Maros District or Malino Forest in Gowa District) and other countries (e.g., Nepal and Bhutan) have proved that the commercial value of ecotourism to local governments and communities living near forests is far higher than that from mere timber extraction.

As agriculture (rice fields and plantation crops) is also a major land use in Luwu Utara District (see Table 1), forests are also important for maintaining water supplies for

downstream farming land. Local communities realize that the forests also prevent flooding and soil erosion. In 2001, local communities complained to PT. Kendari Tunggal, an HPH concessionaire operating in Seko village, asking it to stop its logging operations because it was causing severe flooding downstream in Malangke. Many farmers lost their plantations in the floods.

It is clear from these experiences and evidence from the field that forest resources provide great ecological and socio-economic services to local people in Luwu Utara. Since there are no large-scale concessions operating in Luwu Utara District, and the district has not used its new authority under decentralization to issue any Small-scale Forest Product Harvest Concessions (*Hak Pemungutan Hasil Hutan*, HPHHs), the idea of promoting the environmental value of forest areas could be a win-win solution for preserving forest resources and supporting the sustainable management of watersheds while maintaining forests as long-term income generating sources for local communities and the district treasury.

Besides its forest resources, Luwu Utara District also has many potential mineral resources, such as 3.1 billion m³ of marble, 13.7 billion tons of granite, 2.4 billion barrels of oil, 1 million tons of nickel, 500 million tons of iron, 750 000 tons of quartz sand, 200 million m³ of karst, 400 million m³ of kaolin and gold (Sekretariat Daerah Pemerintah Kabupaten Luwu Utara 2004). However, only nickel has been exploited commercially, by PT. INCO (International Nickel Indonesia). The Luwu Utara District Government has often tried to promote its other potential mineral resources, by lobbying donors, investors and central government, and through exhibitions and presentations in Jakarta. However, to date, investors have yet to exploit these mining resources.

4.1. Forestry sector policies prior to decentralization

Throughout the New Order era, pre-decentralization forestry policies in Indonesia were founded on Basic Forestry Law No. 5/1967 (BFL 1967). A year after this law was passed, the central government issued Regulation (PP) No. 6/1968¹⁶, withdrawing control from district governments and granting control over forestry instead to provincial governments in the former Eastern Indonesian Nation (*Negara Indonesia Timur* (NIT))¹⁷. Prior to the New Order regime, forest sector management in these regions was fully decentralized, managed at the district level in the former NIT and delegated to the provincial level in other parts of Indonesia¹⁸.

Between the introduction of BFL 1967 and the mid-1980s, more than 150 pieces of national forestry legislation were passed, but none decentralized any authority to the districts. It was only in the midst of mounting concern about the state of Indonesia's forests that the Minister of Forestry issued Decree No.86/Kpts-II/1994¹⁹ on the Delegation of Some Central Government Forestry Affairs to the Districts. The delegated forestry affairs were limited to non-commercial forestry uses, such as reforestation, land and water conservation, natural silk production, beekeeping, community forestry and community forestry facilitation outside state forest areas. This list indicates that central government only delegated duties and responsibilities to district governments; it did not give them any rights to determine how forests should be managed, nor did it give them any share of forestry sector benefits. The central government continued to manage forest

production and collect all forestry-generated revenue.

4.2. Post-decentralization forestry sector policies

After 30 years of highly centralized forest management, Law No.22/1999 (the Decentralization Law) gave district governments broader authority and responsibility for natural resource management. With this new law, districts became autonomous, with the right to elect their own district parliaments. Meanwhile, Jakarta retained control over provincial-level governance.

The following year, the Ministry of Forestry drafted Law No. 25/2000²⁰. Ostensibly this law was supposed to clarify the new division of responsibilities between the districts, provinces and central government under decentralization. However, the law simply negated the authority transferred to the districts under the Decentralization Law. For example, Articles 2 and 3 of this law simply reiterated the central and provincial level government's authority over the forestry sector. The logic was that any remaining authority not specifically mentioned in the new law was delegated to district governments. However, the law made no clear statements about what aspects of forest management fell under the districts' authority. This led to confusion and different interpretations across Indonesia.

The Decentralization Law emphasized²¹ that district governments had authority over natural resource management in their district. However, in the same year, the central Ministry of Forestry also issued Basic Forestry Law

No.41/1999 (BFL 1999). As with Law 25, the new BFL simply strengthened central government (Ministry of Forestry) authority. The district governments complained that it was inconsistent with the Decentralization Law, and demonstrated the central government's lack of commitment to the decentralization process as a whole.

Nonetheless, by December 2001 Luwu Utara District Government had issued 89 district regulations (*Perda*)²² under its new authority, most of which regulated new local taxes and business permits. None of these *Perda* dealt with the sustainable management of natural resources. This creates the impression that the district government's pressure for regional autonomy to be endorsed by the central administration was driven first and foremost by the desire to increase its district own-source revenue (*Pendapatan Asli Daerah*, PAD). Indeed, Luwu Utara's PAD did rise sharply after decentralization. This is due to an increase in taxes and water levies. Previously, water levies had been paid directly to the central government (see Section 5.2). This is interesting as Luwu Utara's PAD differs from that of other districts across Indonesia whose PAD did not show any sustained increase after decentralization, with most districts still relying heavily on central fund transfers (Dermawan in press). In Luwu Utara, however, 97% of PAD came from district water levies. This might explain why Luwu Utara has put less pressure on its forests to source development funds than other districts with similar profiles have. For example, Jambi and East Kalimantan are both similarly rich in natural resources with above-average levels of poverty and poor infrastructure and service provision, but Luwu Utara has put significantly less pressure than these provinces have on its natural resource stock to fund district development from its independent budget, PAD.

Our research also found that the Luwu Utara District Government has a very open-minded approach to reform, and has consistently tried to improve its existing *Perda*. For example, on June 28th 2002, it issued District Regulation No.7/2002 on Forest Resource Preservation as a direct result of inputs from the research team,

which highlighted the need for a regulation to encourage and set standards for forestry conservation.

4.3. Reforestation fund policy

4.3.1 The history of Reforestation Funds (Dana Reboisasi, DR)

Reforestation Funds (DR) were introduced under a Presidential Decree (No. 35/1980)²³, requiring *Hak Pengusahaan Hutan*, Large-scale Commercial Forestry Concession (HPH) concessionaires to pay towards the reforestation and regeneration of logged-out concessions. DR rates were based on the volume of logs (including firewood) harvested from a concession. In theory, the funds were simply a deposit, or a guarantee to ensure reforestation and regeneration of degraded forest land; the funds should have been returned to the HPH concessionaires once they had satisfied the central administration that reforestation and/or regeneration was complete. If companies failed to re-plant their logged out concessions, the central government (Directorate General of Forestry) then had the right to use the funds to carry out reforestation itself. However, in reality neither the forestry department nor the HPH holders made much effort at reforestation. The reforestation funds were notoriously abused. Four years later, the Ministry of Forestry issued a ministerial decree²⁴ allowing concessionaires to use DR to develop Industrial Timber Estates (*Hutan Tanaman Industri*, HTI) instead of reforesting or regenerating degraded areas.

In 1989, a new presidential decree²⁵ on DR was introduced. The new policy stated that DR was an obligatory fund paid by large concession holders (HPH), small-scale concession holders (HPHH), and Timber Utilization Permit (*Ijin Pemanfaatan Kayu*, IPK) holders. This time, DR were to be used by the Ministry to finance reforestation activities outside forest concession areas, HTI and land rehabilitation in several other areas designated by the Ministry of Forestry. However, paying DR did not diminish forest concessionaires' obligation to maintain and regenerate forests in their concession areas.

DR were also collected from timber processing companies²⁶, with rates set at US\$ 7/m³ of logs and US\$ 1/m³ of wood chips. A year later, rates rose to US\$ 10 and US\$ 1.50 per m³ respectively²⁷. DR payments increased further in 1993 and 1997²⁸, with differentiation between timber species and place of origin. In 1998, as a result of the monetary crisis, DR was paid in Rupiah rather than US dollars. For Sulawesi, DR was set at US\$ 7.80/m³ (US\$ 1 = Rp. 9000) for meranti wood, US\$ 6.7/m³ for mixed woods, and US\$ 11.10/ m³ for ebony (the best quality wood in Sulawesi)²⁹. It was considered easier for permit holders to pay DR in Rupiah, as it fluctuated less in value. However, in practice, few HPH holders paid their DR contributions during the crisis.

4.3.2 The balancing mechanism for in reforestation funds

2001, the central government set out new mechanisms for sharing the revenues from various sectors to help finance decentralized governance and development in the districts. Under Law No. 25/1999 on fiscal balancing³⁰, there were three forms of balancing funds: (a) General Allocation Funds (*Dana Alokasi Umum*, DAU)³¹, Special Allocation Funds (*Dana Alokasi Khusus*, DAK)³², and shared revenues from land and natural resource taxes. The law determined sharing mechanisms for Forest Concession License Fees (*Iuran Hak Pengusahaan Hutan*, IHPH) and Forest Resource Rent Provision (PSDH), which were allocated in the form of DAU, as well as DR, allocated in the form of DAK-DR funds allocated specifically for forest and land rehabilitation,

with 40% going to the contributing region and 60% to the central government. The law on fiscal balancing also determined that 20% of revenue generated from IHPH and PSDH taxes on timber harvesting would go to the central government, and 80% to the ‘contributing region’³³ (*daerah penghasil*)³⁴. Meanwhile, 60% of DR would go to the central government and 40% to the contributing region³⁵ (see Table 2). Of the 24 districts in South Sulawesi, only two (Luwu Utara and Mamuju) are categorized as contributing regions, which means they provide DR revenue for the entire province of South Sulawesi. The allocation and uses of DR in Luwu Utara will be discussed further in Section 5.4.

4.4. Community forest and land policies

Article 2 of BFL 1967 groups forests into two categories according to ownership status: (a) state forests (*hutan negara*) are forest areas and timber stands growing on land not subject to any individual property rights; and (b) privately-owned forests (*hutan milik*) are forests growing on land subject to proprietary property rights. However, Article 5 of the same law further stated that all forests within the Republic of Indonesia, and the natural resources they contain, are controlled by the state³⁶. Meanwhile, communities’ rights to benefit from forests were further limited by Article 17, which stated that, ‘The application of community rights, customary law and individual rights to gain benefit from a forest, ...etc., may not upset the achievement of objectives laid down within this law’. This

Table 2. Central and district government shares of revenues generated from the forestry sector

Forms of shared funds	Central government (%)	Timber producer province (%)	District	
			Contributing (%)	Non-contributing (%)
IHPH (Forest Concession Licence Fees)	20	16	64	0
PSDH (Forest Resource Rent Provision)	20	16	32	32
DR (%)	60	40		

clearly shows that local community rights had very little priority or recognition prior to decentralization.

4.4.1 Legal definitions of state forests, customary forests and customary communities

According to Sumardjono (1996), under customary (*adat*) law, ownership of standing trees cannot be separated from ownership of the land they grow on. Therefore, according to *adat* law, land and forests may be owned or controlled privately (*privaatrechtelijk*) or collectively by the community (*publiekrechtelijk*) (Sjariffudin *et al.* 2003). He explained that a privately owned forest (*hutan milik*) is a forest growing on private land controlled by an individual or a community group. This forest may be acquired by growing plants or trees for a number of years on the privately owned land until it becomes a forest. Sjariffudin further explained that, in principle, the differences between individual and collective ownership of land are as follows:

First. Individually owned land (*tanah milik*) is acquired by converting a forest for agricultural use and then cultivating it continuously from generation to generation. On this type of land, owners are considered to have a symbiotic and spiritual connection with their land. Under the Agrarian Law, individuals can apply for statutory acknowledgement of individual ownership rights³⁷, with formal land registration from the district-level office of the National Land Agency (BPN). However, if the land remains unused for a long time, becoming unproductive or reforested, it falls under the category of ‘abandoned land’. At this point it reverts back to state land or state forest or to the control of the existing customary community or institution. This is provided for in Article 27, paragraph 3, of the Basic Agrarian Law (BAL).

Second. Collectively owned land (*tanah ulayat/beschikkingsrecht*) is land controlled jointly by a customary community, used for the livelihood of the community and managed by *adat* leaders.

A customary, or *adat*, community is a group with a collective right over a certain area,

established by their genealogic and territorial history. This collective right came about naturally, at the time the customary community was established, hence the existence of a collective right depends wholly on the existence of the community itself. Therefore, in theory, collectively owned land or forest cannot be owned or claimed by an individual.

By having control over a certain forest, a customary community also has rights and responsibility for managing its resources. However, there is no generic law in Indonesia specifically dealing with natural resource management by *adat* communities. There are, however, some provisions for recognizing customary rights to natural resources across various different national laws and regulations. According to Article 67 of BFL No. 41/1999, customary community rights to use forests are limited to subsistence use. Communities are prohibited from any commercial or profit-making activities. However, this contradicts Article 37 of the same law, which indicates that *adat* communities have the right to use forests for commercial purposes, so long as they have the relevant permit³⁸. With these contradictory provisions, it is difficult to determine and recognize *adat* community rights over forests.

However, local *adat* communities are also part of the global community. They will have to take part in the mainstream economy if they are going to earn a sustainable livelihood. Commercialization is one alternative to the subsistence lifestyles of the past. National law therefore has to provide clear guidelines on recognizing and upholding local *adat* communities’ rights to manage forest resources for profit rather than limiting their rights to subsistence. Clarifying and recognizing local communities’ property rights will be a first step towards supporting access to the global mainstream economy, together with developing their capacities for natural resource management, and increasing their access to relevant information and decision-making processes.

In the past, many *adat* governance systems operated under strict principles of sustainable and long-term management of forests and natural resources to provide livelihoods for

customary community members (Sjariffudin *et al.* 2003). The duty of community members was to preserve the forest, maintaining its value for future generations. Anyone who violated this principle could be punished in accordance with the *adat* rules followed by their customary community. However, where pressures on resources have been very high the old *adat* rules have not been able to accommodate the pressure for economic opportunities for customary communities whilst also preserving the communities' resources. This has been the case where market demand has been very high or where HPH concessions have logged out local communities' ancestral lands, and where high levels of poverty and forest dependence have increased local communities' need to convert forests to trade in the cash economy. The new challenge is to find new ways of applying *adat* principles that can promote forest-dependent communities' wellbeing in today's socio-economic and ecological conditions.

As all land officially gazetted as state forest is legally owned by the state of Indonesia, communities have limited rights to use forests for their livelihoods, and their property rights are not recognized. Therefore, using the concept of state control over the Indonesian forest estate as its legal basis, *adat* community rights to benefit from forestry cannot automatically generate property rights. Parallel to the formal principles laid out in the Basic Forestry Law on *adat* communities³⁹, the Basic Agrarian Law (BAL) and a BPN decree⁴⁰, both state that the following criteria must be met before *adat* communities and their property rights can be formally recognized:

1. The community in question lives as a collective group which is still bound by customary rules and is exercising those customary rules in their daily lives;
2. The community has a clear area of customary land (*lahan adat*) where its members live and from where they draw resources to fulfil their livelihoods needs; and
3. There are prevailing customary rules and an institution governing the management, ownership and utilization of customary land and resources, and all community members adhere to these rules.

A customary community must meet all three of these interrelated criteria before it can gain formal recognition of its property rights. The BAL also indicates that the existence of *adat* community rights has to be clarified by local government (village – district) and supported by thorough research involving local experts on *adat* law, customary leaders and representatives, NGOs, relevant government institutions and all other stakeholders. An *adat* community that meets all these criteria is formally recognized as a customary group under a *Perda*. Once it has achieved recognition, a customary community will formally be given rights to:

- a. Collect forest products for the **subsistence needs** of the community;
- b. manage its forest in accordance with prevailing customary laws, as long as they do not contravene national laws; and
- c. be empowered to improve the welfare of members of the community.

4.4.2 Procedures for land or forest ownership

The number of cases involving local people making customary land claims rose dramatically immediately after the fall of the New Order regime in 1998. More claims were triggered with the introduction of decentralization in 1999. Claims often caused a furore because of the ambiguous legal procedures involved, and the legal uncertainty over the basis for legitimizing claims. The prevailing law⁴¹ on land registration states that claims can be legitimized only on the basis of evidence of legal ownership. For individually owned land or forest (outside state forest), this might be written evidence (e.g., tax bills, land transaction documents, papers), witness testimonies and/or relevant statements that are judged to be reliable and truthful. Physical evidence, such as natural borders or community graves or shrines, can also be used if written evidence either does not exist or cannot be found. Physical evidence may be recognized if it has existed for a minimum of 20 consecutive years or has been known by the village head from generation to generation⁴².

In many districts in South Sulawesi, including Luwu Utara, village heads often

abuse their authority to issue local proof of land ownership letters (*Surat Keterangan Tanah, SKT*) for land that has recently been opened up for agricultural use at the edge of a forest. On the basis of a certificate issued by a village head, and subsequently authorized by a subdistrict head (*Camat*), the district-level office of the BPN can issue a land certificate. As stated in the BAL, if written proof or physical evidence is provided, a request for formal registration of the land may be made providing the following conditions are met (Kansil 2002):

1. Proof exists that the land has been maintained and remained productive for 20 consecutive years or more.
2. There is acknowledgement from other community members that the land belongs to the claimant or his family, and has never been subject to ownership disputes with other community members or people from adjacent villages.
3. A claim is endorsed by the testimony of reliable people such as religious leaders.
4. A claim must be announced publicly providing the opportunity for any objections to be raised (Based on Article 26 of Law No. 24/1997).
5. Research is conducted to determine the validity of a claim

Finally, after these procedures have been followed, the land and its ownership status can be registered formally at the district-level office of the BPN or through a self-funded or subsidized land registration (National Programme for Land Registration).

Considering all the requirements and conditions involved, it is not an easy task for a local customary community to meet all the criteria necessary for formal recognition. To date, there are no standard procedures for legitimizing *adat* property rights stating how an *adat* community can submit a proposal, or who will fund the research to prove their existing customary property rights. Before decentralization, it was even more difficult for the district government to accommodate customary communities' aspirations, as they had to follow central policy or instructions. With decentralization, the district government

has the authority to formulate its own policy and regulations in order to control and manage the utilization of resources in the district. This has provided the opportunity for Luwu Utara District to accept input from local communities and non-governmental organizations (NGOs) concerning customary community and land property rights.

The Head of the District Forestry and Estate Crops Office stated that following decentralization local *adat* communities have more rights to express their opinions and more opportunities to obtain formal recognition of their property rights and status as an *adat* community. The district government involves local representatives more in decision-making processes and is currently re-mapping areas where *adat* communities live, both inside and outside forest areas. However, since the state forest areas are still under Ministry of Forestry jurisdiction, the local government cannot make adjustments to them without the Minister of Forestry's approval. The Head of the District Forestry and Estate Crops Office went on to complain about how slow the central government was in responding to proposals for the reclassification of forest areas, customary community settlements and farming areas in the district. Local communities have settled these areas for centuries, but they are still classified as state forests on district maps (Luwu Utara District Forestry Office personal communication). The Ministry of Forestry has yet to respond to proposals.

YBS (Yayasan Bumi Sariwegading), a local NGO working with communities in Seko Subdistrict, took the opportunity to submit a claim over a customary forest on their behalf. It did this by drafting a proposal for a district regulation on Seko Customary Community Rights over Forest Areas. It spent three years preparing the draft and finally submitted a request for the District Head to authorize the draft formally at a workshop in Masamba on 8–9 March 2004. When invited to give an opening address at the workshop, the District Head refused to sign the draft, stating there were formal procedures for approving or authorizing draft district regulations. He also refused to officially acknowledge the Seko communities'

rights over the forest at the workshop, explaining that draft regulations must undergo a process of consultation with other related institutions and could only be passed by the elected District Legislative Assembly (DPRD). The local NGO was disappointed with this outcome.

Although its intentions were noble and helpful to the local community, the NGO would have been more successful if it had acknowledged and involved other stakeholders in the district, i.e., other *adat* communities near Seko who have similar rights to make claims over the same customary forest areas, as well as local migrants, smallholder farmers, village administrations etc., who should also be consulted and involved in any policy-making processes or district regulations concerning *adat* rights.

In our discussions with him, the District Head clarified his reason for refusing to give instant approval to the draft proposal. He stated that any draft regulation had to follow legal drafting procedures, including deliberation and negotiation through plenary sessions in the DPRD. A draft also has to pass a public consultation process before it can be approved.

It seems that it is necessary to build mutual understanding about policy processes between various parties in the district —

including NGOs. As a principle, any public policy-making must involve the participation of a wider range of stakeholders, not just the community submitting the draft, but also neighbouring communities who have rights over forest resources, as well as the relevant district government offices. The DPRD should also deliberate any draft regulation, and other stakeholders should be consulted and informed to ensure that the regulation will not benefit only one party, NGO, community or the district government. This is especially true when a claim concerns the utilization of natural resources. As these activities can impact upon society at large, they require legal provisions to ensure that they are sustainable in the longer term.

The illustration above gives us a basis for analyzing land tenure issues in Luwu Utara District, and shows how property rights have a profound affect on the natural environment and the long-term generation of local income. This will be discussed further in Section IX. The review of various policies relating to the forestry sector that has been made in Section IV is intended to demonstrate how policies can affect forest management in general, and will be the basis for formulating conclusions and recommendations from the research conducted in Luwu Utara.

5.1. Institutional and legal issues: the new duties and functions of district and provincial Forestry and Estate Crops Offices (*Dinas Kehutanan*)

With the rapid transfer of authority to autonomous district Forestry and Estate Crops Offices, many commentators (politicians, scientists, non-governmental organizations (NGOs) etc.) raised concerns that decentralization would make it easier to convert forests for non-forestry purposes such as commercial plantations, farming land etc. (see Casson 2001; Potter and Badcock 2001). Prior to the official implementation of decentralization in 2001, Luwu Utara District Government had already established its own District Forestry and Estate Crops Office.

However, in Luwu Utara the reality was quite different. Any change of status in a forest area (state forest classification) should be authorized by the Minister of Forestry⁴³. In Luwu Utara District almost all forests are classified as *kawasan hutan* (state-owned forests). The District Government, like many others with large areas of *kawasan hutan*, could do little to change the way its forests were used (see Section 2.2. on forest resources in the district). While other districts across Indonesia enthusiastically issued small-scale 100-ha concession permits (HPHH), the Luwu Utara District Government chose to benefit from its forests in different ways, through district forestry taxation and water levies. One possible reason why HPHH permits were never issued in Luwu Utara is because Large-scale

Commercial Forestry Concessions (HPHs) had already consumed vast areas of natural forest, well before the HPHH policy arrived. Therefore, the remaining commercial timber forest stocks in Luwu Utara were no longer considered sufficient for HPHH permits.

During the New Order era, South Sulawesi's forests were managed by district-based forestry offices (*Kantor Wilayah, Kanwil Kehutanan*), which were accountable directly to the Ministry of Forestry in Jakarta. Their job was to provide technical assistance and implement domestic forestry affairs as assigned by the Minister of Forestry. When the Decentralization Law transferred authority for forest management to the districts, the former *Kanwil Kehutanan* were merged with the Provincial Forestry Office (*Dinas Kehutanan*), which is still accountable to the Ministry of Forestry. Their new responsibilities were given an extremely broad definition: (a) implementing the decentralization and deconcentration of authority; and (b) supporting forestry in the districts. Nonetheless, the shift in responsibilities led automatically to a new organizational structure. Several new positions were created for high-ranking officials who had lost their district positions subsequent to the merger. Many of the newly created positions in the Functional Position Group (*Kelompok Jabatan Fungsional*) had no clear job description, and no clear mechanisms or lines of accountability.

Under decentralization, the provincial forestry offices were tasked with disbanding their district branch offices (formerly known as *Cabang Dinas Kehutanan, (CDK)*⁴⁴. CDK

duties and functions have now been taken over by the District Forestry and Estate Crops Office. The CDKs handed over responsibility for processing applications for HPHH permits before passing them to the provincial Forestry Office for approval. Today applications can be submitted to the District Forestry Office for the District Head's approval.

A certain amount of authority has been transferred from the provincial to the district government. However, one barrier to effective district-level management of resources is the disparity between the capacity of human resources at the provincial and district levels. On the one hand, the districts (particularly the new districts resulting from the division of districts) suffer from a lack of skilled professionals. On the other, there is a concentration of skilled officials at the provincial level. Theoretically, this disparity could be resolved simply by relocating provincial-level professionals to the districts. However, in reality this would be awkward for both levels: higher ranking professionals from the provincial office are not keen to take positions in district offices, which would put them under the supervision of district Forestry Office heads who previously would have held a lower rank than they themselves held. They would also be entitled to fewer and lower-quality facilities. Furthermore, in spite of the provision in the Decentralization Law abolishing the hierarchy between district and province, there is still a very hierarchical relationship between the two.

In addition to the problems related to bringing in skilled professionals to the new district offices, there is also a serious lack of clarity over the precise division of roles and responsibilities between the district forestry offices and the provincial forestry office (which remains accountable to the central government). This ambiguity has led to gaps, overlaps and duplicated functions and responsibilities between institutions at various levels of government. The confusion regarding Rattan Harvest Permits (HPHH Rattan) gives a very clear illustration. Although national law clearly handed responsibility for issuing HPHH Rattan permits to the district level in 2000⁴⁵, the Provincial Forestry Office in Makassar

continued to issue permits until 8 November 2001. The Provincial Forestry officials argued that some district governments were not ready to implement the decentralization policy; it did not specify in which districts. In the meantime, the districts had also started to issue HPHH Rattan permits. To add to the confusion, the central administration was also inconsistent and very unclear when it came to defining its own remit and responsibilities for forestry activities at the local level following decentralization. The Ministry of Forestry's law on the division of responsibilities under decentralization⁴⁶ referred solely to central government authority. It failed to outline whether that authority included carrying out technical activities in the field. This has created high potential for overlaps and uncoordinated activities by ministry, district and provincial government staff.

The South Sulawesi Watershed Management Bureau (BPDAS)⁴⁷ provides a good illustration of the scope for improving the definitions of the duties and jurisdiction of central, provincial and district governments in prevailing decentralization policies. The BPDAS is accountable to the Ministry of Forestry. It has been undertaking forest land rehabilitation activities in some districts, without coordinating with district Forestry Offices, which have been carrying out their own activities. Meanwhile, the provincial Forestry Office is also involved in similar efforts. Given their parallel but unconnected activities, it is unsurprising that each level of government offered the study team different interpretations of how forestry decentralization should be implemented in the field.

5.2. District Own-source Revenue (PAD) from the forestry sector

The Luwu Utara District balance sheet for District Own-source Revenue (PAD) in 2000 (pre-decentralization) did not specify separate revenue from the forestry sector. This revenue stream was integrated with returns from the agricultural sector as a whole. According to the Head of the District Revenue Office (*Dinas Pendapatan Daerah (Dispenda)*), revenue

received from the forestry sector in 2000 was 26.27% of the district total (US\$ 89 470.03 of a total PAD of US\$ 340 560.57). The forestry sector contributed more to the district treasury than did any other sectors in the agricultural sector.

Under decentralization, the Luwu Utara District Government levies taxes on commercial forestry business permits and the distribution and transportation of forest products (timber and non-timber). Information from the District Forestry Office shows that the district government charges between US\$ 11.10 and US\$ 16.70 (US\$ 1 = Rp. 9000) in administration fees for issuing permits. However, according to local business owners, the cost can be significantly higher. Permit holders are also obliged to pay a local forestry tax of US\$ 4.40 for every cubic metre of processed timber of any type, and US\$ 2.20 for every ton of wet rattan collected from forests.

In South Sulawesi Province, the types and amount of payments vary from district to district. For example, Mamuju District enforces a local tax for processed wood products based on wood types (Table 3). In addition to the local tax, Mamuju District Government also imposes a charge on transporting logs, known locally as a 'third-party contribution' (*Sumbangan Pihak Ketiga*, SP3). The Mamuju District

Government, the District Legislative Assembly (DPRD) and HPH concession holders in the district agreed on a charge of US\$ 1.10/m³ for logs extracted from state forests in the district (Mamuju District Forestry Office personal communication). HPH holders confirmed that the provision was based on an agreement with local business owners. However, in interviews, business owners in Mamuju gave the impression that they felt forced to agree with the amount proposed, as the District Government had control over issuing their permits. In 2000, the Luwu Utara District Government received US\$ 1 641.67 by levying taxes on the use of water resources and US\$ 715 582.50 from water levies (Table 4). The water levy revenue was raised from PT. INCO as a charge for using water from the Larona River for its power plant and operations. Before decentralization, the water levy was included in the district revenue balance sheet in the form of a 'revenue from the central government and/or higher institution', which meant that PT INCO did not pay the water levy directly to the district, but to the provincial government. Following decentralization in 2001, the district directly collected water levies amounting to US\$ 524 093.18 (Table 4). However, some officials from the District Revenue Office and District Planning Development Office (Bappeda) stated

Table 3. Types and amounts of district taxes on forest products in Luwu Utara and Mamuju Districts (2002)

Type of tax/charge	Type of wood	Amount charged by the district (US\$ 1 = Rp. 9000)	
		Luwu Utara (US\$)	Mamuju (US\$)
Local tax for forest products harvested from state and private forests in the district	Meranti/m ³	4.40	2.20
	Other forest woods/m ³	4.40	1.70
	Teak/m ³	4.40	2.80
	Ebony/m ³	-	5.60
	Rattan/ton	2.20	2.20
Third-party Contributions (SP3) charged to HPH holders	Logs taken from state forests in the district	0*	1.10
	Logs taken from other districts but the log pool is located within the district	0	0.60

Source: Luwu Utara District Forestry and Estate Crops Office and Mamuju District Forestry Office

* There are no longer any active HPH concessions in Luwu Utara District

Table 4. Luwu Utara District revenue sources, 2000 and 2001

Source of revenue	Total (US\$ 1 = Rp. 9000)	
	2000 (US\$)	2001 (US\$)
A. District Revenue (PAD)		
1. Trading tax on timber and non-timber forest products	89 471.03	116 469.78
3. Local tax on water resources usage	1 641.67	3 635.33
4. Water levy		524 093.18
B. Intergovernmental Transfer Funds		
(a) PSDH (Forest Resource Rent Provision)		
(b) IHPH (Forest Concession Licence Fees)	31 864.80	37 555.56
(c) Water levy	715 582.50	
Total	838 560.00	5 406 753.85

Source: Luwu Utara District Revenue and District Forestry and Estate Crops Offices

that the district and the provincial governments are still at loggerheads over the mechanisms for collecting and allocating water levy revenue.

Several interviews with officials from the District Forestry and Estate Crops Office revealed that none of them were aware of the water levy revenue allocation problem, as it had never been categorized as a form of forestry revenue. This indicates a lack of understanding that the water levy, which generates more revenue than timber exploitation, is an indirect financial benefit accrued from preserving forest resources to maintain the watershed. The continued availability of water in the Larona River is only made possible by the presence of intact standing forests at the upper reaches of the river.

5.3. District forestry sector expenditure

Perhaps because the District Forestry and Estate Crops Office was not fully set up by 2000, there were no funds in the 2000 district budget allocated to forestry sector development. The District Government allocated a total budget of US\$ 219 736.78 for forestry activities in the 2001 fiscal year. However, the actual budget was less than planned as Luwu Utara received less in DR from Jakarta than initially proposed. As a result, the District Forestry and Estate Crops Office could carry out only 63% of its planned activities.

Even though Luwu Utara is categorized as a contributing (timber-producing) district, it received only around half of the share of DR that it had claimed from Jakarta (Table 5). This curtailed reforestation efforts in its two major watersheds (Rongkong and Larona).

5.4. The Equalization Fund (*Dana Perimbangan*) for forestry revenues⁴⁸

As explained earlier (see Section 4.3), the Fiscal Balancing Law regulated a sharing mechanism for Forest Concession Licence Fees (*Iuran Hak Pengusahaan Hutan*, IHPH), Forest Resources Rent Provision (*Provisi Sumber Daya Hutan*, PSDH) and DR. It stipulated that 20% of the revenue generated from IHPH and PSDH⁴⁹ be allocated to the central government, while the remaining 80% went to the contributing region (*daerah penghasil*)⁵⁰. With DR, a 40% share is available for financing reforestation activities in the contributing region, and the remaining 60% share is allocated to the central government and used to finance national forest and land rehabilitation activities. Luwu Utara and Mamuju Districts are the only contributing regions in South Sulawesi. According to the Head of the Provincial Forestry and Estate Crops Office, the central government gives the funds allocated from IHPH and PSDH directly to the provincial and district governments entitled to receive them. Table 6 shows the allocation

Table 5. Forestry projects and budget allocation for Luwu Utara District in 2001

Project activity	Budget (US\$ 1 = Rp. 9000)		
	Planned (US\$)	Actual (US\$)	Percentage
Development of plantation/estate crops	75 649.44	50 490.89	66.74
Development of Rongkong and Larona watersheds, including surrounding areas	83 333.33	42 311.78	50.77
Human resource capacity and infrastructure development	60 754.00	46 298.17	76.21
Total	219 736.78	139 100.83	63.30

Source: Dinas Kehutanan dan Perkebunan Kabupaten Luwu Utara (2001b)

Table 6. The allocation of IHPH and PSDH funds received by Luwu Utara and Mamuju districts in 2001 and 2002

Fund allocated	Luwu Utara District (US\$)		Mamuju District (US\$)	
	2001	2002	2001	2002
IHPH	-	14 075.00	-	66 213.30
PSDH	5 039.40	50 664.40	27 141.90	79 135.80
Total	5 039.40	64 739.40	27 141.90	145 349.10

Source: Luwu Utara District Forestry and Estate Crops Office, Mamuju District Forestry Office

of IHPH and PSDH funds received by Luwu Utara and Mamuju District Governments in 2001 and 2002.

Every year, the provincial government coordinates reforestation and land rehabilitation (*Rehabilitasi Hutan dan Lahan*, RHL) proposals from all the districts and submits a proposal to the Ministry of Forestry in order to attain the 40% share of DR⁵¹. Based on the proposal, the central government transfers DR to the provincial government in the form of Special Allocation Funds (*Dana Alokasi Khusus*, DAK-DR). The DR is allocated to every district in the province based on an assessment by a special team formed by the provincial government specifically for this purpose. The team is made up of members from five institutions: the Provincial Forestry Office, the Environmental Impact Assessment Agency (Bapedalda), the Watershed Management Bureau, the Directorate-General of Regional Budgeting (*Dirjen Anggaran*) and FORDA (Forestry Research and Development Agency at the provincial level). In 2001, each district in South Sulawesi received US\$ 11 111.10, as its share of the total DR allocated to the province. Some of the DR allocated by central government was used to finance the continuation of land

rehabilitation activities that had started in the previous year (2000). The remaining funds were redistributed to the districts through a scoring system⁵². In accordance with the initial proposal for DAK-DR use, the funds were then distributed to all districts under the following scoring system:

- Projection of DR revenue (score 30),
- the extent of critical lands and degraded forest areas (score 25),
- the critical level of watersheds, and the inter-connection between upstream and downstream areas within the watershed (score 30), and
- institutional capacity (score 15).

Based on this scoring system, Luwu Utara and Mamuju districts, as the only contributing regions in the province, received relatively small shares in comparison with the non-contributing regions. Table 7 shows DR share allocated to district governments in South Sulawesi in 2001. As the sole contributing regions, Luwu Utara and Mamuju questioned the criteria and the scoring system for DR allocation set by the central government. Their greatest problem with the scoring system was that it regarded environmental degradation as a

Table 7. DAK-DR allocated to districts/municipalities in South Sulawesi Province in 2001

No.	District	Forest area (ha)	DAK-DR allocation (US\$)	Percentage (%)
1.	Makassar Municipality	-	15 894.67	1.46
2.	Gowa District	63 099	60 639.22	5.57
3.	Maros District	68 509	36 688.33	3.37
4.	Takalar District	8 264	23 733.11	2.18
5.	Jeneponto District	9 189	36 361.78	3.34
6.	Bantaeng District	6 222	29 176.44	2.68
7.	Bulukumba District	8 453	37 885.78	3.48
8.	Selayar District	21 797	26 781.44	2.45
9.	Sinjai District	18 894	35 708.56	3.28
10.	Bone District	145 053	52 147.56	4.79
11.	Soppeng District	46 205	54 651.44	5.02
12.	Pangkep District	82 503	30 265.11	2.78
13.	Barru District	65 185	31 136.11	2.86
14.	Pare-Pare District	1 407	30 918.33	2.84
15.	Sidrap District	71 177	43 002.67	3.95
16.	Wajo District	19 691	43 329.22	3.98
17.	Pinrang District	72 831	45 180.00	4.15
18.	Polewali Mamasa District	237 805	56 175.67	5.16
19.	Majene District	58 889	39 083.44	3.95
20.	Enrekang District	87 352	60 312.56	5.54
21.	Tana Toraja District	156 906	70 981.56	6.52
22.	Luwu District	160 898	53 780.56	4.95
23.	Luwu Utara District	1 058 349	82 412.67	7.57
24.	Mamuju District	835 214	92 428.44	8.49
Total			1 088 674.67	100

Source: Ditjen Perimbangan Keuangan Pusat dan Daerah Departemen Keuangan RI (2002)

criterion for requesting (and receiving) a larger share of DR. The scoring system determined that a district with larger areas of critical land, degraded forest and watersheds would score more highly and thus receive a larger allocation of DR. Non-contributing regions with large areas without forest cover therefore score higher than contributing regions.

A year later, in 2002, the central government allocated US\$ 112 375.6 in DR (40% of DAK-DR) to South Sulawesi Province. This time, Luwu Utara and Mamuju, as contributing regions, received larger shares than the non-contributing regions. In the same year, the central government distributed its DR share

(the remaining 60% central government share amounting to US\$ 1 914 903.70) directly to the South Sulawesi Provincial Government and the governments of the 22 non-contributing regions in the province. These funds were allocated for financing National Reforestation and Land Rehabilitation Programme (RHL) activities in the area. Luwu Utara and Mamuju did not receive any allocation, as they were categorized by the central government as 'contributing regions'. Through this distribution system, most non-contributing regions received larger DR shares than the contributing regions where DR revenues were originally generated (Table 8).

Table 8. DR allocations to the provincial and district governments in South Sulawesi in 2002 (US\$)

No.	District/ Municipality	DR allocated from the central government's share (60%)	DR allocated from the regions' share (DAK-DR 40%)	Total DR received in 2002
1.	Makassar	0	1 312.56	1 312.56
2.	Gowa	195 105.56	3 755.56	198 861.11
3.	Maros	71 083.33	3 219.00	74 302.33
4.	Takalar	60 513.78	2 082.33	62 596.11
5.	Jeneponto	52 630.56	3 190.33	55 820.89
6.	Bantaeng	33 208.89	2 559.89	35 768.78
7.	Bulukumba	174 695.44	2 346.44	177 041.89
8.	Selayar	27 490.00	2 349.78	29 839.78
9.	Sinjai	74 803.89	3 133.00	77 936.89
10.	Bone	76 354.44	4 037.11	81 391.56
11.	Soppeng	86 006.67	4 230.89	90 237.56
12.	Pangkep	49 577.78	2 655.44	52 233.22
13.	Barru	80 695.56	2 731.89	83 427.44
14.	Pare-Pare	0	3 191.44	3 191.44
15.	Sidrap	135 965.56	2 663.33	138 628.89
16.	Wajo	167 877.78	2 683.56	170 561.33
17.	Pinrang	66 335.56	3 497.67	69 833.22
18.	Polmas	124 004.44	3 479.11	127 483.56
19.	Majene	49 096.11	3 429.11	52 525.22
20.	Enrekang	80 392.78	4 669.22	85 062.00
21.	Tana Toraja	100 498.33	5 495.11	105 993.44
22.	Luwu	76 226.67	4 163.56	80 390.22
23.	Luwu Utara	0	19 060.11	19 060.11
24.	Mamuju	0	22 439.11	22 439.11
	Provincial Forestry Office	132 340.56	0	132 340.56
Total		1 914 903.67	112 375.56	2 027 279.22

Source: Ditjen Perimbangan Keuangan Pusat dan Daerah Departemen Keuangan RI. 2002 (US\$ 1 = Rp. 9000)

5.4.1. What counts as a 'contributing region'?

From the DAK-DR balancing mechanism explained above, it is clear there is confusion in central policies⁵³ when classifying a contributing region (*daerah penghasil*) as the word '*daerah*' (region) can be interpreted either as district or as a province. In practice, when the regions' 40% DR share is distributed, the provincial government is classified as a contributing region, and therefore coordinates DR allocation for the districts. As a result, not only contributing districts but also non-

contributing districts receive a share (see Table 8). However, the definition of a contributing region changes when the central government allocates the remaining 60% share of DR. A *contributing region* is now defined as a contributing district, not a contributing province. Consequently, timber-producing districts such as Luwu Utara and Mamuju receive no share of the 60% DR, as the central government distributes them directly to the non-contributing districts only.

This double standard applied in defining a contributing region clearly disadvantages contributing districts, which work hard to

generate DR revenue but ultimately receive little benefit. Staff from the District Forestry Offices in Mamuju and Luwu Utara complained about this in the workshop held in Makassar in 2003. They felt that as contributing districts they were greatly disadvantaged: they had more reforestation activities to think about as their forests were being exploited, but received a smaller DR share than non-contributing districts to fund those activities.

The Head of the Luwu Utara District Forestry Office stated in an interview that he wanted to submit a request for the annulment of the district's contributing region status, to increase its share of DR and PSDH allocations. With its limited share of DR, the district was unable to reforest logged areas appropriately (see Table 8, above). As a contributing district, Luwu Utara was also responsible for collecting DR payments from permit holders. Sometimes, it had to allocate money from the district budget to reforest the logged areas, as DR shares alone were insufficient. However, findings from the Focus Group Discussion (FGD), held in Makassar in February 2004, showed that a district's final DR allocation was greatly influenced by the district's ability to lobby top-level officials in the Ministry of Forestry and Estate Crops in Jakarta.

For a long time, the issue of accountability has been a critical problem in the allocation of DR. Many local stakeholders have made it clear that inappropriate criteria and scoring systems, as well as the ambiguities in the definition of contributing districts and regions, have led to unfair policy implementation on the ground. This inappropriate policy might, in the long run, also lead to bigger problems with environmental protection. With non-contributing districts benefiting more from DR, would it be surprising if contributing district governments feel there is little incentive to manage their forests sustainably? The more forest they lose the higher the share of DR they will receive. Local governments are more likely to maintain their forests when they have sound incentives to do so.

Our research team also sought to include the views of officials from non-contributing districts, such as Wajo, Majene and Sidrap.

These officials were very much in favour of the existing DR allocation system. They argued that contributing districts such as Luwu Utara and Mamuju do not have large tracts of barren land or degraded watershed areas to reforest and rehabilitate, and, therefore, do not need a larger share of DR. They also considered DR to be compensation for the past degradation of their forest areas caused by transmigration and large-scale commercial concessions under the New Order. These discussions left a strong impression that forests are for logging and DR are for rehabilitating barren land – rather than a more sustainable approach to continuous forest management. Although they have received larger shares of DR allocation, to date the results of rehabilitation activities in these districts have been poor or unsuccessful.

The scoring system used for redistributing DAK-DR to district governments in South Sulawesi Province may have been subject to in-depth analyses and thorough discussions between provincial decision-makers, but our research revealed a number of weaknesses in the system. Two of the four assessment factors (see Section 5.4.1) used to determine the total score give high scores totalling 55 for degraded forestland and watershed areas. Based on observations in several districts in South Sulawesi, post-fire areas, categorized as degraded lands, have increased in recent years. Could this be an indication that districts are less concerned about forest fires nowadays because they can secure a higher share of DAK-DR if they have a greater area of degraded lands? Research has yet to uncover concrete evidence of a correlation between the DR scoring system and forest fires. Nevertheless, we should be aware of indications that environmental protection is not promoted under the current design and implementation of fiscal balancing measures.

Stakeholders in Luwu and Mamuju pointed out that forest management is about more than replanting logged out areas or rehabilitating degraded forestland. It also involves continued investment in forest security, forest inventories, the protection and development of resources, as well as monitoring of the distribution of forest products. All of these activities – and many

more – are necessary to ensure sustainable forest management and wider benefits for the future. In our analysis, contributing districts also need funds to maintain the sustainability of the remaining forests in their areas. However, there is no central government funding allocated to contributing districts for this purpose.

Should a contributing district have to provide a special budget, using local revenue from other sectors, to finance its forest management efforts? Is it wise that there is effectively little incentive for sustainable forest management? Herein lies the importance of designing and applying appropriate economic incentives (and disincentives) to fiscal legislation for the forestry sector.

5.4.2. Use of Reforestation Funds (DR)

Very different levels of flexibility apply between the way central government and contributing district governments may use DR funds. Law No. 25/1999⁵⁴ and Law No. 35/2002⁵⁵ limit district governments' use of DAK-DR. These laws state that the 40% of DR (DAK-DR) used in the regions may be used only for financing reforestation and rehabilitation activities. In an apparent contradiction, these laws also state that district governments can use DR to finance *supporting activities* in the local reforestation programme. The law regulating the implementation of this provision⁵⁶ then goes on to state that regional use of DAK-DR *does not* include financing of supporting activities, such as project administration, project preparation, research, training, facilitation activities, duty trips and other general expenses.

Meanwhile, the same laws allow the central government far more flexibility in using its 60% share of DR⁵⁷. The Head of the Luwu Utara District Forestry and Estate Crops Office (personal communication) explained that the central government uses DR not only for land rehabilitation but also for financing the operational costs of its Technical Executive Unit (*Unit Pelaksana Teknis*, UPT)⁵⁸, such as research activities, publications, supporting a forestry diploma course, hiring temporary staff, and even for procuring office vehicles.

In reality, district governments can use DR only for technical implementation in the field. The DR allocation is not transferred as cash for use by the district government but as funding for set project activities. For a district government to receive its DR allocation, it also has to provide Matching Funds (*dana pendamping*)⁵⁹ from its own budget (*Anggaran Pendapatan Belanja Daerah*, APBD) of up to 10% of the total DR it receives. Moreover, this obligation contradicts provisions regulating Special Allocation Funds (DAK) in Law No. 25/1999, which clearly state that regions are exempt from providing matching funds for reforestation activities⁶⁰. In practice, similar limitations on DR use apply to the provincial government. However, the province is not obliged to provide matching funds.

5.4.3. Responses from contributing districts regarding DR allocation

As the only contributing districts in South Sulawesi province, Luwu Utara and Mamuju District Governments feel that central government allocation of forestry revenue (DR, IHPH and PSDH) is unfair and far from transparent. The Head of the Luwu Utara District Forestry and Estate Crops Office stated that in 2001 Luwu Utara anticipated IHPH and PSDH receipts of US\$ 27 141.90 (based on data on IHPH/PSDH collected by the district). However, the actual amount received from the central government was only US\$ 5 039.40; there was a similar problem with DR allocation in 2001. Based on data regarding DR revenue generated in Luwu Utara, the district expected to receive a DR share of US\$ 278 805.60. In fact it only received a total of US\$ 82 412.70. In the same year, Mamuju District also received a much smaller DR share: US\$ 92 428.40 rather than the expected US\$ 312 611.10. District governments also raised the issue of central government transparency in redistributing DR at the provincial workshop in Makassar, in 2003.

PSDH is allocated in the same year that it is collected, making it difficult to set a fair sharing mechanism. PSDH allocation is redistributed to districts based on the targets

they set for PSDH collections from permit holders. In reality, these targets are rarely the same as the actual amounts collected (Head of Luwu Utara District Forestry and Estate Crops Office personal communication). It is possible for districts to project a much higher PSDH revenue target than their forests could possibly provide, and thus secure a larger allocation. Some districts also charge PSDH on logs taken from other districts, citing it as PSDH revenue originally collected from their own forests. This explains the discrepancies between PSDH records and actual volumes of timber removed from forests in certain districts.

There is a clear need for the central government to reformulate its assessment apparatus and distribution system for PSDH allocation. One suggestion we came across was that the allocation system could be fairer if PSDH were distributed according to the size and resource potential of the forests in the district.

In 2002, South Sulawesi Province's 40% share of the DR amounted to US\$ 111 264.40 for re-distribution to the districts. From this sum, it can be calculated that South Sulawesi Province sent DR revenues of US\$ 278 161.10 to the central government. If the assumption is that South Sulawesi's forests produced only 'mixed species' with a DR tariff set at US\$ 12/m³, then South Sulawesi produced only about 25 287.37 m³ of logs. Looking at these figures, we had to question whether this represented the actual amount of timber harvested in Mamuju and Luwu Utara Districts.

To try to answer this question, we looked at the figures from Mamuju District alone. The Mamuju District Government charges SP3 fees of US\$ 1.10/m³ of logs harvested from its forests. In 2002, Mamuju District Government received US\$ 114 831.50 in SP3 payments. Using this figure, we calculated that total timber production from Mamuju District was 103 348.31 m³. This is almost four times the total timber production quoted for the entire province. It is also clear that in 2002 central government re-allocated far less DR back to the province than it should have done. If one assumes that Mamuju produced only the lowest quality timber (DR tariff = US\$ 12/m³), the DR

revenue generated from Mamuju District alone would have been US\$ 1 240 179.72. This is significantly higher than the total of US\$ 278 161.10, indicated by the level of funds actually returned by the central government. In short, South Sulawesi received a much smaller amount of DR allocation than it should have done.

Interviews with several timber business owners and a number of officials from the District Forestry Office and other related institutions outlined several factors behind the DR allocation discrepancies⁶¹.

Legal provisions and rules on DR payment mechanisms are unclear. Business owners usually pay DR after their logs have been sold. Furthermore, they often pay DR directly to the central government account without stating the origin of the timber or informing the district government. As a result, the central government has difficulties redistributing DR back to the districts where the revenue was generated.

Field observations also indicated that district forestry offices do not have comprehensive and effective systems for updating data on DR and PSDH revenues sent to central government. Without complete and accurate data, district governments will find it hard to raise objections or complaints when they receive the wrong DR or PSDH allocations. The districts need infrastructure support (computers, database software, etc.); they also need to improve their capacity to provide more financial record-keeping.

The forestry offices and other relevant agencies in the districts take a relatively half-hearted approach to collecting PSDH and DR payments. This is because they feel that revenue tends to benefit the central government more than it benefits the districts. Consequently, many HPH holders and timber business owners are able to defer DR and PSDH payments

In an alternative move, the Mamuju District Head (*Bupati*) expressed his dissatisfaction with the unfair allocation of DR by issuing an official letter⁶² requesting that the District Forestry Office arrange for permit holders to pay all forestry taxes directly into the District Government's bank account. The District Head wrote:

- For every large-scale commercial or non-commercial timber concession permit (IUPHHK/IUPHHBK)⁶³, or timber utilization permit for privately owned land (IPKTM) issued, an administrative fee will be charged in accordance with prevailing regulations.
- Permit-holders should be directed to pay IHPH, PSDH and DR through the Mamuju District Government's bank account for distribution to the central government and provincial government in accordance with prevailing regulations.

Acting on these directions, the Head of Mamuju District Forestry Office sent an official letter⁶⁴ to all permit-holders and forestry business owners, informing them of their obligation to pay IHPH, PSDH and DR directly into the Mamuju District Government's

bank account. The District Head reasoned that the decision was made to anticipate the delay in DAK-DR transfer from the central government, which had happened almost every year.

Indeed, almost all district governments in South Sulawesi complained about delays in DR fund transfer from the central government. For example, in 2001 Luwu Utara District Government received its DAK-DR transfer in December; the last month of the fiscal year. Because of this delay, the District Forestry Office could not carry out its planned reforestation activities on schedule. In the meantime, several local NGOs and local communities accused the District Forestry Office of postponing reforestation activities in their areas and reported it to the DPRD and the District Attorney. In the end, reforestation activities took place in the following year, 2002.

This section outlines the decision-making processes used for district policy-making during the decentralization era. It covers vertical coordination between district, provincial and central governments, horizontal coordination between government institutions in the district, and the involvement of local stakeholders in decision-making processes.

6.1. Vertical coordination between the district and provincial governments

6.1.1. Interests and vertical coordination

Decentralization Law No. 22/1999⁶⁵ explains that autonomous regions (provinces, districts and municipalities) are independent and have no hierarchical relationships. Nevertheless, it also states, in the explanatory section, that provincial governments have the role of facilitating and monitoring districts. Findings from the first phase of this research in 2001 showed that the district and provincial governments' interpretations of autonomy are often different, as they tend to prioritize their own interests. Confusion has also been rooted in the unclear policy framework. In the long run it has been almost impossible for the district to comply with the prevailing national legal framework for implementing decentralization. Almost every relevant law or policy is full of ambiguity, confusion and self-contradiction. The situation is further muddled when districts try to make sense of the prevailing regulations as a collective framework. Prior to decentralization, a strong-armed government

was able to implement policies more coherently, but Jakarta's lack of capacity to monitor all the districts also led to policy failure and the failures of law and order in the past. In the decentralization era Development Coordination Meetings (*Rakorbang, Rapat Koordinasi Pembangunan*⁶⁶) are still held to coordinate district development. However, these meetings only discuss the general direction of development in the district or province. There is little room for negotiation, or thorough discussion of specific tasks or problems. Although sectors such as forestry and transmigration have clear administrative overlaps, there is little attention paid to cross-sectoral issues. Although there are representatives from all the different government agencies at these meetings, this does not guarantee effective coordination and participation. The meetings also provide little or no room for public involvement.

Coordination between different agencies and sectors will be critical to successful forestry and eco-system management and poverty alleviation objectives in South Sulawesi, therefore our research team initiated a Focus Group Discussion (FGD) to help identify opportunities and challenges for improving coordination, specifically aimed at achieving sustainable forest management in South Sulawesi.

At the FGD, attended by representatives from the district and provincial forestry offices, all the participants agreed that coordination between the district and provincial governments must improve to delivery better synergy in forestry-sector development in South Sulawesi. The research team put forward the following

four hypotheses to stimulate discussion among the participants:

- a. The transfer of authority to the district governments and their elected parliaments, together with the abolition of the former hierarchy between district and province, has led the district governments to feel they have full authority over natural resource management in their area. As a result they feel they have no obligation to consult the provincial government.
- b. In the absence of any authority or control, the provincial government will try to use its remit to oversee coordination between the district governments to achieve synergy in forestry sector development for the province as a way to regain some power.
- c. Coordination between district and provincial governments will not be effective if only one party benefits.
- d. As a neutral party, a university could facilitate coordination meetings between the district and provincial governments.

These hypotheses initiated some interesting discussions. The first hypothesis prompted clear indications of the district governments' desire to manage their forests without interference from the provincial and/or central government. Most district governments objected strongly to Law No. 34/2002⁶⁷, which revoked their authority over certain aspects of forest management.

None of the participants rejected the second hypothesis: everyone agreed that developing more synergy between districts will be essential in the forestry sector under decentralization. Participants agreed that even if a district has huge resources for its own-source revenue (PAD), it will not only influence but also be affected by forestry policies in other districts. Participants from upstream areas were very concerned about watershed management and environmental impacts in the upper and lower reaches. They felt that improved coordination between district and provincial governments, and between districts in the same watershed area, would be vital for maintaining the sustainability of forests in upstream areas.

The Head of the Provincial Forestry Office explained that the provincial government

had no intention of controlling districts by 'misusing coordination jargon'. The provincial government is accountable to the central government and has an obligation to supervise and facilitate the districts. However, it often feels that district governments are too suspicious of its function as a representative of the central government. To illustrate this, the provincial forestry officials cited the fact that district Forestry Offices often fail to report on how they have used their DR allocation, or fail to provide vital data on potential forest resources in their districts. However, they argued, the provincial government needs this information to develop a database for setting up a fair DR allocation system, or to support other stakeholders, such as the central government, businesspeople, donors, non-governmental organizations (NGOs), universities and other institutions that have interests in forestry development in South Sulawesi.

Meanwhile, district officials complained that the provincial government's commitment to coordination seemed to depend on the potential it had to profit from the distribution of financially profitable forests. They also complained that the provincial Forestry Office continued to implement activities in the districts without prior communication with the district governments. This was the case, for instance, when it drafted a management plan for over-logged Large-scale Commercial Forestry Concessions (*Hak Pengusahaan Hutan*, HPH) areas in 2001, without consulting the districts. The only exception was the Luwu Utara District Forestry Office, as this office had consistently tried to coordinate its activities and informed the Provincial Forestry Office and the Technical Executive Unit (UPT) in Makassar about all plans relating to forest use, such as establishing enclave areas for local settlements or developing community forestry.

Clearly, forestry sector coordination is not optimal when forests are seen merely as resources for economic exploitation. The predominant view of forests as financially valuable rather than environmentally *and* socio-economically valuable dictates which agencies are involved in any coordination.

All participants in the discussion agreed

that the university could act as a neutral facilitator. A Forestry Communication Forum (FKKSS)⁶⁸ already exists, with the aim of promoting coordination among forestry sector stakeholders. However, it has trouble maintaining intensive communication, mainly due to financial constraints. With financial support from the Center for International Forestry Research (CIFOR) and the central government-funded National Programme for Reforestation and Land Rehabilitation (GN-RHL)⁶⁹, the Hasanuddin University in South Sulawesi (UNHAS) research team facilitated a workshop to promote provincial–district coordination in forestry sector development⁷⁰. It attracted representatives from the Indonesian Furniture and Handicraft Association (Asmindo), the Provincial Forestry Office, the Environmental Impact Assessment Agency (Bapedalda), the Makassar Technical Executive Unit, UNHAS, and several officials from district government offices. The workshop shed light on challenges with implementing the National Social Forestry and the GN-RHL programmes in South Sulawesi. The research team facilitated discussions about how the district and provincial governments could work together to implement these programmes more effectively across districts.

Participants from non-governmental offices, such as Asmindo, NGOs and UNHAS, voiced the hope that public funds, i.e., DR, channelled to these programmes would not be wasted. They also suggested that more could be done to involve local people and NGOs in implementing and monitoring both programmes.

The Head of the Administrative Section of the Provincial Forestry Office shared his dissatisfaction over his office's lack of involvement in the GN-RHL programme. At the planning stage, central government coordinated extensively with its UPT, but very little with the Provincial Forestry Office. The Provincial Forestry Office had assisted the UPT in selecting suitable areas for the GN-RHL programme in each district, and with contracting a team to evaluate vegetative growth during the monitoring phase. Beyond this, the Provincial Forestry Office had not been involved in any

key implementation activities, particularly those relating to financial matters. The central government, for example, did not involve the Provincial Forestry Office in determining the priority degraded watershed areas in the province. The officials were also upset that they had not been involved in procuring tree seedlings, which gave programme managers the opportunity to engage in financial negotiations with contractors or individuals providing services. This clearly demonstrates that competition for potential revenues and control drives relationships between government agencies (the UPT, the provincial and district Forestry Offices), more than the desire to work together to deliver sustainable forestry and economic development.

At the workshop, the heads of the Sinjai District Forestry Office and other district offices questioned the role of the Indonesian Armed Forces (TNI) in the GN-RHL programme. In the field, the TNI is vying to be the executive body, overseeing implementation and developing strategic plans, in line with orders from TNI Headquarters in Jakarta (*Markas besar TNI*). These complex overlaps added to the districts' confusion over the central government's obscure policies on roles and responsibilities. To most people at the workshop it seemed quite obvious that reforestation and land rehabilitation were not matters of national security requiring full military involvement. The decision to involve the military in the GN-RHL programme was seen as symptomatic of competition between various vested interests in the central government arena. Participants also had the impression that coordination was limited by inter-sectoral power struggles in central government, and that central government did not fully trust the provincial government to implement the GN-RHL programme in its own province. In this light, central government's understanding of, and commitment to, the devolution and deconcentration of authority were openly questioned by many at the workshop.

One – if not the main – reason for the confusion over which agency was supposed to implement the GN-RHL programme was that different parties were competing for greater

financial advantage from their involvement. This caused problems in communication and coordination that compromised the social forestry and GN-RHL programmes. Power struggles diverted energy from ensuring that the programmes were targeted to benefit the most vulnerable stakeholders (the forest-dependent poor), or to support general environmental development and sustainability. Participants felt that good watershed management was an obvious casualty. Policies are determined by central government, and the province and districts have no choice but to agree. They are dependent on centrally controlled funding for staff salaries (from DAU), reforestation activities (from DAK-DR) and land rehabilitation activities (from the 60% DR share). In the end, local governments found themselves having to implement central policies, even if these contradicted their own policies or made no sense in relation to local conditions on the ground. Consequently, the GN-RHL programme has not been implemented effectively and has failed to provide any solutions for local challenges and problems in the forestry sector.

During the discussion process, it was difficult to assess whether FKKSS was truly committed to acting as a medium for communication and coordination that allowed equal positions for all its members. This forum appeared to be dominated by provincial representatives. Paternalistic attitudes seemed to be strong. High-ranking officials dominated the discussion and the decision-making process. For example, the founder and chair of FKKSS, who is also the Head of the Provincial Forestry Office, insisted on having a plenary discussion, although the majority of workshop participants clearly requested small, group discussions. District representatives stated that it would be easier for them to discuss and express their opinions in small groups. In the end, they agreed to change the workshop format in line with the Head of the Provincial Forestry Office's demand.

Our final observation was that it is not easy to promote coordination between stakeholders with different backgrounds and interests. Participants from provincial offices, who

were generally more highly educated, seemed to dominate the flow of discussions. As a multiparty forum, FKKSS is still in a learning phase. It needs to improve its facilitation techniques and methods for multiparty communication and participatory discussions. FKKSS also needs to clarify and prove its commitment to giving equal positions to all its members' rights to influence the outcome of discussions. FKKSS needs to improve its capacity and willingness to act as a facilitator rather than steering the agenda and format of meetings concerning forestry issues in South Sulawesi Province.

6.1.2. Improving coordination between districts and the province

Five key recommendations for improving forestry development coordination between the districts and the province arose from stakeholders' suggestions during a series of district and provincial FGDs, Local Advisory Group meetings and workshops:

- a. A unified perception of decentralization is required. District, provincial and central stakeholders all have different interests in and separate understandings of the devolution of authority over forestry affairs. Consequently, in any programme it is difficult to maintain communication, coordination and synergy.
- b. Clearer national decentralization legislation is required to facilitate coordination. There are many new laws and policies, but none are adequately followed up with clear directives on implementation; some are clearly contradictory. In the end, each party interprets and implements policies to suit its own interests.
- c. Each stakeholder must be included in an effort to clearly define roles and responsibilities. To improve coordination, each has to fulfil their functions and tasks while understanding and appreciating other parties' functions and positions. Vying for authority, as is often the case, ruins any coordination process.
- d. Coordination can work if each party positions itself as a partner, not as a superior or

subordinate. All parties must treat each other equally – because, in the decentralization era, hierarchical relationships between the district, provincial and central governments should no longer exist. Coordination should not be interpreted as a ‘chain of command’ whereby central government dictates to provincial governments, and the provincial governments control the districts.

- e. Forests should not be seen solely as easily exploited cash resources, but as life support systems. In this way, coordination will be orientated towards sustainable forest resource management and not towards the distribution of benefits (linked to tenure), which can disrupt coordination processes.

6.2. Horizontal coordination between district institutions in South Sulawesi and public participation in policy-making processes

So far, formal coordination between the District Forestry and Estate Crops Office and other district governmental institutions in Luwu Utara has been fairly good. The process of drafting district regulations on forestry demonstrated good coordination between the District Forestry Office and the newly created District Legislative Assembly (DPRD), elected by local people. There are two processes involved in drafting a district regulation: *First*, the District Forestry Office prepares the bill and presents it to the DPRD on behalf of the District Head (*Bupati*). The DPRD assesses, discusses and passes the bill if approved; *Second*, the DPRD drafts a bill and presents it to the District Government to be passed. However, at least under the end of 2002 only the first process was used for forestry regulations.

The District Forestry Office also seemed to get along well with the Transmigration Office (*Dinas Transmigrasi*), though they do not often work together. The Transmigration Office usually establishes transmigration sites in non-forestry areas (APL) outside state forests, and should coordinate with the District Forestry and Estate Crops Office when selecting transmigration sites. Coordination

with the District Forestry Office is essential because the Transmigration Office needs to clarify that the sites it selects are not located inside state forests (District Transmigration official personal communication).

Having said this, our interviews revealed that the District Forestry and Estate Crops Office felt that its current relationship with the Transmigration Office could be improved. Following decentralization, the authority to develop transmigration areas was transferred to the provincial government. Coordination was limited to meetings during the planning phase. During the implementation stage, the Transmigration Office hired consultants for project implementation (establishing new transmigration areas), rarely coordinating with the Forestry Office. As a result, new resettlement sites sometimes encroached on state forests. This was the case in the new transmigration site in the Puncak Indah region. A similar problem occurred in Malili Subdistrict, where 300 ha of forest classified as Limited Production Forest (HPT) were cleared for a new settlement, without any coordination with the District Forestry Office.

However, the Forestry and Estate Crops Office also confirmed that its staff had worked together with the Transmigration Office on a few community development programmes for transmigrants. They had supported these communities with the establishment of cacao and oil palm plantations. Effective coordination between these two offices is important in the district. Together they are responsible for the property rights system and support natural resource based development by helping raise the revenue needed to fuel development from land-use permits and forest resource extraction. Meanwhile, coordination between the District Forestry Office and the District Agricultural Office is limited to implementing the community development programme for forest farmers. Agricultural officials said they looked forward to improving cooperation with the Forestry Office to empower forest farmer communities and develop agro-forestry.

Interviews with District Mining Office staff, on the other hand, revealed that they felt that there was currently no need to coordinate with

the District Forestry Office. The District Mining Office has only ever issued small-scale mining licences, i.e., licences for class C excavations (river sand, stones, rocks etc.), all of which are outside forest areas. According to staff from the planning division, the District Mining Office would coordinate with the Forestry Office if there were plans for mining activities either inside or bordering on forest areas.

Ensuring the security of the forest is usually the job of forest rangers (*Jagawana*) from the District Forestry Office, who work in cooperation with the police. The forest rangers consult and coordinate with the police to conduct security operations and investigations. However, in the provincial workshop held on 28 May 2003, the Head of the District Forestry Office stated that they had caught several illegal loggers and handed them over to the police. He was disappointed as these cases were never brought to court; instead the police freed the suspects for no clear reason. Low capacity for law enforcement to combat illegal forest activities was identified as an extremely urgent issue in the district. The police were reluctant to clarify, or comment on, the problem, despite being contacted and invited repeatedly to various meetings with other stakeholders. One possible reason for their absence at meetings in the district could be that the police are not accountable to the District Head (unlike the other district officials who attended the meetings), but to the Central Police Headquarters in Jakarta.

The District Industrial Office is responsible for issuing licences to companies for small-scale forest product processes such as sawmills. Under national regulations⁷¹, this office is obliged to take account of recommendations by the District Forestry Office. However, in practice, the District Industrial Office never consults the District Forestry Office about permits for local sawmill owners. The consequence is that demand from the growing number of local sawmills now exceeds the carrying capacity of local forest resources. As they cannot obtain sufficient supplies from local forests, sawmill owners transport logs from other districts and regularly accept illegally felled logs from local farmers or timber merchants.

Research revealed that individual and sectoral interests clearly influence policy implementation by different institutions. For example, Transmigration Office officials often paid local people to identify new transmigration sites, regardless of whether they were inside or outside state forest areas, the aim being to obtain prices lower than the funds budgeted so that officials can pocket the difference. Another example is village and subdistrict heads abusing their authority to issue local proof of land ownership letters (called *Surat Keterangan Tanah* (SKT))⁷². These local officials issue SKT letters for administering newly opened forest areas, regardless of the fact that they should be issued only for land that has been farmed or managed for many years by the owner. As a result, many areas inside state forests will be administered as private land, as the local BPN issues land certificates based on SKT letters.

Despite these difficulties, when compared to the situation during the New Order, coordination between institutions in Luwu Utara District has improved considerably with decentralization. It has provided more room for negotiation and coordination among district government institutions, and made it easier to solve any problems that arise. One reason is that local institutions – except the military, the police, the attorneys and the judiciary⁷³ – are appointed by, and accountable to, the District Head. The District Head can immediately call conflicting parties together and facilitate discussion. If necessary, he can exert his authority and take final decisions. For example, when the location of a new transmigration site within the state forest sparked a conflict between the District Forestry and Transmigration Offices, the District Head summoned the heads of both offices and mediated discussions immediately. In the end, the District Head decided that the Transmigration Office had to locate its new resettlement project outside the forest estate. This is in stark contrast to the situation before decentralization, when local institutions were accountable to and obliged to consult with their superiors in Jakarta over every local issue. This made problem solving a very time-consuming process.

6.3. Stakeholder participation in local policy-making

Interviews with local government officials, village administrators, forestry businessmen and community leaders revealed that the word 'decentralization' was very familiar to the people of Luwu Utara. Local stakeholders saw decentralization as the first opportunity for them to benefit from the resources that were reserved for large companies and the central administration in the past. Decentralization tended to be interpreted as meaning 'total freedom' to utilize local natural resources, a right that every stakeholder felt that he or she possessed.

Despite the confidence fostered by decentralization, lack of public participation in local policy and decision-making processes was still identified as a problem during the second phase of research in 2002. More thorough research into the extent and reasons for the low participation of local stakeholders was conducted in the third phase in 2003.

One important objective of the decentralized system is to foster a democratic climate in which local stakeholders can be more involved in decision-making processes. The expectation is that with local people's acceptance and support, the government can carry out public policies more effectively and efficiently.

Research demonstrated that not only the ordinary people but also the government officials who made the policies seemed to lack understanding about how this objective could actually be achieved. On the ground, poor farmers still experienced obstacles in gaining benefits from forest resources or access to decision-making; they were inexperienced and ill-equipped when faced with local bureaucratic issues. This created problems for local people who wanted to communicate and negotiate with local government officials. They felt that decentralization had created more local government bureaucracy, but little had changed for them in terms of financial advantage and access to resources and important decisions that would affect their livelihoods. They were yet to feel empowered.

The ability of local elites to capture

benefits and swing decisions in their favour was also very apparent in Luwu Utara. Customary leaders admitted they knew nothing about having rights and obligations to participate in district policy-making. They were unaware that they could provide input to the District Forestry Office or other local institutions on forest management policies in their areas. During a series of FGDs, facilitated by the CIFOR/UNHAS team, district forestry officials explained that local people could participate in district forestry policy-drafting processes through their representatives/leaders. They also told local people that one way to become involved in decision-making was through annual village coordination meetings (*Rakordes, Rapat Koordinasi Desa*⁷⁴). The outcomes of these meetings would be used by the district government to help determine priorities for the district development agenda (coordinated by Bappeda).

Unfortunately, the Village Heads of Sepakat and Sassa, the two villages selected for our research, let us know that in reality village coordination meetings were not functioning as a medium for local communities to voice their aspirations because they had never been invited to share their ideas. Local NGOs explained that the recommendation forms for these meetings, which were supposed to list villagers' views on development priorities and be completed by village representatives, were usually completed by subdistrict officials, who did not consult with village heads or the local people.

Customary leaders, village heads and village representatives responded positively to the FGDs, which gave them the opportunity to sit together to discuss important issues with local decision-makers. During the discussions, the Head of Sassa village immediately made two suggestions:

- a. Customary leaders/community representatives should be involved in forest management practices, therefore they could also revive local customary rules, which in the past had proved effective in managing forests in a sustainable manner,
- b. Local forest dependants should be provided with assistance in improving farming systems and techniques, and supplied

with basic materials such as seedlings and fertilizers, so they can develop more intensive and profitable farming practices, which would reduce the pressure they are under to log the forests.

We also identified some internal barriers within the Luwu Utara District Government, which make local stakeholder involvement difficult:

- a. *Time constraints.* When central government decided to apply 'sudden' decentralization policies, the district government had not had sufficient time to prepare itself. For example, several local regulations were revised less than a year after issuance, giving the impression that they were initially made in haste. This also demonstrates that the district government is fairly adaptable and open to discussion and input from other parties. However, it is aware that involving stakeholders fully will take more time, effort and expertise.
- b. *Funding limitations.* Involving many parties in policy-making requires regular meetings to keep all stakeholders updated on progress made in policy-making processes. This will involve budget planning and funding decisions. As it is a new district, the Government of Luwu Utara does not have sufficient funds to cover such meetings. During the third phase of research more than four FGDs were needed to gather information and outline recommendations for district-level policies. Each FGD required a substantial amount of funding: one FGD could cost around US\$ 50. This should be considered thoroughly, making sure not to spend too much time or money on meetings, thus leaving insufficient funds to implement and monitor policies. Another important consideration would be the allocation of funds for training and provision of good facilitation.

Local NGOs tend to position themselves in opposition. Feeling disadvantaged also led to antipathy towards the district government, which added to the difficulties of involving stakeholders in district policy-making. A

sceptical attitude in any policy-making process had often resulted in additional time and funds being spent. Some local NGOs also had dubious agendas: they supported local business owners' enquiries about permits for trading forest products, without having any reasonable arguments as to how this would help local people or overcome the problem of elite capture of forestry resources.

Unfortunately, in every FGD, the issue of improving public participation in decision-making received little direct attention from village or community group members and their representatives. They were more interested in discussing the excessive pressure related to land claims over forest areas, or logging activities in the forests. This was possibly because they had no outlet for their views on these issues, so the FGDs were used as an opportunity for 'participating' by highlighting their problems. Nevertheless, a number of stakeholders, including the Village Heads and customary leaders of Sassa and Sepakat villages, the Head of the Forestry Office, members of the DPRD and local entrepreneurs made some very relevant recommendations for improving stakeholder involvement in policy-making processes:

- a. All parties need to understand the history of, and background to, decentralization. It was initiated as a political reform driven demands for greater democracy by the people oppressed during the New Order era. One essence of decentralization is the reinforcement of democracy by bringing policy-making processes closer to the people at the grassroots of society so they can become involved in those processes, thus enabling policies to fulfil the people's sense of justice.
- b. Local people should be more proactive. Because of various constraints, e.g., time and funding, it is impossible to expect the district government to completely facilitate public involvement in policy-making through seminars, workshops or FGDs. The people can proactively channel their aspirations through their representatives, either in village administrations or in the DPRD, and by attending official meetings.

- c. The DPRD needs to find better ways to inform itself about local people's needs and aspirations. People feel ignored when no DPRD members ever visit their villages. It is true that the DPRD has countless tasks to undertake, but this does not mean that visits to villages, which would give it insight as to the real conditions on the ground, could not be made a priority.
- d. The district government needs to be more open. People are often not aware that they have rights and responsibilities in policy-making processes. The district government should inform the people of those rights more frequently and should accommodate the people's aspirations openly. Aspirations might be very diverse. Of course the district government cannot accommodate them all, but it is important to maintain flows of communication between all parties with a stake in forestry and related policies.
- e. NGOs must be competent, objective and dedicated to local people's aspirations. They should not simply criticize the government's mistakes, and they should take care that they are not doing so just to promote a certain individual's or an elite group's narrow interests. NGOs should provide alternatives or real input for addressing the problems they identify, therefore NGOs need to be more objective, more professional and show genuine competence in their respective fields. They also have to demonstrate that what they are advocating truly represents local people's interests.

In some aspects, decentralization provides district governments with greater authority for managing their forests. However, many important policies with a major impact on forestry development, such as forest area designation, zoning, forestland conversion and granting permits for large commercial concessions, are still in the hands of central government. District government authority is limited to issuing small-scale concessions and commercial permits such as Timber Utilization Permits for Privately-owned Land (*Ijin Pemanfaatan Kayu Tanah Milik*, IPKTM), Timber Utilization Permits for Community Forest (*Ijin Pemanfaatan Kayu Rakyat*, IPKR) and permits for harvesting non-timber forest products (NTFPs).

Under District Regulation No. 5/2001 concerning permits to utilize forest resources, Luwu Utara District Government granted 13 out of the 41 permit applications submitted by cooperatives or the private sector. These 13 permits included 10 Rattan Collection Permits, 2 IPKTM permits for harvesting timber on privately owned land and 1 permit for utilizing timber for road construction (IPKPJ). Other permit applications are still under district government review, or pending approval from the Minister of Forestry and Estate Crops. The applications submitted for central government approval are mostly from companies applying for Timber Utilization Permits (IPK) and for establishing commercial plantation sites in state-owned forest areas (protected and production zones) (see Table 9).

Whilst the district government has only issued 3 legal permits for timber extraction, Luwu Utara District is host to 30 active

sawmills. Their timber demand far outstrips the production allowed under these three permits. The majority of sawmills are located in the neighbouring area of Timampu village, Malili District, adjacent to the forests at the mouth of the Larona River. Luwu Utara District receives its sizeable water levies from this area.

The Luwu Utara District Government has also issued licences to open and expand new plantations by converting non-forestry utilization areas (APL) **outside the official forest estate**. These licences are handled by the District Forestry and Estate Crops Office. The district government can directly issue permits to establish plantations in APL areas because they do not require approval from the Ministry of Forestry to change the status of APL areas to enable logging or other activities.

Of the permits shown in Table 9 below, seven are defined by the District Government as ‘community forest’ areas, although they are located in the official state forest estate. These permits were issued to five cooperatives or local groups, and two private companies. It is interesting to note that the private company’s permits cover 17 500 ha, and those utilized by cooperatives, of which there are five, cover only 10 000 ha.

The forestry sector has become an important source of district revenue and the profile of those awarded access to the benefits of these resources via the permit system has changed dramatically following decentralization. The increase in district own-source revenue (PAD) derived from the forestry sector demonstrates the district government’s increasing access to its forest resources in this new era of regional autonomy, however local communities and

Table 9. Twenty-four of the 41 business licence applications inside and outside state-owned forests in Luwu Utara District requiring re-categorization of forest utilization

No.	Location (District)	Forest status	Area (ha)	Proposed utilization	Company name
PERMITS FOR MIXED AREAS – INSIDE AND OUTSIDE STATE FOREST ESTATE					
1.	Masamba, Rampi	APL and HL	200	Construction of new road from Masamba to Rampi	PT. Nelly Jaya Pratama
2.	Malili	APL and HPT	700	Estate crops area managed by a local company	CV. Sinar Wahyu
OUTSIDE STATE FOREST ESTATE					
Non Forest Land					
1.	Towuti	APL	200	Estate crops area managed by a local company	UD. Nurul Fariska Putri
2.	Mapadeceng	APL	1 400	Plantation area managed by a large plantation company	PT. Panply
3.	Mangkutana	APL	600	Estate crops managed by cooperative	Kopekra Karya Bersama
4.	Masamba	APL	3 000	Estate crops area managed by a large plantation company	PT. Matano Agro Utama
INSIDE STATE FOREST ESTATE					
Limited Production Forest (HPT) and Protected Forest (HL)					
1.	Rampi	HPT and HL	2 000	Cacao plantation area	PT. Rampi Sinar Sulawesi
2.	Malili	HPT	300	Settlement and estate crops for transmigrants	KSU. Lampia Indah
3.	Bone-Bone	HPT	700	Settlement and estate crops for transmigrants	CV. Dirham
4.	Malili	HPT	11 600	Oil palm plantation	PT. Lolo Persada
5.	Malili	HPT	1 500	Oil palm and white teak plantation for transmigrants	PT. Duta Sulawesi Agro
6.	Mangkutana	HPT	49 000	Industrial timber plantation	PT. Mija Raya Sembada
7.	Malili	HPT	17 500	Community forest managed by local business	PT. Tiar Bungin Elok
8.	Angkona	HPT	750	<i>Damar (Agathis sp.)</i> forest managed by local company	UD. Sama Karya
9.	Seko	HPT	975	Timber utilization	PT. Seko Pajar Plantation
10.	Nuha	HPT	2 000	Community forest managed by cooperative	Koperasi Perkebunan Mega Lestari
11.	Mangkutana	HL	500	Community forest managed by cooperative members	Koperasi HKM Manceka Jaya
12.	Nuha	HL	500	Community forest managed by cooperative members	Koperasi Tani Nuha Mekar
13.	Towuti	HL	306	Estate crops area managed by a local company	UD. Usaha Tani
14.	Nuha	HL	600	Timber extraction by a local company	CV. Setara Global
15.	Mangkutana	HL	800	Timber extraction by local business/ new land opening	UD. Karya Mandiri
16.	Malili dan Nuha	HL	17 500	Estate crops managed by local company	PT. Tomega Tiar Sembada
17.	Mangkutana	HL	50 00	Community forest managed by cooperative	KUD. Bumi Jaya
Conservation Forest Area (HK)					
1	Mangkutana	HK	2 000	Community forest managed by cooperative	KSU. Basnar Sungai Welanti

Source: Dinas Kehutanan dan Perkebunan Kabupaten Luwu Utara (2001b),

Notes: APL = Area for non-forestry utilization; HPT = Limited Production Forest; HL = Protected Forest
HK = Conservation Forest.

villagers have yet to gain access to an equitable share of the direct benefits via the permit system.

7.1. Forestry administration in the District

Under decentralization, permits for large-scale commercial forest concessions (HPH) are still central government business. HPH holders need to seek approval from central government for their overall logging schedules (*Rencana Kerja Pengusahaan Hutan*, RKPH). However, they also need the approval of the District Forestry Office for their annual logging schedules (*Rencana Kerja Tahunan*, RKT). For example, PT. Panply, a concession holder in Luwu Utara, could not obtain approval from central government because the District Forestry and Estate Crops Office did not provide a recommendation for the extension. The District Forestry and Estate Crops Office said an assessment showed that PT. Panply did not meet the standards set out in the regulations concerning their environmental obligations in rehabilitating forests, and had not paid its taxes in the past.

Decentralization has brought a shorter chain of bureaucracy, saving companies from spending too much time and money following long 'public services' procedures – official or otherwise. For example, some of the HPH companies interviewed, among them PT. Hayam Wuruk and PT. Inhutani I in Mamuju District (Company personnel personal communication) said that during the New Order era it might take weeks for the provincial government to process the necessary administration for transporting logs. This delayed shipment.

On the other hand, district governments have more responsibility for providing enough funding for development. This means they have to increase their PAD. Most districts, including Luwu Utara, do so partly by taxing concession holders on their utilization of natural resources in their area, e.g., district forestry taxes for timber utilization or water levies (prior to decentralization, water levies were paid through the provincial government to the central government). These new taxes were imposed under District Regulation No. 5/2001. Every

forest product originating from natural forests is already subject to central Forest Resources Rent Provision (*Provisi Sumber Daya Hutan*, PSDH) and Reforestation Fund (*Dana Reboisasi*, DR) payments, therefore permit holders feel that they are subject to double taxation. Some permit holders interviewed in Mamuju District considered these taxes reasonable, but the majority of small-scale holders in Luwu Utara District (including cooperatives and local businessmen) felt burdened by the new taxes. They expressed reservations and questioned the necessity and purpose of the taxes during a district workshop held on 29 April 2003 in Masamba, Luwu Utara.

7.2. HPHs versus communities

Local communities often interpreted regional autonomy as an opportunity to demand unlimited rights. The fall of the New Order and subsequent *reformasi* euphoria gave them a sense that they now had the rights they had been denied for so long. It is perhaps not surprising that they are now trying to obtain as much as they can from the changes in governance. In Mamuju District, local community members divided up former HPH logging blocks. With the support of the Village Head, the community began planting cacao on HPH concession areas belonging to PT. Hayam Wuruk and PT. Rante Mario. Some blocks (generally around 2 ha in size) were also sold to new settlers coming in from other districts. Forests were cleared for new farming lands, not only in concession areas but also in protected forest areas. This kind of activity is not new, but it has increased sharply since 1998, after the fall of Soeharto. The situation was similar in Luwu Utara (Heads of Forestry Offices, Luwu Utara and Mamuju, personal communication). A local employee at a large HPH concession in Mamuju suggested that the problem could be solved by a re-classification of the District Spatial Plan, in order to provide clarity to all stakeholders as to where they could and could not work.

HPH holders not only complained about communities opening up new land in former logging areas but also about many community members demanding to be involved in the production process and receiving shares of

logging profits. They felt that this complicated their activities, as they had to meet predetermined production targets. According to the public relations desk at PT. Panply (Company personnel personal communication), the company (when it was still operating) had been told by a group claiming to represent a customary community in Luwu Utara to pay US\$ 0.60/m³ on logs that had been extracted from forests they claimed were customary forests. It is not impossible that the concession areas were located on customary lands. Could it be possible that such claims were made as a result of these companies' inability to accommodate the communities surrounding their concession areas in the past? Under the New Order, permits had been granted by central government regardless of who lived there, how dependent they were on the land and its resources for their livelihoods, or what ancient claim they may have had on the land; therefore it is not surprising that local communities felt they needed to assert their property rights over their land.

7.3 Local government roles in forestry business development

In their desire to boost economic development district forestry officials have held discussions and business meetings with local forestry

sector business owners, and travelled to major cities on Java to promote Luwu Utara's forestry sector. A business trip in September 2002 was led by the Head of the District Forestry Office, involved dozens of forestry business owners from Luwu Utara District, and lasted for two weeks.

However, the district government's plans and efforts to develop forestry sector business in its area turned out to be meaningless. Central government issued a joint communiqué between the Minister for Forestry, the Minister for Transportation and the Minister for Trade and Industry requiring inter-island traders of forest products to acquire a licence from the Department of Trade and Industry. This obliged business owners to obtain permits for transporting forest products to Jakarta, as was the case in the days before decentralization. Before they could trade forest products from Sulawesi business owners had to obtain the approval of the Department of Trade and Industry. The district government was unable follow up on the contracts and agreements made during the business trip because it was not easy to secure inter-island trading permits from Jakarta. Central government has sometimes been accused of being half-hearted in its decentralization efforts in regard to this situation.

8.1. Rattan collection permits

Sulawesi supplies about 89% of the rattan produced by Indonesia. Business owners (investors) feel that decentralization has made it much easier to obtain rattan collection permits (IHPHH Rattan)⁷⁵. Instead of having to travel to the provincial capital, they can now submit applications at the district level. As was the case in the past, business owners must start cooperatives of rattan gatherers located in the area where the licence will be used. This requirement is aimed at ensuring rattan gatherers benefit more fully from the forests surrounding their villages.

Rattan licences cover areas of 500 ha and are valid for 6 months. If after this time the area is still producing rattan the company/cooperative may request an extension. Licence holders are obliged to pay a tax of US\$ 2.22 to the local government, and Forest Resources Rent Provision (PSDH) ranging between US\$ 77.80 and US\$ 155.60 for every ton of rattan collected. To ensure that permit holders pay their tax, the district government also obliges them to leave US\$ 4 444.40 with the district office as a deposit (licence holder personal communication). They are also required to establish rattan nurseries and regenerate exploited areas.

Our trips to the field and the District Forestry and Estate Crops Office revealed that the cooperatives set up by business owners were mostly fictitious. The areas for exploitation were just drawn on a map, and no licence holders were reported to be rehabilitating rattan collection areas. In reality, these business owners look for rattan outside

their permitted areas. The District Forestry and Estate Crops Office confirmed that they lack the resources to monitor and enforce this requirement. Interviews with communities revealed they felt it unnecessary to establish rattan nurseries or plantations, or to carry out any rattan rehabilitation, as the natural rattan supply (taken from surrounding forests) was still more than sufficient, however they did admit that they have to go a little further into the forests to find rattan these days. This issue came up during the provincial workshop held in Makassar in May 2004. Participants agreed that it was necessary to raise awareness among communities and licence holders and merchant collectors about the sustainability of rattan supplies from natural forests. Through effective facilitation and technical assistance, it might be possible to introduce rattan plantations in farmers' fields. This has proved successful in other areas of Indonesia, such as Kalimantan and Jambi Provinces, where farmers grow rattan in rubber agro-forestry areas (Widianto *et al.* 2003).

Communities are generally unaware of the regulations concerning levies on rattan. Villagers never see the business owners face to face, much less take part in the cooperatives they have supposedly set up. Communities gathering rattan are generally unaffected by decentralization, apart from its effects on the price of rattan. The Village Head of Sepakat, who himself gathers rattan, stated that rattan prices before decentralization had been relatively good and had peaked when the monetary crisis struck in 1998. However, they had begun to decline in recent years as

the monetary crisis has eased. During the workshop held in Makassar on 13 May 2004, the representative of the Indonesian Furniture and Handicrafts Association (Asmindo) contended that rattan prices were affected more by changes in central government export policies than by decentralization.

8.2. The rattan gathering community in Pampli, Sepakat village, Luwu Utara District

Pampli hamlet is located adjacent to the forest, 12 km outside the district capital of Masamba. The only access to this hamlet is an old, rocky road built by concessionaires, which has yet to be asphalted. It can be reached by motorcycle or car in 30 minutes if it is not raining. The village has 141 inhabitants (36 families), most of whom have only received an elementary school education (Table 10).

The rattan industry has been a fairly stable source of employment and income in this area for centuries. Gathering rattan is the primary occupation of 90% of community members. Work in the plantation and rice field areas is secondary, and takes place only when the market value for rattan drops very low. Therefore, low rattan prices may place an additional burden on the surrounding natural resources by increasing the demand for land for plantations (generally

cacao). When prices rise again, the men usually leave their farmlands, even during the harvest, to collect rattan. At this time, the village women work the plantations and rice fields.

The majority of respondents⁷⁶ stated that collecting rattan generates more income than any other activity, including harvesting plantations and rice fields. Not only do they gain a higher income from collecting rattan, but villagers in this area have traditionally favoured work that earns ready cash. This is another reason why gathering rattan is more popular than working full time in the plantations or rice fields. The rice they plant takes four months to harvest, and because they lack farming knowledge and do not prioritize tending their crops harvest yields are poor. Pampli villagers are not accustomed to using fertilizers, whether organic or chemical. According to one community figure, one hectare of rice fields will produce less than a ton of unhulled paddy. As with their rice fields, the yield from their plantations, such as cacao, durian, *cempedak* and *lansium*, is also low. Pampli villagers cannot rely on rice or traditional plantation harvests to provide enough income for their households.

The villagers told us that no agriculture officials had ever given any assistance or consultation in their area, either before or since decentralization. A farming official once came to Pampli bringing fertilizer as aid from

Table 10. Levels of education in Pampli hamlet, Sepakat village

Level of education	Total		Remarks
	Persons	%	
No schooling	0	0	Still below school age
Studying in elementary school	62	69	
Graduated from elementary school	14	15.5	The elementary school in Sepakat village provides education only up to the 5th grade (age 10); higher graders must transfer to the elementary school in the neighbouring village of Pincara.
Graduated from junior high school	7	7.8	In Masamba
Graduated from senior high school	5	5.5	In Masamba
College/academy	2	2.2	No colleges in Masamba

the government. They said their crops had improved dramatically, but even though they realized that fertilizer increased their harvest they did not use any the following season because the government did not provide them with any. Recently, migrants from Java have married local women and opened rice mills. Could the presence of these migrants, who come from different cultures, bring about changes in local cultivation culture? The answer will only become clear as time passes.

In fact, similar types of knowledge transfer have happened elsewhere. Introducing new technology with no practical follow up, as in the example of the government fertilizer aid, makes it difficult for local people to understand what improvements can be made. Local people are more interested in adopting knowledge from migrants, as they can see for themselves what changes or improvements have been made by applying their new technologies or practices. This offers a good opportunity to work together with local farmer groups through intensive community facilitation. Building community capacity for efficient crop production will increase their livelihoods, and decrease pressure on forests, by providing more stable incomes in the future.

In a Focus Group Discussion (FGD) involving the villagers it transpired that several of them worked as illegal loggers and often got caught. Sometimes, police or other local officials (not from the Forestry and Estate Crops Office) would order them to pay fines of US\$ 33.3/m³. They would tell the villagers that the payments were local PSDH and Reforestation Fund (*Dana Reboisasi*, DR) taxation

fees. However, the villagers were never given proper receipts for these payments. Compared to gathering rattan, illegal logging is a far more lucrative source of income, however the risk of being caught is also very high. In Pampli some villagers still log without permits in forests near their homes. Because there are no longer any Class 1⁷⁷ trees left, they generally cut down *sinangkala* and *kondongio* trees, considered less commercially valuable at US\$ 66.7/m³. The fee for transporting an 8 x 12 x 400 cm log from the forest to the village is US\$ 0.67. Villagers sell the logs to local wood mills or to timber buyers who come to the village.

8.2.1. Distribution of income derived from gathering rattan

Villagers usually gather rattan in groups. Each group consists of 7 to 15 people and is usually made up of family members and neighbours. Activities begin with an order from a business owner with a rattan production licence. Business owners contact villager groups through a local merchant or middleman in the village, telling them that the market value of rattan is currently high. Rattan gatherers are only prepared to enter the forests if these merchants are willing to pay US\$ 0.8/kg for wet rattan (Table 11). Figure 3 shows working relations between business owners, merchant collectors and rattan gatherers.

A merchant collector is usually hired by an investor to buy rattan in each village. He approaches farmers in the villages, offering them down-payments for collecting rattan in the forest. Down-payments range from US\$ 27.80 to US\$ 44.40 per villager. This

Table 11. Prices at farmer level for different types and qualities of rattan

Rattan name		Quality	Local price (US\$/kg)*
Local	Latin		
<i>Rotan batang</i>	<i>Daemonorops robustus</i>	Special	0.12
		Class 1	0.10
<i>Rotan lambang</i>	<i>Calamus koordersianus</i>	Class 2	0.08
<i>Tohiti</i>	<i>Calamus inops</i>	All classes	0.08
Other types (mixed)	<i>Calamus</i> spp.	All classes	0.07

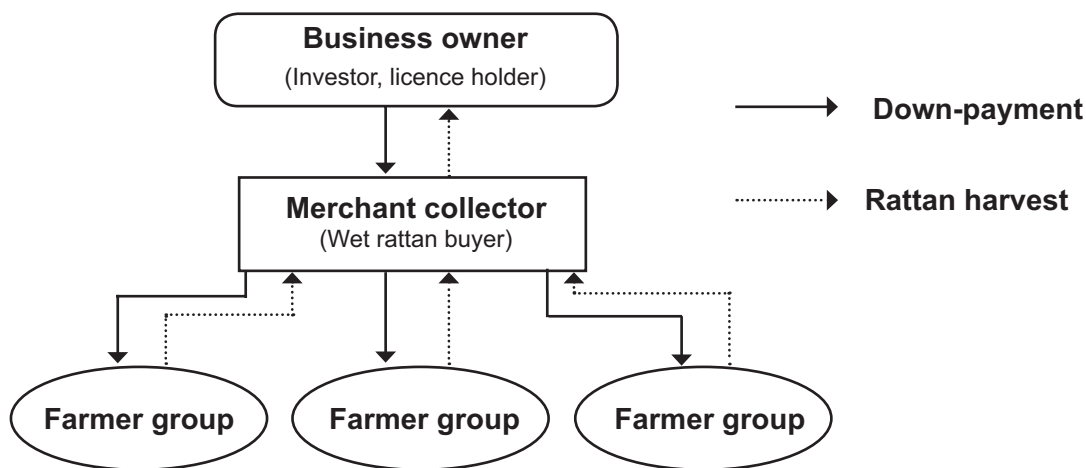


Figure 3. Flow chart showing working relations between licensed business owner investors, merchant collectors or village middlemen, and rattan gatherer groups

will later be deducted from the total received by the farmer. Collectors offer larger down-payments to strong, young, healthy farmers, on the assumption that they will bring in more rattan. From the down-payments, rattan collectors will spend an average of US\$ 16.70 on buying food and provisions to take to the forest. Those with families leave the rest of the money with their wives to cover basic needs while they are away. This down-payment system may well make rattan gatherers less likely to complain when they return to find that collectors have unilaterally lowered the price agreed at the beginning. The down-payments make it financially easier for the gatherers to leave their families and collect rattan, but they also weaken the gatherers' bargaining power.

During a 2–3 week trip gatherers can collect at least a ton of wet rattan. If the price of wet rattan is US\$ 0.08/kg (it can reach US\$ 0.12 for *Rotan batang*), the average net earnings of one group member (after deducting expenses) are at least US\$ 61.10. Interviews revealed that younger men (aged 27–40) can earn between US\$ 72.20 and US\$ 111.10, less down payment deductions (around US\$ 33.30) for one trip. More family members in the group (father and children) mean more money for a single household.

When the husband is needed for heavy work such as preparing the land or harvesting

the rice fields or fruit plantations, rattan gatherers only gather rattan from the forest near their village. They usually work alone to give them more flexibility to divide their time between the fields and collecting rattan. They leave at 07:00 and return at 11:00 or 12:00, bringing back 70–125 kg of mixed rattan⁷⁸. Villagers told the study team that rattan from nearby forests is lower in quality and quantity; this is because the people do not replant or allow rattan to regenerate locally. In the past they would leave a harvested area to regrow naturally. As the local population has increased, so has the number of people collecting rattan. There is now a tendency to over-harvest.

Rattan gatherers also complained that if they cannot agree a price, or demand is very high, merchant collectors often bring rattan gatherers from outside to collect rattan from the forests around their village. Outside gatherers reduce rattan stocks in the forest surrounding Pampli. The people of Pampli told us that rattan supplies in their forest are decreasing. In the past they could gather what they needed in just one day; now they it takes many days and nights in the forest to gather the same amount. They also blame destruction caused by logging concession holders for their declining rattan stocks.

Certain harvesting practices can also kill young rattan plants, further reducing the stock.

Rattan generally grows in clumps. Traditional gathering practices – cutting young rattan – may exterminate existing clumps and limit the chance of natural regeneration. These harvesting techniques threaten the sustainability of rattan species, especially *batang* and *tohiti*, which are the most expensive types and are now almost extinct. Sixteen local rattan gatherers told us it might be possible to grow rattan in their fields, but only one had ever tried doing so. When asked, ‘Would you grow rattan in your fields if you were given free rattan seedlings?’ Everyone (including the Village Head) said they would if they were paid to do so.

They do not think that it is necessary to grow rattan in their fields at the moment, as they can still go to forest to collect free, naturally growing rattan. However, if they are to maintain rattan supplies as a source of income they will need to adopt more sustainable techniques, e.g., selective harvesting, rattan plantation, regeneration etc. It seems that more time will be needed to raise awareness of forest resource preservation, and how important it is for providing sustainable livelihoods for the community in the future.

8.2.2. Obstacles facing rattan gathering communities

During Participatory Rural Appraisal (PRA) exercises, FGDs and various workshops, it was obvious that the greatest obstacle to rattan gatherers is unstable local prices for wet rattan. They cannot profit when the price of wet rattan is less than US\$ 0.08/kg. Villagers do not have the equipment or skills to aerate rattan, and this puts them in a weak position when dealing with merchant collectors. Before the gatherers go into the forest, the merchant collector usually tells them that rattan prices are high, e.g., US\$ 0.11/kg, which makes them keen to go collecting for him. However, once they bring the rattan back, they have to settle for any price fixed by the collector (e.g., US\$ 0.08/kg or less). This is because the rattan will rot if it is not disposed of quickly. Knowing that rattan gatherers are commonly cheated, the Head of the District Forestry and Estate Crops Office investigated real rattan prices with furniture makers in Makassar. He discovered that the

price of rattan in Makassar is always relatively high and stable (Head of Luwu Utara District Forestry and Estate Crops Office personal communication).

One merchant collector told us that he sells raw rattan to rattan permit holders. He earns US\$ 0.10–0.20 per kilogramme in commission. A group will take back 10 tons of rattan in an average trip, and the merchant can earn US\$ 111.1 from each group. There are 15 groups in Sepakat village selling to one merchant collector.

In the final analysis, rattan collecting offers the best income. However, local villagers have no legal tenure of the forests around their area. This means that outsiders with permits access the bulk of profits from local rattan. Collectors also make a hefty profit by squeezing the local farmers, whose bargaining position is weakened because they lack the necessary knowledge and capital, and do not have the tenure rights that could give them leverage with the collectors.

8.2.3. Alternative solutions to problems facing the rattan farmer community

During a workshop held by the Hasanuddin University in South Sulawesi (UNHAS) and Center for International Forestry Research (CIFOR) on 13 May 2004 in Makassar, participants came up with several solutions for rattan farming communities. The meeting attracted rattan farmers and Village Heads from Sepakat and Sassa villages in Luwu Utara, NGOs, the Head of Forest Concessions and Conservation from the Provincial Forestry Office, officials from the District Forestry and Estate Crops Office in Luwu Utara, an expert on policy and forest entrepreneurship from UNHAS, and representatives from FKKSS – a forestry communication forum. They formulated the following recommendations:

- a. Rattan gatherers who want to become local businessmen or merchant collectors must be empowered, encouraged and supported so they can mobilize rattan gatherers and help get a better bargaining position with middlemen (rattan permit holders) and larger rattan manufacturers in Makassar. This recommendation was based on the

- rattan gatherers' complaints about merchant collectors coming from other villages or towns and manipulating prices. If there were more local business owners, the chain of trade between farmers and buyers in the city would be shorter. With fewer middle men, rattan gatherers' incomes would rise.
- b. Every permit request to the District Forestry and Estate Crops Office must include a Memorandum of Understanding between the business owner and farmer group. This could promote cooperation and a fairer deal between the permit holders and local rattan gatherers.
 - c. A standard for sustainable rattan management should be introduced; it should include standards for planting, harvesting and processing up to distribution.
 - d. Artificial regeneration efforts should be prioritized, especially for *tokoi*, a unique and valuable species of rattan; it grows as a single plant and is very difficult to regenerate. It will become extinct very soon if no efforts are made to aid its regeneration. Rattan cultivation in farmers' fields might be considered as an option.
 - e. External support from donor agencies is needed to assist the District Forestry and Estate Crops Office to work together with communities and promote sustainable rattan harvesting techniques. The local government currently lacks the human and financial resources to handle many of the problems in the district forestry sector.
 - f. Asmindo should also contribute to capacity building for rattan gatherers in the villages. As an association of rattan business owners, who profit from the hard work of rattan gatherers, this institution should provide support and guidance to improve rattan farmers' livelihoods.
 - g. Cooperation should be promoted between local cooperatives or farmer groups and banks that could provide capital through soft loans. Lack of capital is one obstacle to developing community capacity and improving the poorest people's bargaining power. However, it is not easy for banks to provide credit, as they require collateral, which might be difficult to source.
 - h. Recognized tenure agreements over forest land may help farmers here.
- A collectively managed forest area should be established so that communities can implement a sustainable rattan management system, perhaps by applying agro-forestry or community-based forest management principles. Restrictions should be imposed on extracting timber from this type of forest so people could only take rattan or other non-timber forest products (NTFPs) in order to preserve the long-term sustainability of the area.

8.3. The logging community in Pulao hamlet, Sassa village, Luwu Utara District

Pulao is 27 km from the town of Masamba. The road is asphalted as far as Sassa, but deteriorates for the final 3.5 km to the village. When it is not raining, trucks can reach Pulao. The only regular means of transport to and from the village is by *ojek* – motorcycle taxi; the journey takes less than an hour from Masamba. However, due to high fares (a return trip to Masamba = US\$ 3.8/person), and few people travelling out of the village, Pulao is considered an isolated community.

The population of Pulao is 249, with 59 of the households made up of migrants from Rampi (another village in Luwu Utara). As settlers, the migrants' social status and rights are not considered equal to those of the natives of Sassa village. Often, when land disputes arise between inhabitants of Pulao and Sassa, the former usually back down. For example, Solihin, an inhabitant of Pulao, cleared 1 ha of forest and planted 500 cacao trees. After the trees began to produce, an inhabitant of Sassa claimed that the land belonged to his ancestors; by paying the meagre sum of US\$ 33.30 he managed to take over Solihin's cacao plantation.

A survey showed that most of the people in Pulao (95% of the total work force) have a relatively low level of education (Table 12). Their main source of income is from taking wood from forests (as loggers or transporters).

The only villagers who have finished junior high school are those who have lived

Table 12. Level of education of Pulao villagers

Level of education	Total (Persons)	Remarks
Did not finish elementary school	178	
Have no schooling	41	Still under school age
Studying in elementary school	15	School located 2 km away
Graduated from elementary school	7	School located 3.5 km away
Graduated from junior high school	3	School located 11 km away
Graduated from senior high school	0	School located 11 km away
College	1	Lived outside the area since childhood

outside Pulao. The nearest elementary school is 2 km away; children have to cross a river and hills on foot to get there. In 2002, none of the children finished elementary school: their parents told us that the fees were too high. Children and parents said that rather than paying a large amount of money and walking a long way to school every day, they preferred to work as labourers. Children either cut down trees or transport logs from the forest to the village. The people of Pulao do not prioritize education. During site visits to the forest, researchers witnessed children aged 6–8 working as transport labourers. One boy was hauling logs measuring 2 x 25 x 400 cm up and down hills. He received US\$ 1.90 for each log he carried. Interviews with villagers showed that many boys of the same age did similar jobs. For the same work, an adult can earn up to US\$ 5.60 per day. Most of the adults working at the site (109 persons) come from other villages, and some even arrive from town. People in Pulao only start working again when money earned from the previous job has run out. Saving money for the future is almost unheard of.

8.3.1. Non-timber resources potential and their management in Pulao

There are around 32 ha of plantation land and 8 ha of rice fields⁷⁹ in Pulao. Fifteen of the villagers told us they have 0.5–1 ha plantations or rice fields. As in the village of Sepakat, crop yields in Pulao are low. Farmers prefer going to the forest and cutting down trees for ready cash

to cultivating plantations and fields, which they visit only at harvest time.

An abundance of sugar palm (*Arenga pinnata*) and candlenut trees (*Aleurites moluccana*) grow at the edge of the forest and beside the river; both species have commercial value. Sap from the sugar palm trees is the basic ingredient for red sugar, however no one there has ever tried to extract it, nor do they harvest the candlenut trees. Local people usually use the sap for making *tuak*, a local alcoholic drink that the men consume at gatherings or on special occasions.

The species of cacao growing in Pulao is not tolerant to direct sunlight; it needs shade trees for protection. Residents often leave trees of no economic value to grow and provide the necessary shade. In some areas, many cacao plantations are unproductive because the shade trees have not been managed; they become overgrown and completely block out light from the plantations. Another UNHAS research project in Camba⁸⁰, a village in Maros district (similar in many ways to Pulao), found that the local people there planted commercial fruit trees to shade their cacao plants. These trees included durian, sugar palm (*aren*) and candlenut (*kemiri*), so they could make money from the shade trees at harvest time. During the durian season, one tree could produce US\$ 27.80 worth of fruit (Table 13) – a good alternative source of income. Camba villagers earn a decent living and commonly save money from their profits.

An FGD in Pulao revealed that villagers were unhappy with their current situation. They

Table 13. Potential non-timber commodities in Pulao (based on examples from Camba village)

Type of commodity	Product	Economic value (in Masamba) (US\$ 1 = Rp. 9000)
Durian	Fruit	US\$ 27.80/tree per year *
Candlenut	Seed	US\$ 0.90/kg, 1 tree + 40 kg/year**
Sugar Palm	Red sugar	US\$ 0.40/kg, 1 tree + 1.25 kg/year**
Cocoa	Seed	US\$ 1.10/kg, 1 tree + 5 kg/year**

* In other villages the price may reach more than US\$ 55.60 per tree

** The annual or daily production for each tree varies depending on the age, size and fertility of the tree, where it is grown, and the season.

did not like relying on logging, but they had no other work and needed help to find alternative livelihood options. During the provincial workshop in Makassar, the Head of the District Forestry and Estate Crops Office said he might be able to assist them under the ongoing social forestry programme. There was a chance that the Forestry Office could facilitate them to find alternatives to felling trees. However, he also added that he needed the word of local farmers and leaders that they would be committed helping identify suitable new initiatives, which the programme could then support. They would also have to maintain forest resources, and not convert any more forest areas, because the forests in Pulao are also vital for areas further downstream.

Interviews showed that villagers in Pulao were aware that besides timber there are also valuable non-timber products such as rattan and resin in their forests. They told us that the neighbouring villagers from Limbong and Rampi earned more stable livelihoods as rattan gatherers. One of the leaders said the people of Pulao originally gathered rattan, but with the introduction of chainsaws they had turned to illegal logging as it provided more ready money in the short term, even though it was more risky and considered illegal. Our research team saw no fewer than seven chainsaws in Pulao. Chainsaw owners either operate them themselves or hired them out for a fee of US\$ 11.10/m³ of wood felled. This is almost as much as a chainsaw operator is paid for using the machine.

Due to their current living conditions, Pulao villagers have recently demanded to be

relocated elsewhere. As forest loggers, they realize that the production potential of their forests has decreased. They rarely find good commercial trees such as *kalapi* (*Kalappia celebica*) in the forest these days. However, relocating all these people to another area might not be the best solution. Our team found plenty of scope for capacity building for local people to develop their own skills and make better use of the alternative resources surrounding their area.

8.3.2. Distribution of income derived from logging

Logging operations usually consist of a chainsaw operator, two helpers, a cook and labourers to transport logs. In one day, a logging group can fell 0.5 m³ of logs. If the wood they collect is *kalapi*, they can sell it for US\$ 52.80 per log or US\$ 105.60/m³. They divide their earnings between them, as shown in Table 14.

Adult villagers who transport logs usually leave home at 07:00 and return at 16:00. Depending on their strength, they will bring back 2–4 logs measuring 8 x 12 x 400 cm, at a fee of US\$ 1.90/log or US\$ 50/m³. If a person can carry four logs per day, he can earn US\$ 7.80. After deducting the other salaries (helpers, cook and transport labourers), the chainsaw operator may earn up to US\$ 13.90 a day. From that amount he must also pay for fuel and oil. If the operator owns the chainsaw he can earn more (US\$ 19.40 per day) as he does not have to pay chainsaw rental.

Income from logging is substantially higher than from rattan collection. However, it is not a sustainable source of income. Unsustainable

Table 14. Distribution of daily earnings in one logging group

No.	Item	Price/fee (US\$)* (US\$ 1 = Rp. 9000)
1.	Transport fee for logs from forest to village	25.00
2.	Salary of two helpers per day	6.70
3.	Salary of one cook per day	1.70
4.	Rental of chainsaw per 0.5 m ³	5.60
5.	Chainsaw operator per day	13.90
Total (price of log per 0.5 m ³)		52.80

* All prices are for *kalapi* (Class 1 wood). For Class 3 woods transport fees are lower because they can be found nearer the village.

logging will ultimately affect the community's livelihoods. If they continue to cut down trees without any rehabilitation or regeneration efforts, there will be no valuable tree species left for the next generation. Villagers admitted that *kalapi*, the highest priced timber species, has become scarce because of uncontrolled logging. As none of them has a logging permit, no one person can stop the others from cutting down trees in the forest. Under the law, their activities are considered illegal. Table 15 shows types of timber collected from the forest in Pulao.

8.3.3. The intricacies of the trade in illegal logs

Timber buyers come to Pulao to buy logs, which they then transport to Masamba and for sale to retail traders. The journey takes them past the district police station and the Forestry and Estate Crops Office. The logs pass freely even though they are not supported by official documents. Loggers from Pulao who participated in the FGD held in the village complained that they were regularly obliged to pay US\$ 55.60⁸¹ a month in 'protection money' to corrupt local security officials for safe passage from Pulao to Masamba. Others said they also gave money to the Village Head to gain his support. This could be why the Village Head of Sassa always defends the members of his village involved in illegal logging. During workshops, the Village Head said he would protect his community members from police or officials who accused them of being illegal loggers because he believed his people had no survival options other than logging.

Several merchant collectors (timber or rattan buyers in the village) felt that local police and military were now easier to bribe. After decentralization, the District Forestry and Estate Crops Office was granted more authority to monitor forest activities; this makes it harder for those involved in illegal forest activities (loggers and timber buyers) to continue with their work. However, it also creates the opportunity for corrupt officials to ask for more money from illegal loggers or buyers who need their 'special protection'.

The Head of the District Forestry and Estate Crops Office claimed to have conducted several joint forest security inspections, involving local police. The aim was to prevent logging and transportation of logs without permits. However, they have had no success: those involved always seemed to know in advance when and where the inspections would be – they halted all activities just before the inspection team arrived. The Head suspected that corrupt officials, either in his office or in the police, were tipping off the loggers and timber buyers. Even if illegal operators are arrested, their cases are generally settled in the police station. They are never brought to court. Faced with such difficulties coordinating with the local police, one District Forestry and Estate Crops official felt that they were just wasting money and effort with these inspections. Their efforts only created greater opportunities for corrupt local police officers and other officials. The research team had trouble confirming this with local police officers. They were always reluctant to provide any information or respond to any of our invitations to local stakeholder meetings.

Realizing the urgency of finding a more practical approach to the problem of illegal logging, the district government has applied a 'downstream policy'. It now inspects local retailers and timber contractors' (middlemen) log transport permits. These middlemen must be able to prove that their products are legal and they have paid the relevant taxes on them (PSDH and DR). The local government also requires similar proof from building contractors, so they can only use legally acquired timber for construction. The hope is that illegal logging will decrease because it will no longer bring in so much profit. This may be one example of more effective policing under decentralization. The illegal timber trade is not a new issue in this district. This approach to stopping it could never have been taken in the past because the district government had no authority over the local forestry sector. For short periods, this policy has worked quite well. However, the district government cannot stop the timber trading mafia coming in with timber from surrounding districts.

8.3.4. Recommendations for the Pulao community

The Pulao community members who joined our workshop in Makassar explained that they found it difficult to increase their limited livelihood options, as they are very much dependent on the forests. However, several useful recommendations came from the workshop discussions, as follows:

- a. Community-level capacity building is needed. Community members can stop earning money from illegal logging activities if they have other income options.
- b. If the local community is committed to taking part in development programmes that they themselves have initiated, the local government should support their efforts and help them through the social forestry or agro-forestry programmes of the District Forestry and Estate Crops Office and the Agriculture Office. Pulao has sufficient farming land and many types of plants that could be cultivated in the fields (sugar palm, candlenut, cacao, vanilla and medicinal plants).
- c. A pilot project to develop locally adjusted community-based forest management in Pulao must be developed. This might be done through demonstration plot models that provide practical and simple guidance on conservation and farming practices, such as organic farming or terrace building.
- d. Transportation must be improved and other public facilities such as a school and a health centre must be built in order to accelerate development in this remote area. Participants felt that the quality of life for the Pulao community could improve automatically if they had better access to

This might be done through intensive community facilitation to develop their capacity. Examples include introducing informal schooling to provide education for children who cannot finish elementary school, or introducing better farming skills and some simple and cheap farming techniques. However, new initiatives must come from the community itself. Participants felt strongly that if the initiative did not come from the villagers it would never be sustainable or inspire their commitment.

Table 15. Types and prices of timber taken by loggers from Pulao

Local name	Scientific name	Family	Quality*	Price per m ³ (US\$)* ** (US\$ 1 = Rp. 9000)
Kalapi	<i>Kalappia celebica</i>	Fabaceae	Class 1	55.60
Uru	<i>Elmerillia</i> sp.	Magnoliaceae	Class 2	77.80
Kondongio	<i>Cryptocarya</i> spp.	Lauraceae	Class 3	66.70
Sinangkala	-	-	Class 3	66.70
Ponto	<i>Litsea firma</i>	Lauraceae	Class 3	66.70
Tapi-tapi	<i>Santiria laevigata</i>	Burceraceae	Class 3	66.70

* Quality standards applied in Luwu Utara District

** Selling price from logger to timber buyer in Pulao

the outside world. Participants agreed to discuss this issue further with the District Legislative Assembly, Bappeda (District Planning Development Board) and the Public Works Office (*kantor PU*).

Finally, participants felt that it would be beneficial to assess land allocation in Pulao, based on the location, area and productive potential of the village fields. This should be done via community mapping involving local people to help them map out their area and plan optimal use of their land. Based on this

map, the community members could clarify their ownership or rights to use and cultivate land with the relevant district offices (Bappeda, the Forestry and Estate Crops Office and the District Land Agency (BPN)). The process of identifying the most sustainable alternative land uses would need communication and coordination between the community and the district offices. Participants agreed that this should be facilitated by a neutral party (a reliable non-governmental organization or university

Among traditional communities in Luwu Utara, owning large areas of land is a matter of great pride. Even if the land produces very little, it is considered preferable to owning a relatively small but more productive piece of land. The size of the land a person owns symbolizes his or her social status: the bigger the area, the more respect he/she commands. This mindset encourages people to obtain as much land as possible – usually much more than they can manage productively. Consequently, many farms and paddy fields are unused. The local term for these fields is *tanah ongko* – useless land. We found that sample families living in Sepakat village have 5–20 hectares of *tanah ongko*, in addition to the land they actually manage productively.

In the other parts of the community, people have more materialistic attitudes and lifestyles (usually those who have experienced life in the city). Interviews revealed they are usually far less concerned with conserving forests. They often cooperate with migrants from other districts (usually Buginese) to clear forests and claim the land. They later sell the land to buy consumer goods such as VCD players, televisions, motorbikes, cars etc. Well connected local businessmen also take part in this forest land trade. They use personal associations with government officials in the District Land Agency (BPN), the Transmigration Office, and with individuals from village heads all the way up to legislative assembly members. The Head of the District Forestry and Estate Crops Office dubbed them ‘local realtor groups’.

Figure 4, drawn by participants at our second district Focus Group Discussion (FGD), shows a pictorial representation of relations between stakeholders involved in clearing and claiming forests.

In this district, as with all others across Indonesia, different members of society have interpreted decentralization in different ways. For local communities in Luwu Utara, decentralization has provided them with an opportunity to submit ownership claims for forest land. They claim ownership on the basis that they are customary forests (*hutan adat*) or customary lands (*tanah adat*). In one example, a group of people from Limbong village in the northern part of Luwu Utara District demanded that the status of an area of conservation forest should be changed so that they could settle there. The area was forested with *damar* trees (*Agathis* sp.). With the support of the Village Head, District Head and a member of the District Legislative Assembly (DPRD), villagers from Limbong laid claim over this *damar* forest, saying it had belonged to their ancestors. However, their claim has yet to be formally recognized by the Ministry of Forestry. Research in 2003 identified nine local communities in Luwu Utara who had claims over customary forests. The most common reason given for making a claim was that villagers were dependent on the forest to fulfil their daily needs

Aside from forest dependence, other reasons commonly cited for making claims are: (a) the customary community having a long history of utilizing the forest; (b) the

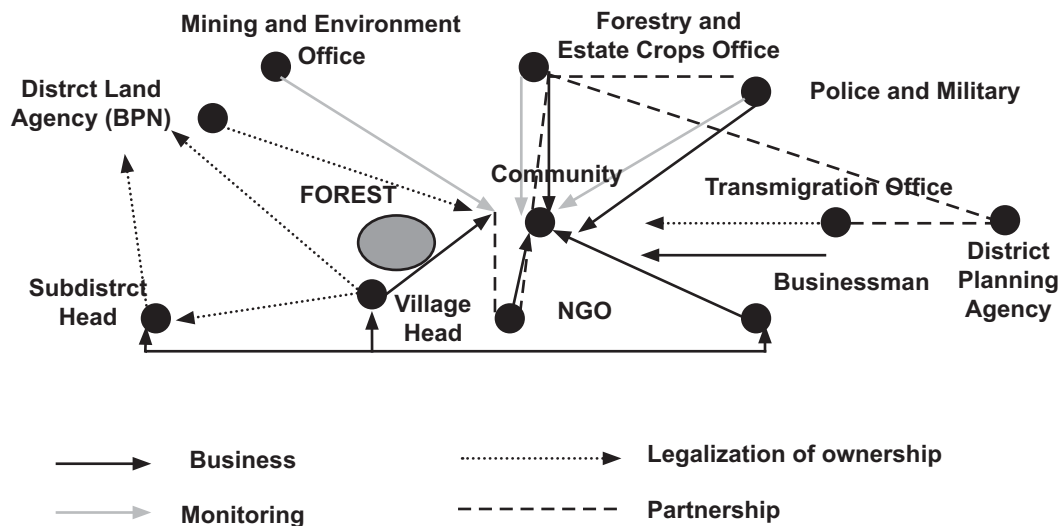


Figure 4. Relations between stakeholders involved in clearing and claiming statforests in Luwu Utara District

existence of a customary rule regulating the local community's use of the forest; (c) the existence of borders between customary forests established long ago by customary institutions; (d) evidence of the claimants' ancestral legacy in the forest, usually in the form of ancient burial sites or planted trees such as durian or coconut. Nowadays, due to their low earnings, and forest land being their only possible source of income, most villagers prefer either to cut down their trees and convert the forest into farmland, or to sell it to other parties outside their communities.

From a number of forest claims recorded, two were selected for further examination during the third and final phase of this research. These were customary land claims made by the *To'makaka Masapi* and the *Balaelo Sassa*, the customary leaders of Sepakat and Sassa villages.

9.1. Community perceptions of customary lands and forests

Initially, communities making claims were confused about the definitions of customary land and customary forest. They assumed, logically, that forests growing on customary land areas must automatically be customary forests. Their definition of customary land is

land once farmed by their ancestors, regardless of its current use. Local communities also define customary land as land once belonging to their ancient traditional kingdom (Kingdom of Luwu). The local belief is that they can use customary land in whichever way they choose, including selling it or giving it away to people outside their community. Research revealed that this assumption has worried the district government, making it reluctant to formally recognize customary forests.

The local government has a different perception of customary property, based on a number of formal laws. Article 5 of Forestry Law No. 41/1999 states that a customary forest is a state forest managed by a customary community (*rechtsgemeenschap*). As a state forest, its management and use cannot depart from its designated status (as a conservation forest, for example). Nor does the community have the right to sell it. This law also acknowledges privately owned forest land (*hutan hak*), defined as a forest growing on privately owned land. Unlike the owner of a customary forest, the owner of an individually owned forest has the rights to convert its use and sell it.

Article 22 of Law No. 5/1960 on Basic Land Provision acknowledges ownership of property under customary law. Furthermore,

the Minister of Land and National Land Agency Head's Regulation No. 5/1999 on Guidelines for Solving Problems of Customary Community Rights also acknowledges customary rights of ownership over certain land areas. These regulations make the definition of 'customary forest' ambiguous. Communities assume that forest growing on customary land qualifies as customary forest. This implies a legal restriction on selling land or using the forest for commercial purposes. Based on closer research with local communities, it would be more beneficial for them to try to have their forest lands officially acknowledged as individually or collectively owned (*hutan hak milik*); this would allow them to manage the forests for either subsistence or commercial purposes.

Local people frequently told us that they thought it was unfair that they had to follow formal property rights laws, about which they were never consulted or even informed. For example, the people of Sukamaju village in the western part of the district said that state forest boundaries were drawn up and new categories of forest designated without consultation with the local communities. They have never been sure where the official state forest boundaries actually lie. There is no formal law that provides a strong and fair framework for allocating forest property rights to the poor. It is little surprise therefore that these communities revert to their traditional perceptions of property rights. They believe they have an inalienable right over some areas of land. In their eyes, it is the state whose ownership claims are false, not theirs. Research found an urgent need to facilitate both parties (government and local communities), to promote more active consultation and collaboration on setting up a property rights regime for the future. In this way the two parties can work together to find the best way to accommodate their different needs and interests fairly.

During several FGDs and workshops involving customary community leaders in the area, local stakeholders were beginning to attach great importance to developing a shared understanding of terms like customary land, customary forest, individually or collectively owned lands etc. This would clarify their rights

and responsibilities in managing local forest or land. For example, the *To'makaka Masapi* (customary leader) and other representatives of Sepakat village stressed that what they had claimed as customary forest was different from definitions in national laws. The forest area was actually individually owned forest inherited from ancestors who had worked for the King of Luwu. An official from the District Land Agency suggested that if the *To'makaka Masapi* or his family could provide proof, or show the natural borders of the claimed areas, they could obtain official acknowledgement of individual land ownership. Meanwhile, the *Balaelo Sassa* of Sassa village also made a claim for customary forest. He demanded the right to manage forest land lying within the borders of land under his ancestors' rule during the era of the Kingdom of Luwu.

9.2. The *To'makaka Masapi's* customary land claim

9.2.1. The history of the *To'makaka Masapi's* governance

In the past, the communities in Masamba⁸² did not recognize customary regulations or any system of government. This led to many disputes between them. Realizing the importance of peace and unity between these communities, the leaders of each community went to the *Datu* (King) of Luwu in Palopo⁸³. The meeting with the King resulted in an idea to form a customary governance system led by a *To'makaka*.

The formation of the *To'makaka Masapi* began with the division of the central area of jurisdiction of the *To'makaka* into three new *To'makaka* areas, each one given to one of the *To'makaka's* three sons. The area was divided between the three sons as follows:

- I. The *To'makaka Masapi* governed 7 *Kombongs* (a level of governance under the *To'makaka*), in the mountainous area around Dotte village, now located between Sepakat and Pincara villages.
- II. The *To'makaka Uraso* governed 5 *Kombongs*, centred in Uraso village in Mappedeceng.
- III. The *To'makaka Masamba* (Bone) governed

9 *Kombongs*, centered in the town of Masamba.

The organizational structure of the Masapi customary group consisted of three customary leaders i.e. the *To'makaka* and his two assistants:

- (1) *To'makaka* had the role of solving disputes between communities and gathering all customary community leaders in the area under his rule together to form binding rules and regulations.
- (2) *To'minawa* had the role of assisting the *To'makaka* in all matters. Should the *To'makaka* pass away or violate the sacred customary oath, he would become the new *To'makaka*.
- (3) *Baliara* had the role of assisting the *To'makaka* in customary disputes such as those involving community members' use of the forests. The *Baliara* would try to resolve any disputes first before handing over to the *To'makaka*.

Nowadays, customary systems and community structures have changed in many ways. The central government divided areas into small hamlets and villages to be led by a government-appointed village head, modelled on the Javanese system of village-level governance. As a result, the *To'makaka*'s roles are now limited to overseeing social ceremonies i.e. traditional marriages, religious occasions, etc. Today, the *To'makaka Masapi* no longer has the authority to regulate the use of the forests in this area (Sepakat village). All forests are governed by the state, i.e., the Forestry and Estate Crops Office. All in all, we observed the following shifting paradigms in community customary practices in Sepakat village:

- a. Communities no longer share a strong customary identity, and today follow formal regulations administered by the Village Head (*Kepala Desa*). Community members have left behind most of their customary forest management practices and regulations. In daily practice, the customary leader (the *To'makaka*) no longer has any authority to govern forest use.
- b. There are no customary areas (lands or

forests) collectively owned by community members or used by the whole community as a livelihood source. The claims on lands and forests are made either for individually owned or family land (a number of individuals from the same family). This explains why the claim in Sepakat village was made by the *To'makaka* and his family alone, and not by the Sepakat community as a whole.

- c. Even though there is still a known set of customary laws on the use of the forest, it is no longer obeyed. Customary sanctions are imposed only on people who steal individual property. Beyond this, if the victim reports the theft to police formal law is applied and the thief can be sent to prison.

9.2.2. The status of the *To'makaka* Masapi's claim

The *To'makaka Masapi* and his family had made a claim for 500 ha of land. At the time when *To'makakas* ruled (during the era of the Luwu Kingdom), the land had belonged to their ancestors. When participatory mapping took place on 27 February 2004, the *To'makaka Masapi* immediately pointed out the site where his parents' house once stood and the site where the village he grew up in once was. The local community calls the area the *Kampung Tua* (ancient settlement) of Dotte, even though there is not a single house left standing. The area is now a secondary forest where well managed durian plantations, cacao trees and other timber species have been planted. When the trees bear fruit, the *To'makaka Masapi*'s family harvests them. All this shows that the *To'makaka*'s family members still use and manage the area for production. However, the land is family property (the *To'makaka*'s family), not community (collective) property. Therefore, community members (Sepakat villagers) cannot benefit from the land.

Prior to this research, the *To'makaka* had never measured the actual size of the claimed area. When the team carried out participatory mapping together with local people, the *To'makaka Masapi* pointed out some natural borders (rivers and hills) as the borders of the claimed area. The coordinates of these natural

borders were recorded using a Global Positioning System (GPS). The map of the customary land claim for the Dotte village area is shown in Figure 5. The map shows us that the total area that the *To'makaka Masapi* is claiming is only 232 ha. Based on the government map of Luwu Utara District, the claimed land is categorized by the state as a non-forestry utilization area (*Areal Penggunaan Lain* (APL)).

We also involved some people from adjacent villages to obtain more information for the mapping process. Neighbours confirmed the *To'makaka Masapi* family's ownership of the claimed area. The next problem for them was they were not aware of any regulation allowing a person to claim personal ownership of a 232-ha forest. At the last workshop we held in Makassar, the District Land Agency explained that an individual claim over an area is recognized by law, providing that strong proof of previous ownership can be shown, and the claim is acknowledged by other people living in, and around the area (see Section 3.3 on customary land and forest policy).

9.3. The *Balaelo* Sassa's customary forest claim

9.3.1. The history the *Balaelo* Sassa's governance

Local history tells of *To'manurung*, a woman sent to earth by God and born of a bamboo tree. The Limolang tribe, who live in Sassa village, believe they are direct descendants of *To'manurung*. They speak the *To'manurung* language, which functions as a spoken history passed from generation to generation in Sassa communities. *Balaelo* is the term used in Sassa for the leader of a Limolang tribe.

Similar to the situation in Masapi, the organizational structure of the Limolang customary system involved three customary leaders:

- a. *Balaelo*. The customary chief who oversaw the implementation of customary laws and regulations.
- b. *To'minawa*. The spokesperson for the *Balaelo* for all customary affairs.
- c. *Wolang*. The security advisor to all customary community members.

According to the current *Balaelo* of Sassa, the Sassa community has always owned an area of customary land. This land has clearly defined borders: Takudi to the north, the Meli River to the east, the Binua River to the west and Baebunta to the south. In relation to rights over lands and forests, customary law recognizes what is called *Tana Balaelo*, meaning land owned collectively by the customary people of Sassa, and *Tanana Balaelo*, which is land owned personally by the *Balaelo* or his family.

Sassa society had a customary law governing the use of their forests. Before a group of people from the community could enter the forest they had to follow a traditional ritual; this started by sending cattle into the area of the forest where they were going to work. The community also had rituals recognizing their ownership rights. According to the Sassa Village Head, in the 1960s villagers from Rampli, a more populated area in the same district, were relocated to Pulao village in the Sassa region. At this time the incomers and original residents conducted an ancient ceremony and made compensation. The incomers presented a roll of white fabric and an amount of money in return for rights to use the Sassa land and forest resources.

Today, the *Balaelo* no longer has full authority over the use and management of the forest in Sassa. Interviews with local people, who are fully dependant of forest products, revealed that community members do not ask for permission from the *Balaelo* to take timber or other products from the forest. Instead, they ask the District Forestry Office (unless they are logging without a permit). This is because people can only sell timber and other forest products to support their daily needs if they have official permits from the Forestry and Estate Crops Office. In this way, customary laws have been eroded and replaced by formal laws. Community members no longer feel they have to follow customary laws, as the formal ones have replaced them in daily practice. One principle of customary law is that customary leaders take their authority from their people, not from the government; therefore a customary communities' existence is self-determined.

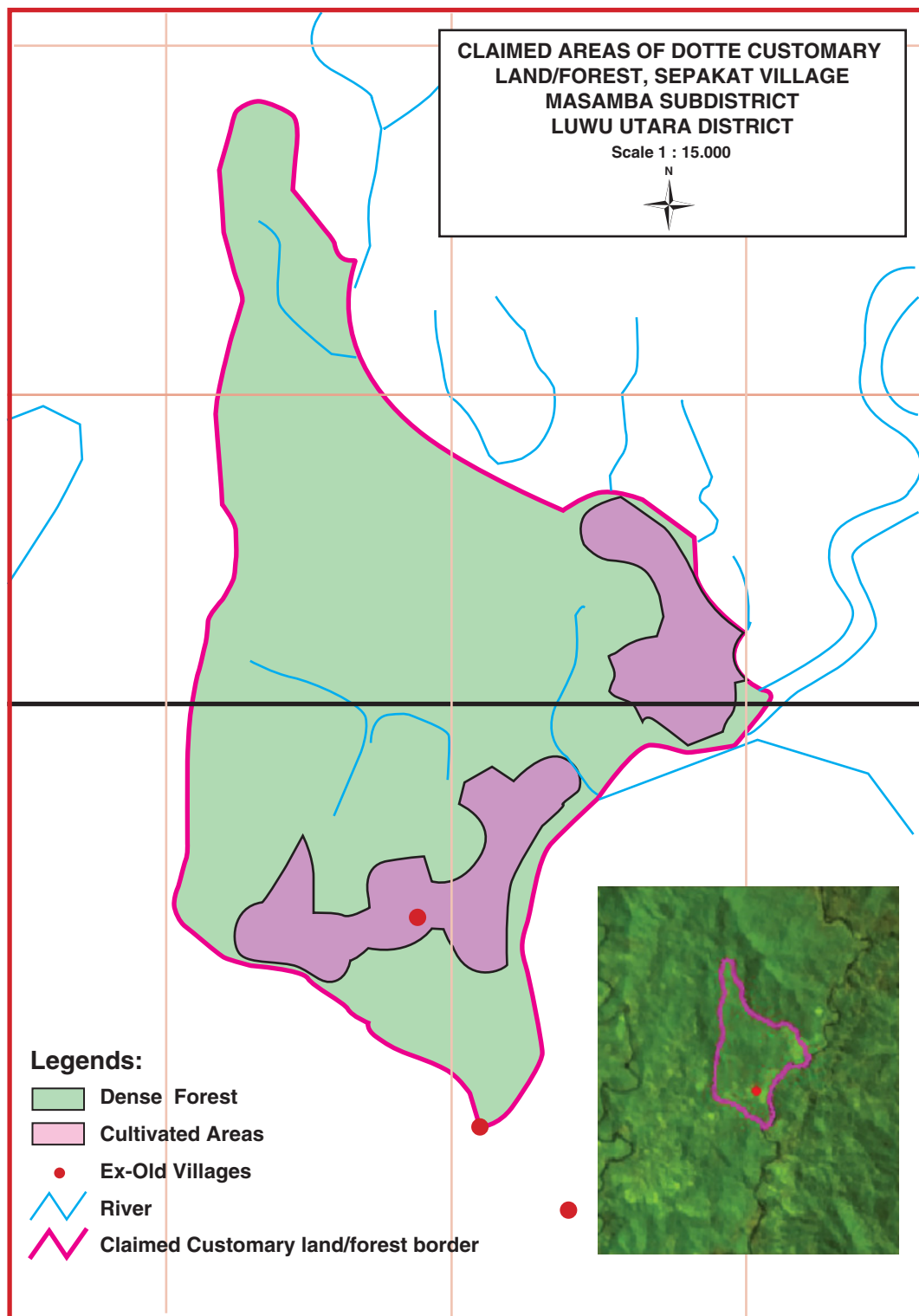


Figure 5. The area of customary land claimed by the *To'makaka Masapi* on the border of Sepakat and Pincara villages, Luwu Utara District

However, a formal national regulation⁸⁴ states that the existence of a customary community is not legally recognized by the state until it is confirmed through research conducted by the local government together with customary communities, and involving experts on customary practices, non-governmental organizations and other stakeholders dealing with natural resource management. Therefore, an adjustment and integration of customary norms and the statutory system (formal national laws, district regulations etc.) is needed. Local experience demonstrated that the best outcomes are achieved if this is facilitated through an inclusive decision-making process.

9.3.2. The status of the *Balaelo* Sassa's claim

On behalf of the customary community in Sassa, the *Balaelo* made a claim for the forest where his people make a living, claiming it as customary forest. The claim had the full support of the Village Head of Sassa. The *Balaelo* also stated that the claimed forest area had very clear natural borders. In early June 2004 the Hasanuddin University (UNHAS) team conducted a participatory mapping survey of the claimed forest area using GPS and satellite imagery (See Figure 6). Analysis of the resulting map shows that the claimed area is about 8,935 ha in size, covering 3,935 ha of conservation forest and 5,400 ha of APL (land officially classified as non-forest).

However, in accordance with National Land Regulation No. 5/1999, the Sassa claim requires further research before ownership can be legitimized. The *Balaelo Sassa* stated that his people would manage the claimed forest according to its state-designated function and would not sell the area under any circumstances. The Forestry and Estate Crops Office promised to facilitate the Sassa community's claim in cooperation with other institutions in the local government (Makassar, 13 May 2004). However, other officials from the District Legislative Assembly (DPRD), the District and Provincial Planning Agency (Bappeda) and the Mining Office, expressed their concerns over the possibility of sparking mass claims from other villages in Luwu Utara.

9.4. Recommendations for solving claims over forest areas

The following recommendations for handling ownership claims over forest areas were drawn up in a participatory group discussion during a Center for International Forestry Research (CIFOR)–UNHAS workshop on 13 May 2004 in Makassar. The group consisted of the Head of Bappeda, members of the DPRD, the Head of BPN, the Head of the District Forestry and Estate Crops Office, an expert on customary systems and practices from the Faculty of Law at UNHAS, the Head of the Forest Area Designation Bureau (BPKH), customary leaders (the *To'makaka Masapi* and *Balaelo Sassa*) and Lestari NGO.

- a. Claiming land as personal property: Only land outside the state forest estate can be claimed. Lands outside forest areas in the district are outside the jurisdiction of the District Forestry and Estate Crops Office, so claims can be submitted directly to the BPN. According to the Head of BPN, such claims can go hand in hand with a land registration in order to secure ownership rights. It should be noted that there are regulations limiting the amount of land that may be owned by an individual.
- b. Customary land or forests inside the state forest. The District Forestry and Estate Crops Office can process claims over customary land/forest inside the state forest estate. Under some circumstances, a claim can be made for the acknowledgement of a customary forest; once it is recognized its management will have to follow the government's social forestry model in consultation with neighbouring local communities. In theory, this management model can fit in with local communities' objectives and needs, and help them realize their rights or aspirations. This option does not recognize the community's ownership rights: it simply confers management rights on them (if they follow the prescribed social forestry model). There is one other thing that makes this recommendation problematic: national regulations state that customary

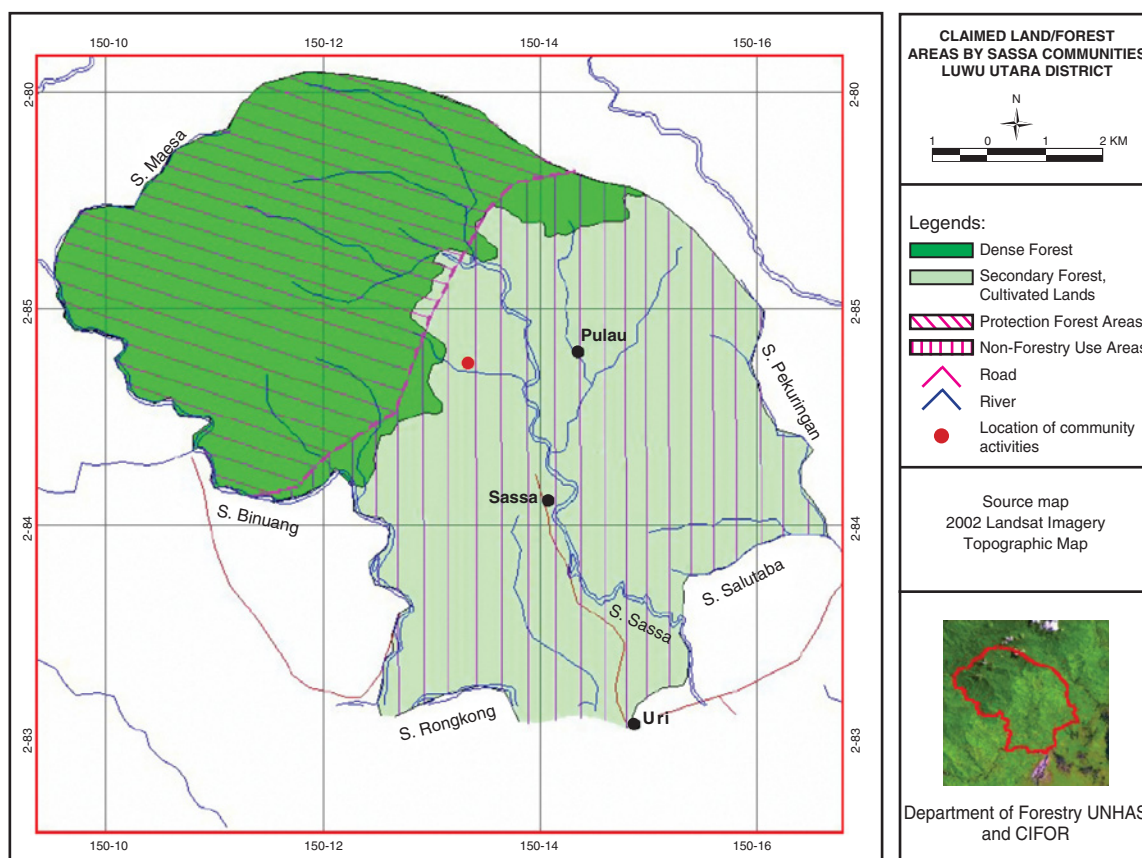


Figure 6. Area claimed as customary forest by the Sassa customary community

communities can be declared extinct. This happens if the customary community no longer practises its customary laws, norms and regulations, where its members no longer comply with customary institutions/leaders, or it is deemed to be extinct by the local administration or its neighbours. Once a community is deemed to be ‘extinct’ it cannot be revived as a newly formed customary community.

- c. A special team is required to identify and assess the traditional organization, structure and the customary area of the community making a claim. The Head of District Forestry and Estate Crops Office can later facilitate the claim to the customary forest to ensure that the claim does not contravene the principles of sustainable forest management, and that the forest will be used for the welfare of the community.
- d. Even if it turns out that the Sassa community claim is not accepted (if the customary community is declared extinct,

for instance), it does not mean that there is no hope left for the community to gain the right to manage the forest. According to the law, there are other forms of forest management rights for communities. These include establishing a village forest or a community forest (CIFOR 2002). It should be noted that the mechanism for obtaining rights over a village forest or a community forest are similar to those for a customary forest. The land cannot be owned by the community, and the management system is also fairly similar for all three categories of forest.

- e. People from neighbouring villages should be involved in determining the extent of the community’s customary forest land. For example, some of Sassa’s customary area covers parts of the neighbouring villages. It is often the case that claimed areas may overlap with land in surrounding villages, therefore a participatory mapping survey should be undertaken, involving the

- neighbouring villages, to prevent potential land conflicts in the future.
- f. Integrated research into the customary governance systems in the whole of Luwu Utara District is necessary. This should involve experts on customary governance systems, customary leaders and figures, NGOs, DPRD), BPN, Forestry and Estate Crops officials, the district and provincial government, BPKH, research centres and universities. These institutions could also be involved in developing a district regulation (*Perda*) on customary property rights. There is growing concern from local government that if the *To'makaka Masapi* and the Sassa community's claims are accepted, other communities will submit a mass of never-ending claims. Therefore, a thorough assessment of customary communities in Luwu Utara should be conducted, particularly of those customary communities whose status is well recognized by neighbouring communities and who still practise customary norms in their daily lives. The criteria set out in formal regulations (Basic Agrarian Law (BAL) and Basic Forestry Law (BFL)) must be integrated with prevailing norms and customary laws in the area. This survey also needs to take into account communities who do not have such strong ancestral claims over land. What will happen to them? How can their rights to a livelihood be protected? Another possibility is to develop a new and inclusive definition of 'customary community' through participatory approaches facilitated by action research methods. This would form a good basis for handling future claims.

In the early years of decentralization, the Forestry and Estate Crops Office in Luwu Utara District faced difficulties because of the lack of qualified and professional staff in the district. To overcome the problem, the District Forestry Office hired consultants from the Watershed Management Bureau (BPDAS) and the Forest Mapping Agency (*Balai Pemantapan Kawasan Hutan*, BPKH)⁸⁵, both based in Makassar, a 12-hour drive away. The consultant from BPDAS helped the Forestry Office to measure and map locations for reforestation. Meanwhile, the BPKH official helped develop forest area designations and utilization plans. These consultancies stopped in August 2002, when the Forestry Office hired its own Geographic Information Systems (GIS) expert.

Lack of sufficient GIS tools and equipment also added to the difficulties in developing district spatial plans. In 2002 the office acquired an old drawing table donated by a private consultant. The District Forestry and Estate Crops Office finally bought a set of second-hand drawing tables, but still lacked necessary equipment. To develop the District Forestry Spatial Plan, they used a very basic map of Indonesia (*Peta Rupabumi*) supported by field survey data gathered manually using compasses and a Global Positioning System (GPS). They produced a number of standard maps, three re-settlement maps, two location maps for *damar* and rattan extraction permits, two maps for timber clearance permits for privately owned land (IPKTM), and one map for the District Reforestation Plan.

The Forestry Office could, in fact, have used maps already developed by the District

Planning Development Agency (Bappeda) as base maps to plan out the forest areas; however, there was no coordination between the two offices. This research project tried to develop better mechanisms for coordination and communication between local offices. Through Focus Group Discussions (FGDs) and several meetings facilitated by the Hasanuddin University (UNHAS) – Center for International Forestry Research (CIFOR) research team, the District Forestry and Estate Crops Office has increased its contact with Bappeda and other related offices. As a result, it now coordinates more regularly and had developed an integrated District Forestry Spatial Plan using maps developed by Bappeda and the Transmigration and Agriculture Offices. Unfortunately, due to limited funds available for duplicating the maps, copies are available only from the Bappeda office.

In 2003, as part of this research's contribution to the development of a district spatial plan, the UNHAS-CIFOR team developed an integrated administrative map of Luwu Utara, which included forest delineation. Forest delineation was one of the greatest challenges for the Luwu Utara Forestry and Estate Crops Office when it came to developing their new district plan. Prior to decentralization, actual borders and physical markers on the ground differed from those marked on maps. Technically, the maps should have been accurate because field technicians from the Regional Forest Inventory and Mapping Agency (provincial officials accountable to the Ministry of Forestry) visited local areas. However, local people living in areas close to, or inside, forests complained

that boundary markers were placed on their land simply because the field technicians were reluctant to take long walks to reach the real forest borders. A workshop held in the first year of this research project revealed that a Sukamaju villager once saw a field technician put a border marker in his backyard. He complained to him and managed to 'save' his land from the state. This indicates that perfect maps on paper mean nothing if there is not adequate supervision and resources to oversee implementation on the ground.

It was clear from the results of Phases I and II of this study that the district government required capacity building support to improve its mapping and planning skills. UNHAS and CIFOR held training sessions on GIS and spatial planning in January 2004, in Makassar. The activity involved GIS experts from the Provincial Forest Inventory and Mapping Agency and UNHAS. Representatives from various agencies in Luwu Utara District participated in the training. These included officials from the Forestry and Estate Crops, Mining, Bappeda and Agriculture Offices. The heads of these district government offices followed up by procuring computers for the people who had taken part in the training and assigning them the task of continuing to coordinate with other offices whilst developing sectoral spatial plans for their agencies.

10.1. Spatial planning mechanisms and processes in Luwu Utara

In theory, Luwu Utara District's Forestry Plan (Figure 7) provides room for public participation. It should be possible for local people to participate in the development of strategic plans for forest management, if not in technical planning processes. To measure the degree to which people participated in forestry programmes, UNHAS visited Karawa and Lantang Tallang villages, where the District Forestry and Estate Crops Office has developed village nurseries (*Kebun Bibit Desa* (KBD)), as part of its Community Forest Management Planning process. Villagers' participation in the technical planning process was non-existent. Fifteen villagers randomly selected said they were not involved in any decision-making processes. The District Forestry and Estate Crops Office alone determined what timber species villagers had to grow on their lands, how selected species would be distributed, and the exact locations for planting the seedlings. Thirteen of the fifteen villagers said that if they had been asked about what species to plant, they would have preferred fruit trees such as rambutan and durian, or timber species like *uru* (*Elmerillia* sp.) and *bitti* (*Vitex coffasus*) to the white teak (*Gmelina arborea*) selected by the Forestry Office.

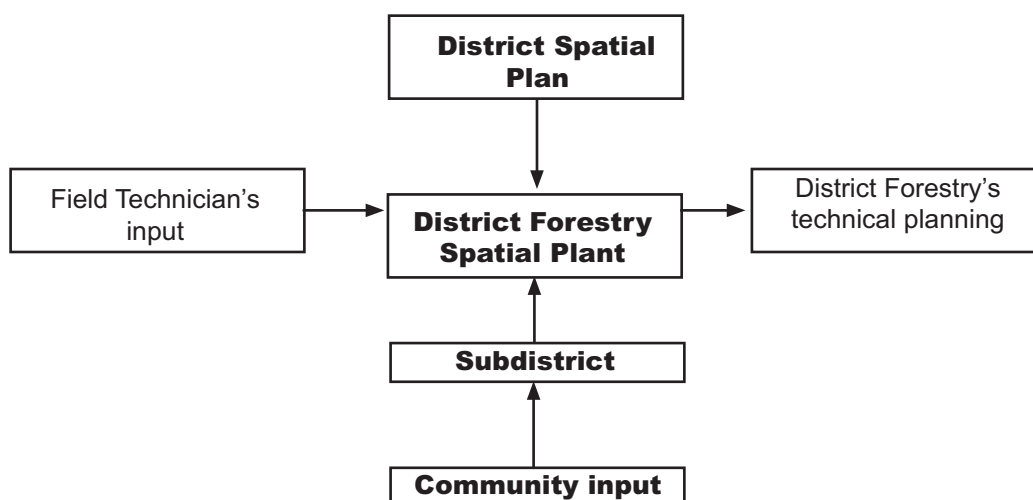


Figure 7. Forestry planning mechanisms in Luwu Utara District

Of a total of 128 villagers interviewed in 2002, 91 claimed they were never involved in any planning processes for the District Forestry Plan – be they strategic or technical. The villagers all said that they did not have enough access to forest management planning or decision-making processes. We followed up on this complaint by facilitating participatory decision-making exercises in collaboration with a local non-governmental organization and the District Forestry and Estate Crops Office. Several FGDs and village meetings were held to gather input from communities and provide them with information regarding forest management. This also gave them the opportunity to meet with Forestry Office officials, sometimes for the first time. Some villagers told us that these introductions had been enough to build their confidence, so now they just go straight to the forestry offices when they have ideas or complaints.

10.2. Forest products utilization permits

The District Government of Luwu Utara has already established a standard operating procedure to deal with applications for forest utilization permits. These include permits for collecting rattan (IHPHH Rattan), timber (IPK), and timber from privately owned land (IPKTM). All applicants have to attach maps of the areas concerned to their application. However, maps submitted do not show location coordinates, which can result in overlaps. Without coordinates it is very difficult for officials to carry out checks on the ground and conduct area mapping using overlay techniques.

Figure 8 illustrates the process for assessing applications. It shows that the District Head (Bupati) issues permits based on recommendations from the District Forestry and Estate Crops Office concerning the suitability of proposed locations.

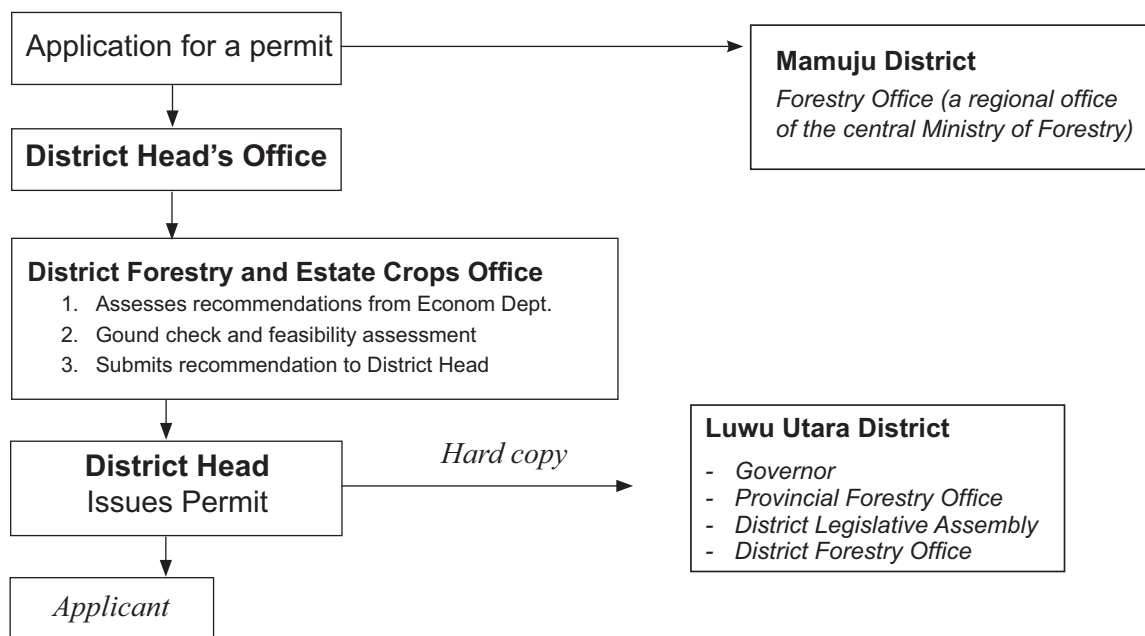


Figure 8. Flow chart showing application processes for Forest Products Utilization Permits (IHPHH, IPKTM) in Luwu Utara and Mamuju Districts

In many countries that have moved to decentralize their governance system, forests are always subject to the most scrutiny and dispute of all natural resources (Kaimowitz *et al.* 1998). This is possibly because forest resources can be exploited quickly and cheaply, and with relatively little investment.

Following decentralization, many districts in Indonesia now count very heavily on their forests for income. Unfortunately, the central Ministry of Forestry in Jakarta still expects large returns from forest resources in the districts. This has led to clashes of interest. Inconsistent and contradictory laws and regulations from central and district governments have confused the situation even more (Resosudarmo, 2004). This has resulted in forest resources becoming increasingly threatened. This three-phase research has identified the positives and negatives of the decentralization process in the forestry sector during the first three years of decentralization in two districts in South Sulawesi.

As discussed by Alm *et al.* (2001), decentralization in Indonesia was pushed through too quickly and without adequate planning. This study found that at the outset of decentralization the Government of Luwu Utara District was not very well prepared, and lacked adequate human resources and facilities for taking over the management of its forests. As time progressed, the government, especially the Forestry and Estate Crops Office, tried to improve its capacity for forest management. However, due to a lack of resources and uncertain division of authority, many aspects of forest management are still not handled

properly. One thing that stood out was how little attention the district government paid to empowering forest communities, despite the forests' sustainability depending so heavily on them.

This lack of attention to the forest communities of Luwu Utara was partly due to limited funds: it was also due to the minimal amount of information that the government had on the lives or needs of villagers. The Forestry Office did not have sufficient personnel to go into the field and deal directly with local villagers. On the other hand, communities never proactively approached the Forestry Office to discuss their circumstances. This was due primarily to their lack of awareness of their new rights to be involved in forest management and planning.

Many of the District Forestry Office's annual activities have been established in direct response to the outcomes of this research project, which simply worked on the basis of introducing stakeholders to each other to share and find solutions to their problems. The Forestry Office has adopted more inclusive processes for district forestry planning, and has changed its attitude to customary rights over natural resources in Luwu Utara. The District Forestry Office has also used findings from the second phase of this research, concerning fiscal balancing of forestry revenues, to lobby and negotiate with the provincial and central government. This has resulted in an increased Reforestation Funds (DR) allocation for Luwu Utara.

Nevertheless, three years of research have only succeeded in defining and analyzing a fraction of the challenges facing the district's forestry sector. The Forestry and Estate Crops Office still requires a great deal of support with action research that it can use as the basis for improving its management of the district's forests.

This study has shown that policies made in Jakarta are being implemented 'by force' in the district, since they do not accommodate the district's needs and situation. For example, central government, through the Provincial Forest Inventory and Mapping Agency (now BPKH), designated certain forests as state forests while the district government and local people believes that the areas are more suitable as agricultural settlement areas. Neither the local people – living there before the days of forest delineation – nor the district government was

consulted before these decisions were made. Central government – in this case the Ministry of Forestry – should review and re-evaluate its inaccurate and unsuitable delineation policy, as one example amongst many of its policies, which district governments deem to be too far removed from reality to ever be practical in the field. District governments also feel that these policies are too centralistic, i.e., leaving local government out of decision-making processes and allowing it only a technical implementation role. The framework for forestry decentralization needs to be reformed to promote better and more accountable forest management, at both regional and central levels, and to give the district governments more room to manage their own resources in the interests of the poorest forest-dependent people in their areas.

¹ DFID, 1999. *Indonesia: Towards Sustainable Forest Management*, Final Report of the Senior Management Advisory Team and the Provincial Level Forest Management Project, 2 Vols., Department for International Development (UK) and Department of Forestry, Jakarta.

² The research theme for Phase I was District Institutions, Resources and Planning in the Decentralization Process; Phase II was The Implementation of Decentralization in Policy Administration in the Forestry Sector and Community Response; and Phase III was Underlying Causes of Problems in Implementing Decentralization on Policy Making in the Forestry Sector and Using a Participatory Approach to Problem Solving.

³ CIFOR also carried out similar research in other regions (see: McCarthy 2001a, b; Casson 2001; Soetarto *et al.* 2001)

⁴ The District and Provincial Forestry and Estate Office, Transmigration Office, Agriculture Office, Mining Office, Trade and Industry Office, Regional Revenue Office, Regional Finance Division, Bappeda, DPRD (District Legislative Assembly) and some Technical Executive Units (UPT) of the Ministry of Forestry in South Sulawesi Province.

⁵ The first round of research involved 25 respondents from each village, consisting of customary leaders, village heads, village officials and members of the public.

⁶ The number of respondents increased substantially to 255 from provincial, district and village levels and included local people from both districts and Makassar Municipality.

⁷ FGDs involved institutions concerned with forestry, i.e., the Forestry and Estate Crops Office, Bappeda, Transmigration Office, National Land Agency (BPN), Agriculture Office, Mining and Environment Office, and members of the District Legislative Assembly (DPRD), village heads, non-governmental organizations (NGOs), and community representatives familiar with tenure issues in the field.

⁸ The South Sulawesi Forestry Communication Forum (FKKSS) is a forum of forest observers in South Sulawesi. Its members comprise government institutions such as district and provincial forestry offices as well as other related institutions, universities, NGOs, local community representatives, journalists and forestry entrepreneurs in South Sulawesi. The objective of the forum is to support sustainable forest management that contributes to community livelihoods through better communication and effective networking systems.

⁹ District Workshop I: 30 January 2002 in Sukamaju, Luwu Utara District, theme: 'Decentralization Mechanisms and Processes in the Forestry Sector', District Workshop II: 29 April 2003 in Masamba, Luwu Utara District, theme: 'The Implementation of Decentralization in the Forestry Sector', Provincial Workshop II: 28 May 2003 in Makassar, theme: 'Decentralization of Policy Making in the Forestry Sector', and Provincial Workshop III: 13 May 2004 in Makassar, theme: 'Participatory Approaches to Problem Solving in the Forestry Sector in the Decentralization Era'.

¹⁰ Luwu Utara District covers an area of 14 347.66 km², or 23.17% of the province.

¹¹ The other commercial timber species commonly found are *Callophyllum* spp. (Clusiaceae), *Camposperma auriculata* (Anacardiaceae), *Litsea firma* (Lauraceae), *Micromalum celebica* (Rutaceae), *Palaquium* spp. (Sapotaceae), *Pometia pinnata* (Sapindaceae), *Santiria celebica* (Burceraceae), and *Toona sureni* (Meliaceae). Commercial timber tree species of the Dipterocarpaceae family, such as *Anisoptera thurifera* and *Shorea assamica*, also grow in Luwu Utara's natural forests.

¹² Members of the Dipterocarpaceae are the most common commercial timber species found in the rainforests of Indonesia. However, these species are not dominant in the rainforests of Luwu Utara.

¹³ Sago is the staple food of indigenous communities in Luwu Utara District.

¹⁴ HPHs in Luwu Utara operated in Production Forests (*Hutan Produksi*) and Non-Forestry Use Areas (APL).

¹⁵ Tana Toraja is a world-renowned tourist area on the border of Luwu Utara District and Central Sulawesi.

¹⁶ Law No.6/1968 on Withdrawing Control over Forestry Matters from District and Provincial Governments in Eastern Indonesia. This law revoked Article 8 of Law No. 64/1957, paragraph 1, which stated that forest management was entrusted to provincial government, with the exception of the former NIT (Eastern Indonesian Nation), where forestry affairs were the responsibility of district administrations. The following paragraph, paragraph 2, explained that for areas in the former NIT, district governments would conduct forestry affairs but the duties of coordination and monitoring were entrusted to the provincial governments.

¹⁷ The Eastern Indonesian Nation (NIT) included areas in the eastern part of Indonesia, i.e., Sulawesi, Maluku and Irian Jaya.

¹⁸ Although Article 12 of the Basic Forestry Law (*Undang-Undang Pokok Kehutanan*, UUPK) stated that: 'The Central Government may entrust some of its forestry sector authority to local governments through

government regulation', in practice all forestry decision-making processes were the remit of central government (e.g. forest allocation for large commercial HPH concessions, forest area delineation, etc).

¹⁹ This Ministerial Decree was finally endorsed as Law (*Peraturan Pemerintah*, PP) No.62/1998 on the Delegation of Forestry Governance to Regional Governments. According to this decree, provincial governments are responsible for: (a) the management of Grand Forest Parks, and (b) Forest Delineation. While forestry affairs delegated to the district are: (a) reforestation and land and water conservation, (b) natural silk production, (c) beekeeping, (d) the management of privately owned forests/community forests, (e) the management of protected forest areas, (f) community facilitation in forest activities (g) the management of non-timber forest products (h) traditional hunting of unprotected wild animals in Game Reserve Areas, (i) forest preservation, and (j) forestry training for local communities.

²⁰ Law No. 25/2000 on The Authority of the Government and Provincial Administrations in Autonomous Regions.

²¹ Article 10, paragraph 1, stated that districts had the authority to manage the natural resources available in their regions, and were responsible for maintaining their sustainability.

²² One district regulation was issued in 1999, 58 in 2000 and 30 in 2001. Twenty-four were regulations on tax and trading permits; 28 on the establishment of district government institutions; 22 on the revisions to and changes in prevailing regulations (issued less than a year before); and the remainder were on other miscellaneous matters. In the forestry sector, three district regulations were issued concerning: The Establishment of the Forestry and Estate Crops Office, Forestry and Estate Business Permits, and a revision to the regulation on The Establishment of the Forestry and Estate Crops Office, which had been endorsed only a few months earlier.

²³ Presidential Decree No. 35/1980 on Funds for Reforestation and Regeneration of Commercial Forest Concession Areas.

²⁴ Ministerial Decree No. 142/Kpts-II/1984 on The Development of Industrial Timber Plantations (HTI) using Reforestation Funds. This was followed by other decrees related to the use of DR for HTI i.e. No. 162/Kpts-II/1984, No. 223/Kpts-II/1985 and No. 224/Kpts-II/1985.

²⁵ Presidential Decree No. 31/1989 on Reforestation Funds (DR) replaced Presidential Decree No. 35/1980.

²⁶ According to Article 1 of Presidential Decree No. 29/1990.

²⁷ According to Presidential Decree No. 28/1991.

²⁸ According to Presidential Decrees No. 40/1993, No. 24/1997 and No. 53/1997.

²⁹ Based on Presidential Decree No. 32/1998.

³⁰ Fiscal Balancing Law No. 25/1999, issued together with Decentralization Law No. 22/1999, provides a general framework for revenue distributions between central and regional governments.

³¹ DAU are the funds originating from APBN (National Budget), allocated to regions in order to finance their expenditures within the framework of implementing decentralization.

³² DAK are the funds originating from the central government budget and allocated to regional governments to finance special needs.

³³ According to the Decentralization Law, 'Region' is defined as a province, district or municipality.

³⁴ Article 6, paragraph 5, Law No. 25/1999.

³⁵ This allotment is provided for in Article 8, paragraph 4, of the Fiscal Balancing Law.

³⁶ The State's right to control forests bestows the authority on the state: (1) to determine and regulate the planning, allocation, provision and utilization of the forest in accordance with its function in providing benefits to the people and the state; (2) to regulate forest management in a broader context; 3) to determine and regulate the legal relations between an individual or legal entity and the forest, and to regulate legal actions concerning the forest.

³⁷ Basic Agrarian Law No. 5/1960.

³⁸ Clause 1 states that utilisation of 'adat' forest shall be undertaken by the customary

community concerned, in accordance with the forest's designated function. It goes on to explain that these communities have similar obligations and responsibilities to other parties if they use forests for commercial interests, e.g., tax payments, reforestation etc.

³⁹ See Article 67, paragraph 1.

⁴⁰ Article 2 of Head of BPN Decree No. 5/1999 on Guidelines for Solving Problems with Customary Community Rights.

⁴¹ Law No. 24/1997 on Land Registration.

⁴² Article 24, paragraph 2, of Law No. 24/1997.

⁴³ Article 2 (3), paragraph 4c, of Law No. 25/2000 on The Authority of the Government and the Provinces as Autonomous Regions.

⁴⁴ During the New Order era, the provincial forestry office had branch offices in each district, called Forestry Branch Offices (*Cabang Dinas Kehutanan*, CDK). These functioned as technical executive agencies for domestic forestry affairs at the district level.

⁴⁵ Law No. 34/2002 Articles 38, 40 and 41.

⁴⁶ Article 2 (3) of Law No. 25/2000 on The Authority of the Government and the Provinces as Autonomous Regions.

⁴⁷ BPDAS is responsible for managing watershed areas in the region, including land classification mapping. It plays an important role in selecting areas for the GN-RHL programme (a national reforestation and land rehabilitation programme).

⁴⁸ This has been already published in a Decentralization Brief (see: Oka and William 2004).

⁴⁹ Article 6, paragraph 5, and Article 8, paragraph 4, of Fiscal Balancing Law No. 25/1999.

⁵⁰ The region in which DR revenues were generated.

⁵¹ Article 11 of Law No. 35/2002 on Reforestation Funds.

⁵² A joint circular from the Ministry of Finance, Ministry of Home Affairs, Ministry of Forestry and Head of the National Development Planning Agency (Bappenas) No. SE-59/A/2001, SE-720/MENHUT-II/2001, 2035/D.IV/05/2001, and SE-522.4/947/V/BANGDA

on 'The Management of DAK-DR for Implementing Forest and Land Rehabilitation in 2001' stipulated that provincial governments should set up scoring systems for allocating DR in accordance with criteria set by the central government.

⁵³ Article 8, paragraph 4, of Law No. 25/1999 on Fiscal Balancing; also, Law No. 35/2002 on Reforestation Funds.

⁵⁴ Provisions in Article 8, paragraph 4a, of Law No. 25/1999 state that 'In a contributing region, reforestation funds shall **only** be used to finance reforestation and rehabilitation activities'.

⁵⁵ Article 16, paragraph 1, of Law No. 35/2002 states that 'Reforestation Funds shall **only** be used to finance reforestation, rehabilitation and supporting activities'.

⁵⁶ A joint circular from the Ministers of Finance, Forestry, Domestic Affairs and Regional Autonomy and the Head of the National Development Planning Agency (BAPPENAS) No. SE-59/A/2001, SE-720/MENHUT-II/2001, 2035/D.IV/ 05/2001 and SE-522.4/947/V/BANGDA on The Management of DAK-DR.

⁵⁷ Article 16, paragraph 2, of Law No. 35/2002 states that 'The use of the central government's DR share is prioritised for reforestation and land rehabilitation activities in non-contributing regions'. Whilst provisions in Article 8, paragraph 4b, of Law No. 25/199 state that 'Reforestation funds are used to finance the national reforestation program carried out by the central government'.

⁵⁸ The Technical Executive Unit (UPT) is accountable to the Ministry of Forestry. Under the decentralization system, many UPT functions no longer apply, as District Forestry Offices have taken over the responsibility of implementing domestic forestry affairs.

⁵⁹ A provision in Sub-Section IX of the joint circular states that 'District governments are obliged to provide funds for supporting activities not financed by DAK-DR'.

⁶⁰ Article 8, paragraph 5, of Law No. 25/1999 states that 'With the exception of reforestation activities, regions receiving Special Allocation Funds shall provide matching funds from district budgets in accordance with

their capacities.'

⁶¹ See also Srihardiono 2004.

⁶² No. 188.342/595/IX/2002/SET dated 20 September 2002.

⁶³ New names for HPH large-scale forest concession permits.

⁶⁴ No. 522.4/294/IX/2002/KANHUT.

⁶⁵ Article 4, paragraph 2.

⁶⁶ *Rakorbang* are development coordination meetings held to provide local input for district development plans and plan the annual district budget (APBD). All district government institutions are involved in the meetings, which discuss priority agendas in district development plans.

⁶⁷ Law No.34/2002 on Forest Management and the Development of Forest Management Plans, Forest Concessions and the Utilization of State Forest Areas replaced Law No. 6/1999 on Forest Concessions and Forest Product Utilization in Production Forest Areas.

⁶⁸ The South Sulawesi Forestry Communication Forum (FKKSS) is a forum of forest observers, supporting sustainable forest management to improve community livelihoods, through better communication and an effective networking system.

⁶⁹ GN-RHL (Gerakan Nasional Rehabilitasi Hutan dan Lahan) is a national programme on forest and land rehabilitation carried out in several provinces that have large degraded areas. The central government allocated DR funds for financing this activity in the region.

⁷⁰ The workshop's theme was 'Promoting Synergy Among Forestry Programmes and District-Provincial Coordination in Forestry Policy-making.'

⁷¹ The national regulation of the Director-General of Forest Concessions.

⁷² SKTs are issued only for land that has been cultivated or managed continuously for more than 20 years, either by individuals or a community. They are proof of local ownership and can be used as recommendations for securing land certificates from the local land agency (BPN office).

⁷³ The military is accountable to TNI headquarters in Jakarta, while the judiciary is supposedly independent. Law No. 22/1999

does not regulate national security, military or judicial matters.

⁷⁴ *Rakordes* are village coordination meetings for discussing local priority issues and needs for government support. The meetings involve local leaders and representatives from each hamlet (*dusun*), community groups, village administrators and other members of the village community. The results of these meetings are brought to similar meetings held at the subdistrict level, at which selected proposals from villages are brought to district meetings.

⁷⁵ *Ijin Hak Pemungutan Hasil Hutan Rotan* (IHPHH Rattan) are permits issued by the District Forestry and Estate Crops Office for rattan harvesting activities in state-owned forests.

⁷⁶ Twelve of 16 respondents.

⁷⁷ Based on local timber market prices in Luwu Utara, local people categorize *kalapi* as a Class 1 wood and the others such as *kondongio*, *ponto*, *tapi-tapi* and *sinangkala* as Class 3 woods.

⁷⁸ Rattan types growing in forests near villages are usually younger, smaller in size and of lower quality.

⁷⁹ Plantation areas are fields planted with annual plants such as cacao, durian, langsung and rambutan. Fields are usually planted with seasonal crops such as rice, corn, sweet potatoes, beans etc.

⁸⁰ Entrepreneurship Laboratory of the Forestry Faculty at Hasanudin University 2002. Internal Report. Unpublished.

⁸¹ Statements of this sort were the hardest information to acquire during this research. Such information was only given after much time spent building the trust of the community. The information given may actually jeopardize the respondents' safety if confirmed with the local authorities.

⁸² Capital of Luwu Utara District.

⁸³ Capital of Luwu District.

⁸⁴ Head of National Land Agency Implementing Regulation No.5/1999.

⁸⁵ The Forest Mapping Agency. In some areas, this is still called the Regional Forest Inventory and Mapping Agency (*Balai Inventarisasi dan Perpetaan Hutan* (BIPHut). BPKH is accountable to The Directorate-General of Forest Inventory and Landuse (INTAG). This office is responsible for forest mapping and inventory in the region.

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