

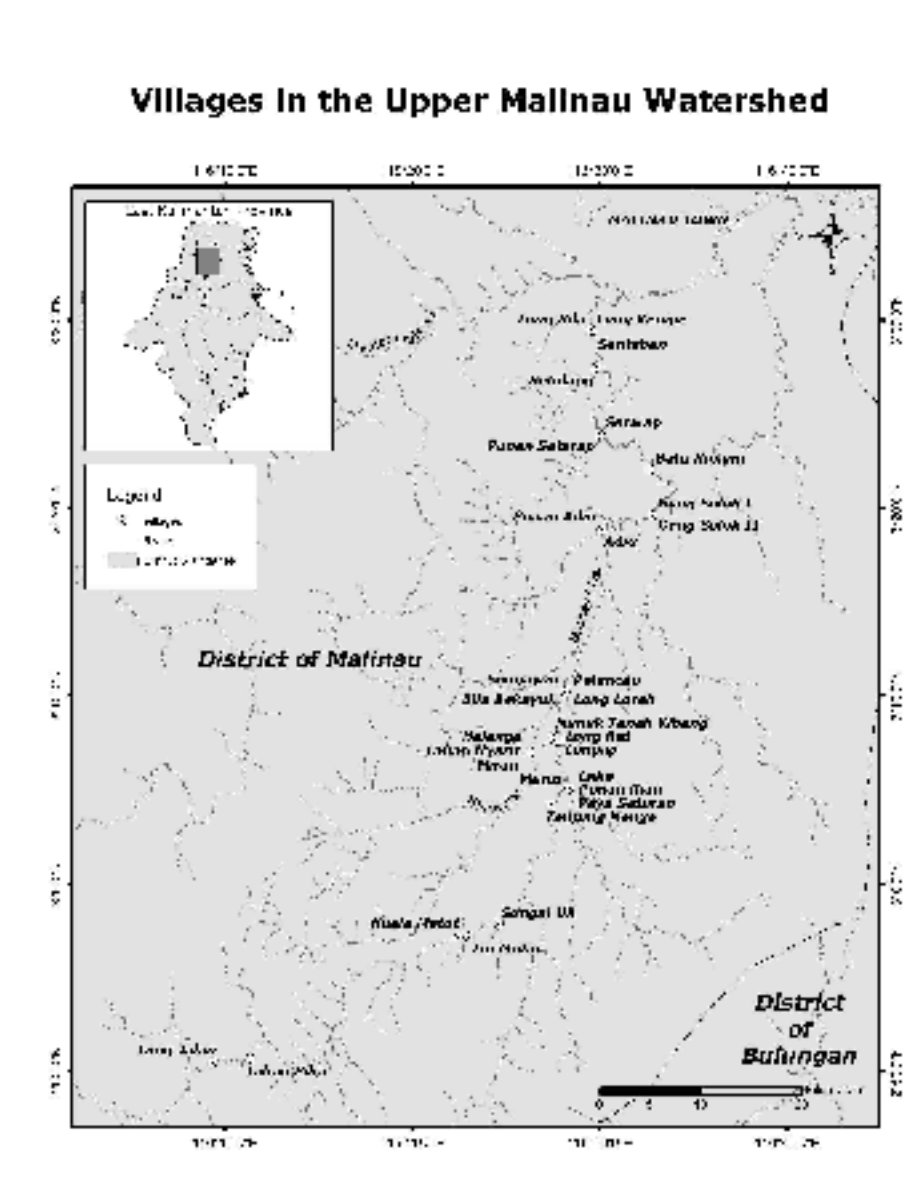
IT'S NOT FAIR, WHERE IS OUR SHARE?

The Implications of Small-Scale Logging For Communities' Access To Forests In Indonesia

Decentralization in Indonesia has provided opportunities for communities to participate in forest management. Small timber harvest permits (in Indonesian *Izin Pemungutan dan Pemanfaatan Kayu* or IPPK) provided the first time villages received significant benefits from commercial timber extraction. Yet the extent of those benefits has been limited. Rent-seeking local bureaucrats, entrepreneurs and community elites at the district level have used the new opportunities to further their own interests through lucrative small-scale timber harvesting. Under these arrangements, communities receive minor cash fees, development of some village infrastructure and employment opportunities. These benefits are significant enough however to cause most community members to overlook fundamental issues of rights over and long-term access to forests. Local government attitude has been ambiguous: timber harvesting licenses were issued specifically for areas claimed as customary territories, yet the local government has been reluctant to formally recognize communities, claims to forest and land. I use the example of seven small-scale timber harvesting operations in the Malinau area of East Kalimantan (from 2000 to 2003) to describe the type and quantity of benefits communities received. I then discuss the implications of this experience for future community access to forests. The wealth accrued by local entrepreneurs and local elite may strengthen their position to gain more control over natural resources in the area. The recent experience of windfall benefits from forest exploitation might divert communities' attention from securing long-term rights towards direct benefits. However decentralization provides increased possibilities for communities to seek recognition of their customary rights

Development of IPPK in Malinau's watershed

From July 2000 to February 2001 seven companies came to agreements with villages in the Malinau watershed (see map 1 for village location, and table 1 for list of companies). Logging operations in the Bila Bekayuk village territory started in July 2000. The companies were active for approximately two years (except for the company operating in Bila Bekayuk which closed its operations early 2001).



Map 1 : Location of villages in Malinau watershed, Malinau district, East Kalimantan

Table 1: List of villages in Malinau watershed with IPPK operations in village territory

	Village	Company
1	Setarap - Punan Setarap	CV Gading Indah
2	Adiu - Punan Adiu	CV Wana Bakti
3	Bila Bekayuk	CV Sebuku Lestari
4	Sengayan	PT Trisetia Abadi
5	Langap	CV Hanura
6	Nunuk Tanah Kibang	CV Putra Surip Wijaya
7	Tanjung Nanga	CV Meranti Wana Lestari

Unlike previous logging concessions that were allocated by central government to big companies, the main actors in the IPPK deals were local entrepreneurs, village elite and the district government. In six out of seven villages deals were negotiated by entrepreneurs already known to the community and had previously acted as traders in Non Timber Forest Products (NTFP) or buyers of illegal timber. They are based in Malinau or Tarakan and have wide networks in the area. Due to their previous business they have established patron – client relations throughout the area. These entrepreneurs mainly dealt directly with the village leaders.

In general the process before logging operations was as follows:

1. Entrepreneur approaches district government to come to principle agreement
2. Entrepreneur comes to village or village leader(s) meet(s) entrepreneur in Malinau or Tarakan
3. An offer is made by entrepreneur or a demand is made by village leader(s)
4. The offer is discussed sometimes only among village leaders and sometimes in a community meeting
5. If accepted, a letter of agreement is made between the village and the entrepreneur for timber harvesting in an area claimed as customary forest. If offer is not accepted, there is a second round of negotiation between the village and the entrepreneur
6. The benefits for the village are formalized in notarized contract
7. Entrepreneur takes the letter of agreement from the villagers to district government
8. District Forestry service provides technical advice related to status of area requested and harvestable timber
9. District head officially approves permit

Negotiations between the villagers and the entrepreneurs focused on payment of a fee per cubic meter of timber extracted, in kind benefits, and employment for community members. Beside these benefits in the early negotiations entrepreneurs also promised to establish cash crop plantation such as Bila Bekayuk, Langap, Setarap – Punan Setarap and Adiu – Punan Adiu. Later companies did not make similar promises (Sengayan, Nunuk Tanah Kibang, Tanjung Nanga). See table 2 for benefits that were negotiated by individual villages.

Table 2: Benefits promised by IPPKs to villages in Malinau watershed (in cash and kind)

	Fee/m³ (Rp)	Benefits in kind		
Setarap - Punan Setarap	40,000	Access road, leveling of area for village expansion, village office, church, rattan plantation, irrigated rice field		
Adiu - Punan Adiu	20,000	Access road, leveling of area for village expansion, village office, village meeting hall, health clinic, rice huller, rattan plantation		
Bila Bekayuk	Fee per m ³ not defined	House for each household, village office, village meeting hall, health clinic, school, tv, coffee plantation		
Sengayan	30,000	Village meeting hall, rice huller, 5000 sheet iron roofing		
Langap	7,500 ¹⁾	Leveling of area for village expansion, truck, bushcutter, pepper plantation, rice		
Nunuk Tanah Kibang	30,000	30 houses, village office, village meeting hall, waterpump, watertank (2), bushcutter, scholarship		
Tanjung Nanga	50,000	-		

¹⁾ This amount was renegotiated to Rp. 15,000 per m³ in 2001

During the negotiation, agreements about exact location to be logged were more often than not vague. Sometimes villages included verbal agreements on local employment and community control on operations, especially measuring of timber production and about the logging operation. For example Sengayan, Nunuk Tanah Kibang and Tanjung Nanga specifically requested that the companies applied selective logging of trees with > 50 cm diameter¹. Tanjung Nanga also requested that lesser known species be cut to increase the volume of timber extracted.

Over time the fee per cubic meter demanded by the villages increased. From no clear promise in Bila Bekayuk, the first village where a company logged to Rp. 50,000 per cubic meter in Tanjung Nanga, the last village. Villagers learned from each other's experience and tried to get better deals. The outcome of negotiations on fee was influenced by access to information and negotiation skills of village leaders. In one case villagers were surprised that the entrepreneur actually offered a higher fee per cubic than

¹ IPPK permit were not consistent in defining diameter of trees to be logged. In four cases the permit defined diameter > 8 cm, in two cases > 40 cm and in one case > 50 cm.

they had intended to ask. They also realized that they actually might have gotten more if they had known amount paid elsewhere.

Entrepreneurs also used co-optation of influential persons in the village and intimidation to reduce amounts paid. Because prominent villagers were offered personal payments per cubic meter, even a small fee would create reasonable personal wealth. Through this unofficial arrangement companies ensured that these influential persons had a personal interest in keeping the flow of logs going. Another argument entrepreneurs used was an instruction by the East Kalimantan governor for logging companies to pay compensation to villages in whose village territories the companies had logged. This instruction forced logging companies to pay compensation retroactive starting from 1995 till 2000. The highest rate in this instruction was Rp. 3,000 per cubic meter. This figure was referred to by the entrepreneurs saying that they were generous in paying above the rate set by the governor.

What did villages get out of it?

As shown in table 2 villages expected to receive substantial amounts of money, in addition to benefits in kind and employment from the IPPKs. In this section we analyze how much villages actually benefited from the presence of the IPPKs.

Money

Villagers complained that large-scale logging companies had never contributed to the development of the villages where they operated. The total amounts received by the villages from the IPPKs is (very) large compared to previous community development aid by large-scale logging companies or government assistance which was only 10 million rupiah annual per village plus minor community development projects. For comparison from 2000 to 2002 the following governmental village development projects were allocated to villages where IPPKs were operating: construction of cement paths in Setarap, piped water in Adiu, construction of cement paths in Tanjung Nanga, new elementary school in Langap, Bila Bekayuk, Sengayan and Nunuk Tanah Kibang received no project during this period. In this light it is not surprising that villages were very enthusiastic about the benefits they received.

Based on the initial negotiations villagers expected high economic gains from the IPPKs. After two years are they right? Table 3 shows that all villages but one (Bila Bekayuk) received large sums of money compared to previous incomes.

Table 3: Sum paid by IPPK to villages in Malinau watershed during 2000 till June 2003

VILLAGE	Number of households	Total amount paid (Rp.)	Average per household¹⁾ (Rp.)
Setarap - Punan Setarap	94	640 million	6.8 million
Adiu - Punan Adiu	42	800 million ²⁾	19.0 million
Bila Bekayuk	52	27 million	0.52 million

Sengayan	65	1 billion	15.4 million
Langap	104	320 million	3.1 million
Nunuk Tanah Kibang	36	500 million	13.9 million
Tanjung Nanga	130	1 billion	7.7 million
TOTAL	523	4,287 billion (\$ 465,978)³⁾	8.2 million (\$ 891)³⁾

- 1) Population data from Desember 2002. Information obtained per village from village head or secretary
- 2) Estimate based on information that four payments were made, each payment was made after 10,000 m³ had been produced at Rp. 20,000/ m³
- 3) \$ 1 = Rp. 9,200 (end May 2004)

Payments were made once every two to four months based on the volume of timber logged. The company disbursed the money to the village leader. The distribution system varied per community. Some divided the total amount equally among the number of households in the village. Some villages had different rates for different groups such as widows, students, bachelors, and sometimes even included village members working outside the village. Tanjung Nanga initially divided the money among head of households, widows and community members working outside the village. Over time the system changed (see table 4). Households received total of Rp. 500,000 to Rp. 2,000,000 per payment.

Table 4: Fee distribution in Tanjung Nanga, Malinau District, East Kalimantan

	First payment	Second Payment	Third payment
Head of household	Rp. 900,000/household ²⁾	Rp. 800,000/household	Rp. 1,000,000/household
Widow or widower	Rp. 450,000/household	Rp. 400,000/household	Rp. 500,000/household
Youngster ¹⁾	Did not receive any payment	Did not receive any payment	Rp. 200,000/pers
Elementary school pupil	Did not receive any payment	Did not receive any payment	Rp. 100,000/pers
Villager working outside community (as far as Malaysia)	Received unknown amount per person ³⁾	Did not receive any payment	Did not receive any payment

- 1) Youngster defined as unmarried children that do not attend school but still live with their parents
- 2) \$ 1 = Rp. 9,200 (end May 2004)
- 3) paid to relatives in the village

Villages faced several problems related to the fee payments. Villages had no accurate data on log production. Thus villages relied on statements by the company to calculate the total fee to which they were entitled. Companies sometimes used vague stories about losses of logs to reduce payments.

A second problem was that companies tended to pay the full amount to the village leaders. Due to a lack of reliable production data or other means of transparency, this payment system created suspicion among villagers.

In two locations (Setarap – Punan Setarap, Adiu – Punan Adiu) an additional problem was that the community did not reach a consensus on the distribution mechanism between the two villages in the location. The village with a low number of households wanted to divide the fee equally. The village with a high number of households wanted to divide the fee per household. Because there was no prior consensus, once the payments started several debates took place to discuss the appropriate mechanism. In one case the fee was equally divided and in the other case the village with more household got a slightly higher portion of the fee.

The amounts in table 4 only show the amount distributed at village level. Different sources of information indicate that various village leaders got individual payments not publicly accounted for. Villagers could not influence this system as these promises were made secretly². However villagers did not protest against this arrangement as long as the money divided among the villagers was equal. People only protested if payments were late or if the discrepancy between the amount per household compared to the suspected sum received by village leader(s) was too big as occurred in three villages. Protests were directed at the company. Villagers send delegations to the companies office to protest and also ceased heavy equipment. In one case the village secured a higher fee per cubic meter (twice the amount of the original agreement). It is impossible to know whether this increase went at the expense of the amount paid to the village leaders or reduced the profit of the company.

In 2000, both village leaders and villagers were very eager to explain to outsiders about their negotiations and agreements with the individual companies. Over time however, people controlled information more and information became more distorted. Villagers only knew about the payments made to the individual household and sometimes about the supposed total amount paid. Village leaders became more evasive when asked about payments by and arrangements with the companies.

Unfortunately villages set aside little for public needs (see box 1 for example of community setting money aside). Some village leaders explained that even if they suggested that part of the money be saved or allocated for community development the majority of villagers objected. In many cases villagers have ample experience village leaders using village funds without discussion with or agreement from villagers or for personal needs. This lack of transparency and accountability resulted in the villagers choosing for the “safe option”: divide it all!

² In a case known from the district of West Kutai the per m³ fee for the ‘*pengurus*’ (broker) was stated in the official documents. The ‘*pengurus*’ was not a village leader and the amount was quite high, Rp. 10,000/m³

BOX 1: Using IPPK money for village development – an exception from Punan Adiu

When the community of Punan Adiu received the first payment from the IPPK company the village leaders set aside 50 % of the first fee payment and put it in a bank account. Shortly hereafter the villagers used part of it to buy three cubic meters sawn timber for each family to enable them to improve their present houses or start building new houses.

This arrangement benefited the community as a whole and contributed to long-term development. However the village leader admitted that he was under constant pressure from fellow villagers to divide the money. During consequent fee payments the total was equally distributed among all households and no more money was put into the village treasury.

Most households spent their money on immediate needs such as food, medical care or luxury goods, e.g. electronic devices. Especially in the early days, people were easily convinced by traveling traders to buy a variety of goods. The traveling traders kept track of when the companies made payments and arrived with their goods at that time. Over time the number of itinerary traders increased. A teacher in one village told how a family had just spent their fee on luxury items, when a few days later they had to borrow money to pay for medical care for one of their children. He stated that this experience increased peoples' awareness of the need to be more careful in spending their money.

The perception from inside the villages and from neighboring villages is that little of the money from the IPPKs has had a long lasting impact. This is confirmed by the household survey conducted in three villages that showed that very few household have savings at least that they are willing to report. Some of the neighboring villages might make these comments partly out of jealousy, however, influential persons within the villages acknowledged that the IPPK money contributed little to village development.

In-kind benefits from IPPK

In all seven villages the agreements included promises by the companies to provide a variety of infrastructural development and, in four villages, establishing of cash crops. Table 5 shows the benefits resulting from these agreements.

Table 5: Benefits in kind for villages in Malinau watershed from IPPKs from 2000 till June 2003

	In-kind benefits received	Unfulfilled promises
Setarap - Punan Setarap	Access road, leveling of area for village expansion, village office	Church, rattan plantation, irrigated rice field
Adiu - Punan Adiu	Access road, leveling of area for village expansion, village office, village meeting hall, health clinic, generator, rice huller	Village office, village meeting hall, health clinic, rice huller ¹⁾ , rattan plantation

Bila Bekayuk		House for each household, village office, village meeting hall, health clinic, school, tv, coffee/beetle nut/pulp plantation
Sengayan	Village meeting hall, rice huller, 5000 sheets iron roofing	
Langap	Leveling of area for village expansion, bushcutter, rice	Truck (was returned because high price was deducted from total amount), pepper plantation
Nunuk Tanah Kibang	30 houses, waterpump, two watertanks, bushcutter, scholarship	Village meeting hall and office, scholarship only provided for short period
Tanjung Nanga	-	

¹⁾ The company had promised to provide each village with own village office, meeting hall, generator and health clinic. However only one village received all facilities whereas the other village received none

Companies provided assistance for which heavy equipment was needed and relatively expensive i.e. road construction and leveling of village expansion area. The roads constructed were necessary for timber extraction, so involved no additional costs for the companies. Landscaping around the settlement did incur additional costs and the villages had more trouble in ensuring that this assistance was provided. The construction of other village infrastructure like houses, village office or meeting halls was partly accomplished.

There seems to be a gradient from early IPPKs with many promises but few promises kept, to the later ones where the percentage of promises fulfilled increased. Starting from Bila Bekayuk which did not receive any facilities and Langap that received little in-kind benefits. The villages of Setarap - Punan Setarap, Adiu - Punan Adiu, and Nunuk Tanah Kibang got approximately half of promised facilities. In Sengayan the few items beside the fee payment were all fulfilled and Tanjung Nanga with the highest fee had no additional benefits promised. No company made any effort to establish plantations! But villagers do not seem to be too concerned about this.

Employment

Initially villages envisaged that the IPPKs would provide many opportunities for local employment, as many villagers had previous working experiences in logging companies in Malaysia. During the negotiations the entrepreneurs promised that the logging companies would provide employment for villagers. However in three villages were quickly disillusioned when the companies brought in complete crews and not provided employment opportunities for villagers. In two of those cases the villagers demonstrated against the company and the company provided at least some employment for local people.

Villagers were also quick to learn that employment with the companies was less lucrative than anticipated. Payment rates were comparable to other parts of East Kalimantan, e.g. Rp. 2,750 per cubic meter for a chainsaw operator, however costs of living are higher in Malinau. Secondly several companies did not pay their employees for several consecutive months. Jobs on the sideline like cutting and selling timber for local consumption provided actually a better source of income. In one village villagers supplied sawn ironwood to the entrepreneur earning Rp. 400,000 per cubic meter. The logging company's tractors pulled the ironwood logs out of the forest for free. The local chainsaw operators were claiming that they can produce approximately one cubic meter of sawn timber per day. Since the entrepreneur bought several tens of cubic meters this provided substantial additional income.

About forty local people worked in logging operations as chainsaw and heavy equipment operators in four villages. Several local people worked to control the operations e.g. control of size of trees cut and measuring of total volume cut. However in some cases the company paid the salaries of the community members assigned to check on logging operations and they discouraged the people from visiting the logged area too often. Even in Tanjung Nanga, where the community paid the salary of the community members, the company tried to discourage or obstruct them from performing their tasks.

On the other hand villagers went to the logged areas to hunt or collect forest products. During these trips they observed the actual logging operations. However there are no cases where reports from this informal control lead to action against the logging company if any violations were observed.

The presence of IPPKs provided some additional benefits like transport. In all villages people regularly used company vehicles to travel to their fields, go to Malinau or to transport timber for personal use. Individuals in most villages benefited from the opportunity to saw timber for local sale. The presence of company laborers provided a temporary market for vegetable, meat and fish.

Impact on forest

Villagers observed that the logging had a significant impact on the forest. However, as table 6 shows villagers had little notion of how large an area was actual affected. Most estimates referred to the official acreage as assigned in the government permit. Some claimed that the impact was limited due to the application of selective logging. Yet in other villages community members acknowledged that very few trees with diameter > 30 cm were left and that the logging operations caused much damage to the soil. In four villages logging operations damaged peoples' gardens and agricultural fields without prior consultation.

Table 6: Comparison between actual and estimated acreage of forest affected by IPPK operations

	Acreage according to informants ¹⁾ (ha)	Acreage according to permit (ha)	Acreage based on satellite image ²⁾ (ha)
Setarap / Punan Setarap	3,000 – 10,000	1,200	207
Adiu / Punan Adiu	1,500	1,500	532
Bila Bekayuk	n.a.	1,050	299
Sengayan	1,300	2,000	18
Langap	5,000	3,000	554
Nunuk Tanah Kibang	2,000	2,000	220
Tanjung Nanga	1,600	2,000	121

¹⁾ During visit in June 2003 one to four village leaders were asked to estimate forest area logged by IPPK

²⁾ Interpretation of January 2003 Landsat satellite image

Table 6 shows that the area actually affected by the logging operations is significantly smaller than the concession area allocated to the IPPKs. This information contradicts the general view that IPPKs impacted forest in an area larger than their official assigned concession due to the lack of control by government agencies. In the case of Malinau three main factors influenced the operations of the IPPKs minimizing their impact. First of all in the Malinau watershed timber is still readily available at short distance from the logging roads previously established by logging concessionaires. Secondly many IPPKs used secondhand heavy equipment in (very) bad condition virtually prohibiting major logging operations due to the high frequency of equipment breakdown. Thirdly during this period the timber price was very low further forcing the IPPKs to minimize costs to maintain their profit margin. An additional problem IPPKs faced was the rugged terrain in Malinau that has already slowed down forest exploitation over the last twenty years.

Further ground truthing of the areas affected by logging proved that some caution is needed relying on the satellite image to estimate the total forest area affected. The survey revealed that some of the areas that were logged early (in 2000 – 2001) did not show up on the satellite image.

Although the immediate impact on the forest over the last two years is relative small, IPPKs have further extended the road network in a substantial part of the Malinau watershed. On the satellite image (Landsat January 2003) main and log roads accounted for an average of 69% of the still visible impact on the forest (see table 7). This expansion of the road network creates opportunities for future forest exploitation.

Table 7: Area and percentage of forest clearing caused by IPPK operations

Village	Area affected by road construction of IPPK (ha)	Total forest area affected by IPPK (ha)	Roads as percentage of total forest area affected
Setarap – Punan Setarap	81	207	39 %
Adiu – Punan Adiu	387	532	73 %
Bila Bekayuk	299	299	100 %
Sengayan	12	18	67 %
Langap	384	554	69 %
Nunuk Tanah Kibang	125	220	57 %
Tanjung Nanga	96	121	79 %
Average			69 %

In June 2003 village elite and community members involved in IPPK tended to downplay the negative impacts of the IPPK operations on the forest. This was after the IPPKs stopped logging and many villages were negotiating new deals with companies hoping that logging and the flow of fee payments would continue. In November 2002 the district head of Malinau informed all IPPKs that their permit would not be extended. During this transitional period entrepreneurs tried to obtain new permits to convert IPPKs into Izin Usaha Pemungutan Hasil Hutan Kayu (IUPHHK). The entrepreneurs also approached the villages to get their support for continued logging in their village territory. We know at least three cases where the villagers thought that downplaying the impact might increase chances that new permits will be granted. At the same time in villages that received limited benefits or villages without IPPK, people tended to be more outspoken about the negative impact of logging operations on forest condition.

Impact on territory

In an early stage villages recognized that IPPKs only wanted to operate in village territories that were undisputed. Thus in order to be able to attract an IPPK, villages had to settle any outstanding conflict over village boundaries. In some cases this condition was positive and stimulated neighboring villages to come to boundary agreements.

In other cases it actually aggravated disputes over territory and resource control. In three cases the conflict was between two villages located in one settlement. Before the arrival of the IPPKs access to the village territory was regulated with relatively loose rules. Upon the arrival of the company, people debated who had most rights to certain areas and thus was entitled to a greater portion of the benefits. In one case, this resulted in the total exclusion of one village with the argument that they had only settled in the area approximately 30 years ago. In two other cases, initially the benefits were more or less equally shared. However, over time, the discussion concerning distribution of benefits and control over certain parts of the village territory became increasingly heated. In one case, one of the reasons given for early termination of logging operations was because no agreement could be reached between the two villages.

In two other areas issues of control over resources and territory expressed itself in a different manner. Certain influential families e.g. customary leaders or former sultans own birds nests caves and these rights have been recognized since the Dutch colonial time. Based on the cave rights, they claimed large tracks of forest and were able to obtain IPPK permits. In one case, the community in whose village territory the caves are located received approximately half of the monetary benefits from the logging operations³. However community members suspected and complained that they received only a small part of the benefits compared to the cave owners. In the second case, the community's right to this territory was completely ignored and only the cave owners received benefits from the IPPK.

It is still too early to draw conclusions about how far the issuing of IPPK permits has influenced access to and rights over certain areas. The IPPKs were issued for logging in customary (*adat*) territories, so it could be interpreted as an indirect recognition by the district government of claims by the communities. The local government so far has been hesitant to deal with the question of recognition of traditional rights, because there are many different ethnic groups and different interpretation of *adat*. On the community side there are no examples so far where they used the issuance of the IPPK permit as an argument to strengthen their claim over a certain territory. It seems that the birds nests cave owners are inclined to use the IPPK as a tool to strengthen their claim on forests adjacent to the caves.

What lessons have been learned?

Short-term gain versus long-term interest

The period that IPPK permits were granted was one of rapid change and great uncertainty. The district of Malinau had just been established, regional autonomy was to be implemented, authority over forestry policy was debated and the district government's view on issues like tenure, *adat* and community involvement in forest management were not clear. This situation of uncertainty provided little incentives for villages especially village leaders, to be too concerned about long-term interests. For example it is not clear whether the district government will recognize village tenure based on *adat* claims. On the other hand it might follow a centralized system of resource control and allocation similar to the New Order era. An additional factor was that the companies put pressure on villages to come quickly to a deal. In many cases short term gain prevailed over long-term interest. (see section on Setulang for an exception)

How to make agreements

Villagers were aware that written agreements with the companies were essential. However due to a lack of experience and maybe optimism about the companies

³ Based on information from regular visits to that village. However it suspected that additional payments were made directly to the cave owners, as even one of the lower ranking company staff originating from that village acknowledge that he received a personal fee per cubic meter

trustworthiness, the agreements that were drawn were ambiguous. For example they did not specify the size of buildings or sites to be leveled nor the schedule or conditions for payments. Many companies suggested to the villages to finalize the agreement with a notary deed, supposedly to provide a stronger legal basis. However the villagers never questioned whether or not they knew how to use the notary deed to take legal action if necessary. Eventually the notary deed was never used to take action against a company despite the fact the certain promises had not been fulfilled till the time the company ceased operation.

The ambiguity in the written agreements provided ample opportunities for the companies to interpret promises to their advantage. For example, a community received a payment before the company started logging. At the time the money was handed over it was presented as an additional gift, but the amount was later deducted from the first fee payment. No clear terms were defined for timing of payments resulting in many delays of fee payments.

Support for communities

During this phase of rapid changes villages had few opportunities to seek information or support for considering alternative economic options or drawing contracts. There are hardly any Non-Governmental Organizations (NGO) active in the Malinau district. One NGO was actually accused of being a broker for a logging company. The district government had still limited capacity during the initial stage and often only joint one brief visit to the community accompanying company staff. Thus villagers had little options to seek assistance at moments they needed it. In one case, when a village did not get any benefits from the IPPK, a neighboring village supported them and eventually the IPPK paid. Companies normally put (time) pressure on villages further reducing the chances that villages could consult other parties concerning important issues.

Community empowerment

Initially villages had the impression that their role in IPPK was crucial. It was the first time businessmen would contact villagers and that they could directly bargain. The letter of agreement between a community and the company seemed crucial in the permit procedure. The possibility to have community members controlling logging operations further added to the feeling of empowerment. However after the initial euphoria villages quickly realized that their role was actually marginal and difficult to enforce.

Once villagers realized this they concentrated on obtaining as many tangible benefits as possible. Their main concern was to receive the cash payments. Although villages had little means to control logging operations they had one powerful tool to force companies; stopping logging operations through road blocks or confiscating heavy equipment. Some villages had tried to enforce agreements through negotiation or using letters, but to little avail. Based on previous experience they then relied on demonstrations.

Learning curve

The experience in the Malinau watershed shows that villages quickly learn from experience from neighboring villages. As mentioned above the level of per cubic meter payment gradually went up. The negotiation process also became more sophisticated: better defined agreements, including a village meeting to discuss the offer made by the company in negotiation procedure, keeping lists of villagers attending meetings to show wide support for agreement. Villages quickly adjusted their negotiation techniques with the companies. Initially they tried to enforce agreements through dialogue by village leaders with company personnel or sending letters to the company with copies to the district government. Because these methods yielded little result villages used road blockades or threats to put up road blockades to ensure that the company would respond quickly.

No law and order

In two villages the villagers had lengthy discussions whether or not they wanted to cooperate with a company to start logging in their village territory. Some people argued that IPPKs only provide limited benefits and have a major impact on the forest. Others emphasized the economic benefits, but they also used a practical consideration: “If we don’t strike a deal, somebody else will cut the forest anyway.” They referred to the fact that logging operations could log outside their concession area since there was no supervision in the forest by the local government. In both cases part of the forest in their village territory was affected by logging operations of IPPKs. However in the case of Setulang where the village took firm action they avoided logging companies from logging vast areas in their village territory.

What does this mean for the future?

Villages want to have a say in management of the forest in their direct surroundings. The experience with IPPKs has increased villages desire to be involved in negotiation process. However small-scale entrepreneurial logging does not enhance community management. The role of the villages is restricted to give permission of access to their territory, but control remains with the district government. The negotiation process should not only focus on benefits villages obtain from forest exploitation in their territory, but needs to also address forest use and management issues. In general villages in the Malinau watershed want to maintain some forest near their settlement for different uses and they envisage that more remote forest can be exploited for their purposes.

Villagers have shown to be quick learners in dealing with the IPPKs. Additional information on existing regulations could assist in reducing conflicts and improved implementation. For example villages could be provided with information on standard benefits or silviculture practices that logging companies have to apply. The villages then might be more confident in checking logging operations in the forest and reporting on violations of regulations. More information at village level might avoid unrealistic expectation from the villages and thus reduce potential sources of conflict.

Many problems at village level related to IPPK can be traced back to lack of reliable information and transparency. Greater transparency might seem to be against the interest of the village elite. Experience shows that villagers have no problem if people involved in the management of forest exploitation do get additional benefits as long as distribution is acceptable⁴.

When asked about the positive aspects of IPPKs the economic gain is the first to be mentioned. The opportunity for villages to gain directly from forest exploitation has changed their perception of value of forest resources. For future forest management systems it will important to balance the short-term economic gain that villagers have become used to without compromising long-term options.

If no mechanisms are created to resolve conflicts quickly and adequately villagers might continue to rely on demonstrations. Villages have become disappointed with existing mechanism to deal with conflict, and started to rely on a more radical way of solving problems. To avoid escalation effective alternative mechanisms have to be put in place.

During the two years of IPPK operations in the Malinau watershed the direct impact on the forest was relative small. It was more a lucky combination of factors that contributed to this than a well designed and implemented forest management policy. Changing circumstance, such as depletion of timber sources elsewhere or a dramatic rise of timber prices can quickly result in a rapid, uncontrolled exploitation area if no system of check and balances is developed. The expansion of roads has opened up new areas with high volumes of timber that will continue to attract interest for forest exploitation and increased pressure on forest resources.

Two years of IPPK operations in the Malinau district provides important learning experience both at the village and the district level. The present “break” in forest exploitation can provide a good opportunity for both parties to rethink and discuss issues like villages involvement in forest management, access and tenure.

⁴ Compensation payment by PT Meranti Sakti Indonesia to the village of Tanjung Nanga with the village head obtaining 20 % of the total payment. Or in the village of Ujoh Bilang (West Kutai district, East Kalimantan were the permit stated Rp. 10,000/m³ equivalent to 10 % of the total fee per m³