

Pressure to Invest in Conservationist Regency

An Analysis of the Forestry Sector's Budget and Planning Policies

Kabupaten Malinau – Province of North Kalimantan

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Introduction

The Reform Initiatives (TRI) has developed a series of analytical instruments for examining budget policies in forest and land management. These instruments will assess the extent to which local governments effectively manage public finances for forestry development, and how beneficial such development is for the community in ensuring environmental sustainability.

The forestry sector's budget policies aim to decrease rates of deforestation, rehabilitate critical land, facilitate community access to forest resources and develop forestry institutions at the local level. Research into these policies was undertaken by processing and analysing local government budgets (APBD) from 2009 – 2013, with results from kabupaten Malinau outlined in the budget brief "Pressure to Invest in Conservationist Regency".

The primary purpose of this research is to: (i) ascertain how local policies (budget and planning) improve the quality of forest and land management; (ii) analyse potential and realised forms of local revenue sourced from land-based industries; (iii) identify how and which local expenditure policies are accelerating improvements in forest and land management and; (iv) utilise budget instruments as a valuable means for helping regions improve their forest and land management.

Political Commitment to Conservation Hasn't Incited Strategy Implementation

In 2007, Malinau's Master Plan (MP) published it as a 'Conservationist Kabupaten' that's expected to provide direction and guidance on conservation in accordance with program priorities and timeframes, and the broader vision and mission of the region. The Master Plan discussed in-depth what it means to be a 'Conservationist Kabupaten', as well as the criteria, indicators and policy development required.

The publication of Local Regulation No. 4/2007 on *Kabupaten* Malinau as a ‘Conservationist *Kabupaten*’ should refer to the Master Plan, and treat it as an academic paper to be referenced in the drafting process. Instead, the Local Regulation discusses matters broadly related to conservation and any legal violations against it. Whilst conservation activities should be raised as part of the MP, they don’t seem to have been included in the programs of the implementing department/agency.

A number of factors inhibit the political commitment to conservation. *Firstly*, there is no action plan, which has resulted in sub-optimal efforts to integrate and mainstream the concept of conservation into government programs. *Secondly*, there’s been an overlap in policies between local governments, due to a conflict of interest between the importance of conservation and local economic growth (investment). *Thirdly*, socialisation on the concept of ‘Conservationist *Kabupaten*’ has been erratic, resulting in a number of implementation difficulties. *Fourthly*, for both the legislative wing and society in general, the concept of ‘Conservationist *Kabupaten*’ is seen to limit community access to forest resources, as there are currently no benefits (or incentives) from the central government for communities to implement conservation.¹

Table I. An Analysis of *Kabupaten* Malinau’s Local Regulations on Conservation

<p>1. Local Regulation No. 9/2003 on Environmental Management</p> <p>2. Local Regulation No. 4/2007 on <i>Kabupaten</i> Malinau as a ‘Conservationist <i>Kabupaten</i>’</p> <p>3. Local Regulation No. 5/2007 on the Utilisation of Protected Forest Areas in <i>Kabupaten</i> Malinau</p> <p>4. Local Regulation No. 9/2011 on RPJPD 2002 - 2025</p>	
<p>5. Local Regulation No. 17/2011 on the Local Mid-Term Development Plan 2011 - 2016</p> <p>Vision: “To realise a <i>Kabupaten</i> Malinau that’s safe, pleasant and peaceful through a Village-Building Movement”.</p> <p>Mission:</p> <ol style="list-style-type: none"> To increase the quality of human resources. To increase the role and empowerment of the community. To improve the quality and quantity of local infrastructure development in urban, rural and boundary areas. To boost the local economy and increase equitable distribution, by relying on a democratic economy. To increase the role of agriculture (crops, plantations, livestock and fisheries) in the local economy. To realise equal rights for all religious affiliations by developing tolerance. To improve the quality of the environment and realise the effective and efficient utilisation of natural resources. To realise supreme law and create a government that’s clean, effective, efficient and free of corruption, collusion and nepotism (KKN). To increase the role of youth and women in local development. To develop local arts, culture and tourism. 	<p>6. Local Regulation No. 11/2012 on RTRW</p> <p>Policies:</p> <ol style="list-style-type: none"> Regional progress through human resource development and the adoption of technological advances; The development of residential centres and the opening of isolated border and rural regions, through the sustainable development of regional infrastructure; The development of the agriculture and plantation sectors, alongside the processing industry, to become the primary producer of competitive commodities; The sustainable management of forest, mining and other natural resources, by acknowledging the region’s environmental carrying capacity; The establishment of protected areas as buffer zones in order to balance ecosystems and; The improved function of national defence and security.

¹ Extracted from the book “The Policies of Conservationist *Kabupaten* from Local and Community Perspectives: A Case study of *Kabupaten* Malinau, East Kalimantan”. Eddy Mangopo Angi, Kresno D. Santosa, and Petrus Gunarso, Tropenbos, International Indonesia Programme (2009).

Policies That Don't Support Conservation

The Government of Malinau set out their mid-term vision in RPJMD 2011-2016; "to realise a Kabupaten Malinau that's safe, pleasant and peaceful through a Village-Building Movement". Of their ten mission statements, commitment to conservation was only stated in the seventh mission. It called for efforts to conserve the environment, as well as greater effectiveness and efficiency in the utilisation of natural resources.

Based on a description of its aims (as outlined in the table below), there are only two targets relevant to conservation; (i) the preservation of natural resources and the environment, and (ii) the realisation of the rule of the law in natural resource and environmental management. The percentage and rate of land degradation is used as the primary indicator in measuring the achievement of these aims.

Local Regulation No. 3/2008 states that technical forestry policies only encompass forest planning and management, production and cultivation, the processing and distribution of forest products, as well as forest extension and security. In this way, the role of the forestry sector isn't to provide significant support to the conservation of forest resources, nor accelerate efforts to rehabilitate critical land – both of which are strategic issues in the region.

Tabel 2. An Analysis of the Aims, Targets and Indicators of the Seventh Mission in Malinau's RPJMD 2011-2016

No	Aim	Target		Indicator	
19	To establish effective, efficient and environmentally-friendly natural resource and environmental management methods	19.1	To preserve the function of natural resources and the environment	19.1.1	Percentage of land degradation
				19.1.2	Number of awards received for environmental management efforts
		19.2	To realise the rule of law in natural resource and environmental management	19.2.1	Number of land and water management dispute cases
20	To establish the integrated and consistent use of spatial planning in land management	20.1	To realise the integration of spatial planning	20.1.1	Percentage of adherents to the Spatial Plan
		20.2	To ensure legal certainty in land ownership	20.2.1	Percentage of certified land
				20.2.2	Number of land dispute cases
				20.2.3	Number of land certificates in the SKPD, kecamatan and villages

Investment Triggers Growth in Critical Land and Threatens Conservation

The total area of kabupaten Malinau is 3,979,900 hectares with a forest area of around 3,894,136 hectares, meaning that more than 90 per cent of the region is forest cover. In recognition of this fact, the local government established itself as a 'Conservationist Kabupaten'.

However, the local government has issued permits both prior to and after publishing itself as a 'Conservationist Kabupaten', which contradict the very notion of conservation. Indeed, it increased the number of Forest

Concessions (HPH) from 765,491 hectares in 2009 to 1,469,094 hectares² in 2012, distributed large-scale plantation licenses and increased the number of coal mining permits, putting additional pressure on the environment. Moreover, the aforementioned three licenses don't support sustainable natural resource and environmental management methods.

Table 3. The Growth of Forest Areas

Component	2009	2010	2011	2012
Businesses that don't have the HPH License	9	9	13	15
HPH Forest Area	765.491,10	909.461,10	1.077.130	1.469.094
Businesses that have the HTI license	2	NA	NA	NA
HTI Forest Area ³	209.464	NA	NA	NA
Timber Production (m ³) ⁴	38.892,14	143.413,63	335.090,72	-

Source: Seknas FITRA, sourced from 2012 Forestry Statistics and DDA

As a result, the amount of critical land in Malinau has increased to 491,528 hectares, ranking it the sixth largest in East Kalimantan.⁵ It's currently the largest even when compared to four other regions in North Kalimantan. In 2012, the Ministry of Forestry released a map of unlicensed forest areas, which totaled 2,059 hectares within Malinau's KPHP Model areas.

Development Financed By Forest and Land-Based Industries

Malinau's regional income experienced growth of 40.6 per cent over the last six years; in 2009 it was valued at Rp 1.07 trillion and by 2014, it had increased to Rp 1.5 trillion. Through an in-depth analysis of the Natural Resource Revenue Sharing Fund (DBH-SDA), it was revealed that 49 per cent of the region's income was sourced from the exploitation of forests and land.

The growth of DBH-SDA has also increased to 100.2 per cent over four years. In 2009, it was valued at Rp 454.7 billion and by 2012, its value had increased to Rp 910.4 billion.

On the other hand, DBH-SDA propped up on average 55 per cent of the region's financial expenditure over four years. Although local development financial needs are for the most part obtained through income from the forest and land sector, local policies don't point to any efforts to mitigate the subsequent risks of environmental damage and exploitation. Indeed, there doesn't appear to be any comprehensive programs in the forestry, mining, and/or plantation sectors that advocate for spatial planning and/or conservation.

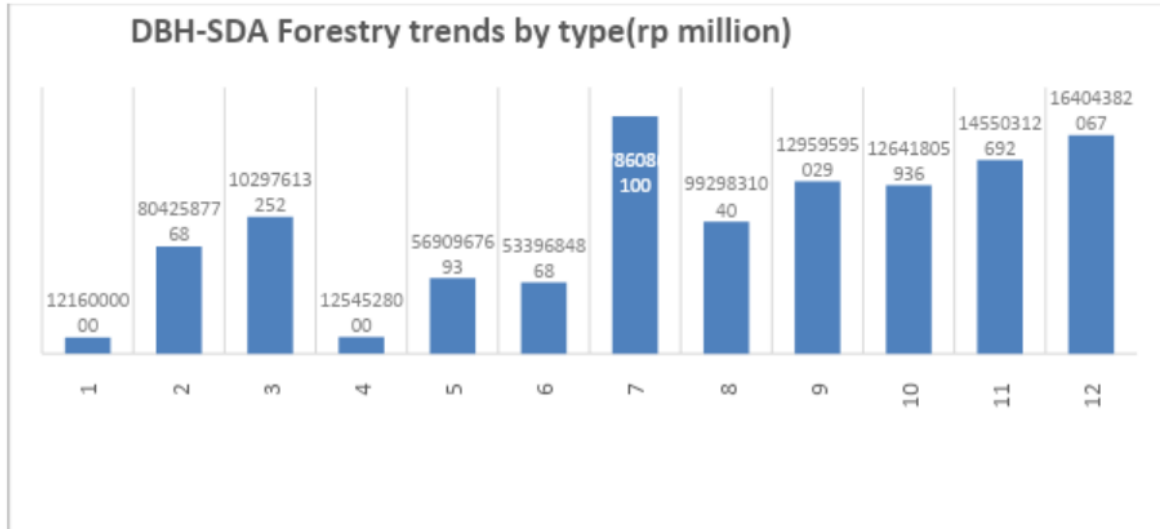
² Based on data released by Waliyunu Herima, a researcher at Yayasan PADI Indonesia. As reported by <http://www.antarakaltim.com/berita/20391/peneliti-perusahaan-tambang-ancaman-kelestarian-hutan-malinau> on Thursday, 8 April 2014.

³ Region in Figures (DDA) East Kalimantan 2012

⁴ Region in Figures (DDA) Kabupaten Malinau 2012

⁵ Presentation from the Governor of East Kalimantan on "The Context of the Tree-Planting Movement *One Man Five Trees*" (OMFiT) in East Kalimantan, as presented on 7 January 2010.

Graph I. DBH-SDA Forestry Trends By Type 2009-2012



On average, the forestry sector contributes 5 per cent to DBH-SDA. There are three types of forestry sector income; Royalties from Forest Concessions (IHPH), Provision of Forest Resources (PSDH) and the Reforestation Fund (DR). Based on the above growth rates, these three types of income have significantly influenced rates of deforestation and critical land from year to year.

The Effectiveness of the Forestry Sector’s Programs and Priorities

Government Regulation No. 38/2007 states that forestry affairs are a matter of choice. Technically, however, the local government budget refers to the provisions contained in the Minister for Home Affairs Regulation No. 13/2006 on local budget procedures. Thus, in terms of technical regulations, matters of choice are grouped into account code number two, and the twenty-five obligatory matters are grouped into account code number one.

Based on the last ten year’s experience, it turns out that grouping can and does influence the prioritisation of policies and budget allocations. In the matter of choice grouping, however, forestry isn’t a main priority despite the fact that it is experiencing major issues and acts as a foundation in terms of fulfilling the community’s economic needs. Between 2011-2013, local government budget allocations to forestry affairs failed to exceed more than 2 per cent.

As such, local policies that have been formed in the last three years indicate that commitment to conservation remains low. If we interpret forestry expenditure as a tool for forestry development, then the unit cost of forestry development per hectare/year is only a nominal size of Rp 5,749. Whilst the unit cost of rehabilitation programs is only Rp 1,932 per hectare/year.

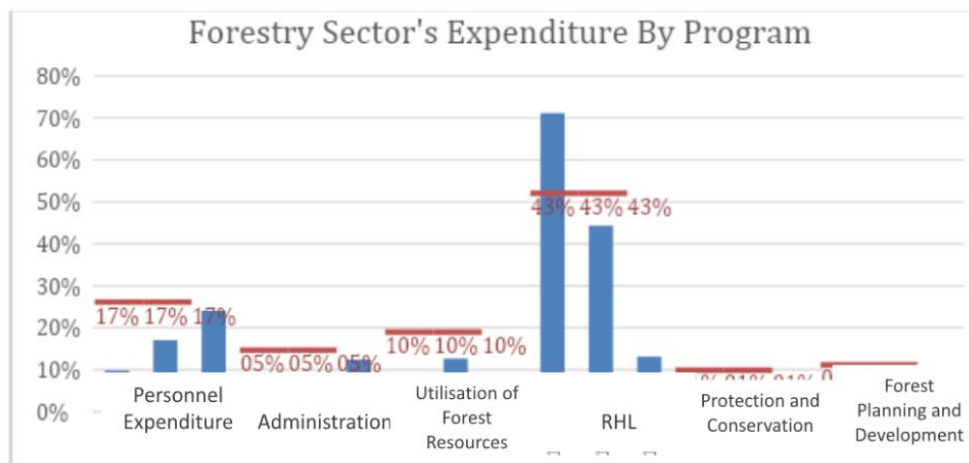
Table 2. Unit Cost of Forestry Development and Critical Land Rehabilitation

Component	2013M
Forestry Expenditure (Rp)	22.388.365.304
Forest Area (Ha)	3.894.136
Unit Cost of Forestry Development (Rp)	5.749
Forest and Land Rehabilitation (Rp)	949.789.200
Critical Land Area per year (Ha)	491.528
Unit Cost of Critical Land per hectare (Rp)	1.932

Besides the inadequate funds for forestry development and rehabilitation programs, the forestry sector’s budget management performance remains partial and inadequate. Based on its composition between 2010-2013, the forestry sector’s expenditure was split between the following components; personnel expenditure (17 per cent), program administration (5 per cent), utilisation of forest resources (10 per cent), RHL (43 per cent), protection and conservation (1 per cent), and forest planning and development (2 per cent).

Essentially, forestry development⁶ at the local level should instead encompass priorities such as: (i) forest and land rehabilitation; (ii) the prevention of deforestation, including surveillance, inventories, protection and conservation; (iii) the strengthening of institutions and; (iv) the facilitation of community access to forest resources.

Graph 3. Forestry Sector’s Expenditure By Program



According to the three-year budget portrait above, two programs haven’t been included as part of the forestry development target; strengthening institutions and facilitating community access to forest resources. As for the RHL program, it’s already been funded though the unit cost is small, whilst the prevention of deforestation program only received an allocation of 1 per cent, and there has been little to no effort to do inventories and surveillance, or comprehensively protect the environment.

⁶ Budget Analysis Instruments for the Forest and Land Sector, prepared by Hadi Prayitno et. al, Seknas FITRA, Jakarta 2012.



Recommendations

1. The central government needs to provide incentives to local governments to conserve forests.
2. The local government needs to distribute technical instructions based on Local Government Regulation No. 4/2007 on *kabupaten* Malinau as a 'Conservationist *Kabupaten*', in order to provide an operational guide for formulating conservation programs.
3. The local government and DPRD should have to the authority to do a review of RPJMD 2011-2016, to ensure that its conservation targets and strategies are clear, comprehensive and achievable.
4. The Department of Forestry needs to improve the quality and content of its Strategic Plan by including a grand design of forestry development, so that increases in budget allocations may be managed more efficiently, effectively and produce more measured targets.