

# Forests, People and Rights



Forest farmers in Paser, East Kalimantan, Photo: DTE

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**DTE**

**Down to Earth**  
International Campaign  
for Ecological Justice  
in Indonesia



Forest Peoples  
Programme

**THE RAINFOREST  
FOUNDATION**

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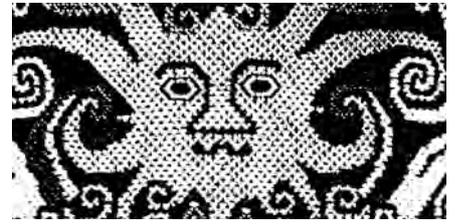
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### Note on terminology

In this report, we use the terms 'forest peoples', 'forest-dwellers' or 'forest communities' to denote peoples living in and around forests - including indigenous and non-indigenous peoples. The term 'indigenous' is used to describe groups who self-identify as indigenous peoples or *masyarakat adat*.



# Part I: Forests, people and rights

Indonesia's forests are in crisis - a crisis largely overshadowed by the country's recent economic and political upheavals. Forest degradation and conversion have accelerated to some 2 million ha per year. Central and local governments continue to see natural resources - particularly forests - as a means of generating much-needed revenues and bestowing political patronage. A prominent Indonesian forest campaigner has called this approach 'national suicide' <sup>1</sup>.

The challenge for Indonesia is to put new policies in place before conflicts over resources escalate further and the remaining forest is destroyed. There is an urgent need for a fundamental reform of Indonesia's laws on land and natural resources, including the recognition of indigenous communities' customary rights. At the very least, there must be a new paradigm of forest management with an integrated approach which takes into account the socio-cultural importance of forests as well as their macro-economic and conservation aspects.

The 'forests for people' theme is hardly new. It was the slogan of the World Congress on Forestry held in Jakarta in 1978. But little was done to translate the slogan into action. Since then, some 40 million hectares of Indonesia's forests have been destroyed: less than 100 million ha remains<sup>2</sup>.

An estimated 100 million of Indonesia's 210 million people depend directly on forests and the products and services they provide<sup>3</sup>. These forest peoples are claiming the rights denied to them throughout three decades of Suharto's 'New Order' government and the centuries of colonialism which preceded it. They are demanding the end of a forest concession system which benefits the state and private sector at the expense of sustainable livelihoods.

In Indonesia, the state has control over all forests. Under the 1945 Constitution, it alone determines what forests can be used for and by whom. A handful of heads of giant conglomerates, military officials and other business associates of ex-president Suharto and his family have swallowed the lion's share of Indonesia's forest wealth. The rights over vast tracts of forest lands have been granted to logging, plantation and mining companies which have ruthlessly exploited these areas for short-term gain. Millions of hectares have been zoned for clearance

and conversion to agriculture and settlements, including transmigration sites<sup>4</sup>. Very little of this land was 'empty'. On the contrary, most of it was - and still is - subject to traditional law or *adat*.



Dayak basket-weaving, E. Kalimantan DTE

Holistic forest management practices, which may point the way to new models of community-based forest use, can still be found throughout Indonesia. These traditional systems, enshrined in customary law, include the *repong damar* of the Krui Peminggir in Lampung; the *tombak* of the Batak in North Sumatra; the *mamar* of Nusa Tenggara Timur; the *lembo* of East Kalimantan Dayaks and the *tembawakng* of West Kalimantan Dayaks. Most are sophisticated, dynamic multi-use systems which depend on managing a balance between natural forests, agroforestry and agricultural plots. Developed by indigenous communities over many generations, they are an integral part of their lives. These systems are under threat from policies and



practices which ignore forest peoples' rights.

The sustainable, equitable use of natural resources in Indonesia depends on political reform. Indonesia is now a fledgling democracy. In July 2001, Megawati Soekarnoputri became its third new president in three years. Nevertheless, many elements of the Suharto regime remain unchanged. The military is still a key player at all levels - from the balance of power in Jakarta to everyday village life in the regions. The judiciary is weak and controlled by business and political interests. The current government is more concerned with maintaining national unity and fending off the worst of the prolonged economic crisis than it is in promoting human rights and democracy. Corruption is rife - not least in the forestry sector. However, recent regional autonomy legislation has introduced new opportunities, threats and uncertainties.

Indonesia's creditors - the World Bank, International Monetary Fund (IMF), foreign governments and private financial institutions - provided financial support for projects and policies which destroyed forests during the Suharto years. Since the 1997 economic collapse they have played a direct role in decision-making affecting forests and forest peoples, as they press Indonesia to keep up with debt repayments. These institutions must accept joint responsibility for the forest destruction and marginalisation of communities this has caused and start prioritising the needs of the poor over the interests of international finance.

This special DTE report looks at the context of current issues in forest policy in Indonesia (Part I), describes recent policy changes (Part II) and explores alternatives for sustainable futures for forest peoples (Part III). The report makes the case for fundamental reform which puts community decision-making and recognition of *adat* rights at the heart of forest management in Indonesia.

1. Ginting/WALHI 2001

2. calculated from RePPPOT 1990/Holmes 2000

3. Ginting 2000. Other sources are more conservative Lynch & Talbott 1995 cited in Aliadi 1999: 40-65 million people live in and around forests. See also Poffenberger, 1990, p101: by the late 1980s, an estimated 30 to 40 million people lived on or near 'state forest land'.

4. NRI, 1998 p.19 quotes National Inventory figures for 1996 of 22.7 million ha of 'convertible forest'.

## Forest figures\*

Total land area of Indonesia	189 million ha
'Forest lands' (official - 1998)	147 million ha <sup>i</sup> (78% total land)
Area administered as forest lands	112 million ha
Total forest cover	93 million ha <sup>ii</sup>
Forest as proportion of total land area	48%
Annual deforestation rate	over 2 million ha <sup>iii</sup>
Protection Forest (1997)	35 million ha
Conservation Forest (1997)	19 million ha
Production Forest (1997)	59 million ha
[Permanent production	34 million ha]
[Limited production	25 million ha]
Conversion Forest (1997)	8million ha
Area allocated to logging - HPH (1998)	69.4 million ha
Established timber plantations - HTI (1997)	2.4 million ha
Area allocated to timber plantations (1998)	4.7 million ha <sup>iv</sup>
Area allocated to other plantations (1998)	3.8 million ha <sup>v</sup>
Forest degradation due to logging operations (1998)	16.57 million ha <sup>vi</sup>
Total area affected by 1997/1998 forest fires	possibly 10 million ha
- of which forests	at least 5 million ha
Land affected by forest fires - Kalimantan	5 million ha
Contribution of 1997/8 fires to global CO <sub>2</sub>	Up to 30% <sup>vii</sup>
Estimated sustainable timber supply from forests	20 million cubic metres/year <sup>viii</sup>
Total industry capacity to process timber	117 million cubic metres/year <sup>ix</sup>
Deficit between recorded supply and estimated use	41 million cubic metres <sup>x</sup>
Number of people employed by Dept of Forestry	47,993 <sup>xi</sup>
Number of people employed by state forestry companies	Perhutani 23,000; Inhutani I-V 6,000 <sup>xii</sup>
Population of Indonesia	210 million
People directly dependent on forests	30 million <sup>xiii</sup> ; 100 million <sup>xiv</sup>
Number of indigenous people in Indonesia	50-70 million <sup>xv</sup>
- indigenous people dependent on <i>adat</i> forests	30-50 million <sup>xvi</sup>

\*All figures (unless otherwise indicated) from Gautam M et al, January 2000, *The Challenges of World Bank Involvement in Forests*, OED Report World Bank.

i. All official figures vary considerably depending on the source.

ii. FWI/GFW (draft), 2002, p.10. This includes degraded and fragmented forest.

iii. D. Holmes in his *Deforestation in Indonesia* report to the World Bank (2000) gave a deforestation rate of at least 1.7 million ha/year for the decade to 1997.

According to Forest Watch Indonesia, the rate may now be as high as 3.6 million ha/year: *New Scientist* 2/Mar/02.

iv. 7.8 million ha had been allocated to HTI concessions by 2000, but only 23.5% of this had been planted FWI/GFW, 2002.

v. Indonesian forestry academic Hariadi Kartodihardjo estimated that nearly 7 million ha of forest had approval in principle for conversion - mainly to oil palm.

Cited in FWI/GFW, 2002.

vi. Critical land in forest areas covers 35.9 million ha according to Kartodihardjo, *Tempo* 5/Mar/01.

vii. World Bank, 1999, cited in *Trial by Fire*, 2000, Barber CV & Schweithelm J, WRI p17.

viii. ix, x, Scotland, N, Fraser A and Jewel N, 1999, *Roundwood Supply and Demand in the Forest Sector in Indonesia*, DFID/Indonesia-UK Tropical Forest Management Programme, Report No. PFM/EC/99/08.

xi, xii. *Renstra*, 2000.

xiii. Ministry of Forestry, 2000, cited in WRI/FWI (draft) p3. Also World Bank OED, 2000.

xiv. European Commission Forest Liaison Bureau, 2000, cited in Mainhardt, 2001.

xv, xvi. Nababan A, 2002, *Revitalisasi Hutan Adat untuk Menghentikan Penebangan Hutan 'Illegal' di Indonesia*, paper for AMAN

Note: estimates of 'sustainable' yield ignore the impact of extraction on local peoples' livelihoods.

## Indonesian Forestry Ministers

Year	Forestry Minister	President
1983-1988	<b>Soedjarwo</b>	Suharto
1988-1993	<b>Hasjru Harahap</b>	Suharto
Mar 93- Mar 98	<b>Djamaluddin Suryohadikusumo</b>	Suharto
Mar 98 - May 98	<b>Sumahadi</b>	Suharto
May 98 - Oct 99	<b>Muslimin Nasution</b>	B.J. Habibie
Oct 99 - Mar 01	<b>Nur Mahmudi Ismail</b>	Abdurrahman Wahid
Mar 01 - Jul 01	<b>Marzuki Usman</b>	Abdurrahman Wahid
Aug 01- present	<b>Mohammad Prakosa</b>	Megawati Sukarnoputri

# Indonesia's disappearing forests

"State Ministry of Environment statistics show a forest destruction rate of between 2 million and 2.4 million hectares a year. The rate was highest during the last two years. The environmental NGO WALHI says the deforestation rate is 3 million ha/yr; that only 40 million ha remain and that Kalimantan - which has the fastest rate of logging - could be logged out in 5 years."

(Jakarta Post, 10/Dec/01)

The state of Indonesia's forests is far more serious than the government was prepared to admit during the Suharto era. For years, the government used an official figure of 143 million ha of forest lands as if this remained pristine forest, while dismissing as alarmist warnings by Indonesian non-governmental groups of deforestation rates as high as 1 million ha per year. In fact, a report drafted for the FAO and Indonesian government admitted a deforestation rate of over 1.2 million ha/annum in 1991<sup>5</sup>.

Nevertheless, many people inside and outside government circles were shocked at the extent of deforestation revealed in 1999 by a mapping study commissioned by the World Bank<sup>6</sup>. In an unprecedented step, the evidence was presented on the Department of Forestry & Plantation's web site shortly before international donors met in Jakarta in January 2000 to discuss action on Indonesia's disappearing forests. Based on satellite imagery dating from 1994-1997, it showed a deforestation rate of at least 1.7 million ha/year: more than twice the Bank's earlier estimates<sup>7</sup>. Over 20 million ha of forest had been lost in the 12 year period since the previous reliable study. And the destruction goes on. Since 1997 deforestation has accelerated due to widespread forest fires and extensive legal and illegal logging. Over 70% of all timber in Indonesia comes from undocumented sources<sup>8</sup>.

Forest loss is greater in some types of forest and geographical areas than in others. The more accessible and commercially valuable lowland forests have been targeted for most logging. The Bank report predicted that the lowland forests of Sumatra and Kalimantan (outside swampy areas) had, at most, five to ten years of commercial timber production left. Most of Sulawesi's lowland forest is already logged out. The extinction of swamp forests was expected to follow about five years later. Over 1 million ha of swamp forest was clear felled in Central Kalimantan during the late 1990s. Mangrove forests throughout Indonesia were also identified as under serious pressure. A forestry minister has since publicly stated that some 6.9 million ha of a total 8.6 million ha of remaining mangrove forest has suffered serious damage<sup>9</sup>. The gloomy conclusion was that,

## Forest maps online:

The Indonesian Forestry Department /World Bank maps of forest cover are at:  
[http://mofrinet.cbn.net.id/e\\_informasi/e\\_nfi/GIS/vegetasi.htm](http://mofrinet.cbn.net.id/e_informasi/e_nfi/GIS/vegetasi.htm)

unless the government enacts new forest policies, the only forest remaining in Sumatra, Kalimantan and Sulawesi by 2010 would be high montane forest.

Other sources are even more pessimistic. In 1999 WWF estimated the rate of forest clearing at 2.4 million ha annually, up from 900,000ha in the late 1980s<sup>10</sup>, while respected Indonesian forestry professor Hasanu Simon has said forest loss may be 2.5 million ha/year<sup>11</sup>. Indonesia lost 17% of its forests between 1985 and 1997<sup>12</sup>. Only around 17 million ha of 'commercially viable'

Kalimantan and Sulawesi, only some 4.3 million ha have been actually replaced by other tree crops (mainly timber and oil palm plantations)<sup>14</sup>. The data is scant, but it seems that substantial areas of forest are now degraded land, abandoned by commercial developers and land speculators after over-logging, forest fires and occupation by land-hungry peasants.

Forestry Minister Nur Mahmudi Ismail said early last year that 21.5 million ha of forest needed to be 'rehabilitated': 15.2 million ha within the supposedly permanent forest estate and 6.3 million ha in areas set aside for watershed protection and nature conservation. He estimated that it would cost over Rp200 trillion (US\$20 billion) to restore this extent of forest<sup>15</sup>.

One reason for the uncertainty



Forest destruction in Musi Hutan Persada concession, 1999

WALHI Sumsel

forest was thought to remain by 1996 and 5 million ha (30%) of that had been earmarked for conversion<sup>13</sup>. Moreover, large tracts of the remaining forests are in West Papua, where access is very difficult and there are strong demands for independence.

## Degraded land

What has happened to the land which used to be tropical rainforest? Some has been converted to agriculture - by small farmers or, more commonly, large-scale commercial ventures. Some has been replanted as timber estates or other tree crop plantations, although the extent falls far short of government targets. The expansion of oil palm plantations brought a significant increase in forest clearance in the 1990s but, as the World Bank report made clear, "of the 17 million ha of forest loss in Sumatra,

over the extent of remaining forest and deforestation rates stems from a more fundamental question: exactly what is considered forest in Indonesia? To answer this requires some understanding of the legal basis for Indonesian forest policy. This is particularly important for forest peoples since the way the Suharto regime defined the forest estate has denied their rights to own, manage and access natural resources.

5. Dick 1991

6. Eventually published as Holmes, 2000

7. Sunderlin & Resosudarmo 1999

8. Scotland et al, 1999

9. Nur Mahmudi Ismail in *IO*, 15/Mar/01

10. *Jakarta Post* 30/Nov/99

11. *Suara Pembaruan* 27/Aug/00

12. FWI/GFW, 2002 (draft), p.5

13. Scotland & Jewell, 1999

14. Holmes, 2000

15. *Media Indonesia* 20/Mar/01

# Indonesia's forest wealth

Indonesia is one of the biologically richest countries. Although it only occupies 1.3% of the world's land area, some 17% of species on earth are found there. Its forests contain 11% of the world's plant species, 12% of mammal species, 15% of reptiles and amphibians and 17% of birds<sup>16</sup>. Borneo alone has at least 3,000 species of trees; over 2,000 species of orchids and 1,000 species of ferns: over a third of these plants are unique to the island<sup>17</sup>. Over 1,400 species of bird have been recorded in Indonesia; 420 species are endemic. One reason for this high biodiversity is that Indonesia lies on the Wallace line at the junction of two major biogeographical zones. To the west of Bali, including the island of Borneo, species are similar to those occurring in mainland Asia; to the east of Bali, flora and fauna typical of Australia are found such as eucalyptus trees and marsupials.

Many different types of forest occur in Indonesia, depending on the soils, climate and altitude. About half the forest in the 'outer islands' is lowland rainforest, which is most heavily exploited. The highest proportion of commercially valuable species is found in the western archipelago, where lowland forests are dominated by the Dipterocarp family<sup>18</sup>. Half of the known species of commercially important dipterocarp trees are found in Indonesia, with 155 species in Kalimantan alone<sup>19</sup>. Peat swamp forests cover large areas of Sumatra and Kalimantan. They are also under pressure from commercial logging, fires and agricultural development schemes. Montane forest, found above 2,000m, is less species rich and more stunted but is important for watershed protection. Savannah forest and dry deciduous forests are typical of the drier eastern islands. These forests are very vulnerable to fire and over-exploitation: sandalwood is now almost extinct in Indonesia. Heath forest occurs on poor, sandy soils. Sago palm stands provide the staple food of many indigenous forest people, particularly in parts of West Papua, Sulawesi and the Mentawai islands.

Large tracts of mangrove forests are found along the coasts and rivers of Sumatra, Kalimantan and West Papua as well as fringing the smaller islands of the Moluccas and parts of Sulawesi. Despite their importance for protection against coastal erosion and as the breeding ground on which local fisheries depend, extensive areas have been cleared for fish/shrimp ponds and for timber.

Indonesia's forests are a centre of genetic diversity for many important food and economic crops including tropical fruits, bamboo, rattan, orchids and timber. They also provide a wide range of commercially valuable products such as timber, fruits, vegetables, nuts, spices, medicines, perfumes, seed oils,

fodder, fibres, dyes, preservatives and pesticides. Over 6,000 plant and animal species are used by Indonesian communities in their everyday lives<sup>20</sup>.

## The threat to biodiversity

Many Indonesian species of animals and plants are now threatened with extinction due to deforestation and forest degradation. Scientists predict that the orang-utan (*Pongo pygmaeus*) faces extinction in the wild within the next one or two decades, unless species conservation can be effectively enforced<sup>21</sup>. Fewer than 25,000 orang-utans are thought to survive in the wild: an estimated 15,000 on Borneo and only between 5,000 and 8,000 on Sumatra. Numbers have fallen by half in the last decade<sup>22</sup>. There are only 50 to 60 Javan rhinoceros (*Rhinoceros sondaicus*) left in Indonesia and these survive only in Ujung Kulon National Park in West Java.

Asian elephants in Sumatra face extinction if the mixture of grassland and forest which is their preferred habitat continues to be destroyed. The remaining population is estimated at between 2,500 and 4,000. Conflicts between human and elephant

- has one of the highest levels of species endemism in the world. Sulawesi masked owls, hornbills, parrots, the *babirusa* 'pig-deer', dwarf buffalo called *anoa*, macaque monkeys, cuscus (species of marsupial) and the maleo bird are among those facing possible extinction.

The disputed territory of West Papua is home to at least 27 species of birds of paradise, many of which are threatened<sup>24</sup>. Local people say corrupt military officers are involved in smuggling out the birds. They are often used as bribes to secure jobs or promotions and are also given as souvenirs to Indonesian government officials and military officers. The birds are also threatened by logging, mining, road construction and land settlement.

National Parks are important strongholds for endangered species. Yet even there, forest fires and illegal logging are diminishing the forest cover and eroding the biodiversity of these and other protected areas. A number of national parks, such as Tanjung Puting in Central Kalimantan<sup>25</sup>, Gunung Leuser in the north of Sumatra, Kutai in East Kalimantan and Kerinci-Seblat in South and West Sumatra have suffered severe degradation<sup>26</sup>.



Forest home, East Kalimantan

DTE

populations are most marked in Riau and Lampung where habitats are rapidly being converted to farmland, rice paddies, and oil palm and sugar plantations to earn export income<sup>23</sup>. The Sumatran tiger (*Panthera tigris sumatrae*) may soon follow the Javan and Balinese tiger into extinction: there are only around 500 left. Poaching and destruction of the tiger's forest habitat are the main reasons for its decline.

The island of Sulawesi - a biological transitional zone between Asia and Australasia

16. Ministry of Environment & Konphalindo, 1994

17. MacKinnon et al, 1996, p.35

18. RePPPProT, 1990, p.155

19. GTZ, 1995, Planning Workshop ZOPP 4

20. Ministry of Environment & Konphalindo, 1994

21. IUCN/SSC 2001

22. *New Scientist*, 3/Mar/2001

23. *IPS* 14/Feb/2001

24. *IPS* 2/Mar/2001

25. See for example EIA/Telapak, 1999

26. See DTE 45:11 on Kutai and DTE 52:13 on Leuser.

# Adat and Indonesian forest law

Forest is "a unit of ecosystem in the form of land comprising biological resources, dominated by trees in their natural forms and environment, which cannot be separated from each other". It is an area "...which is designated by the government to be retained as permanent forest.....on lands where there are no ownership rights."

(Indonesian Forestry Law 41/1999)

"The Basic Agrarian, Forestry and Mining Laws make it easy for business to take our land and exploit the natural wealth which belongs to us"

(Indigenous peoples' position statement, KMAN, March 1999)

Indonesian law governing land and natural resources is complex and contradictory<sup>27</sup>. Customary (*adat*) law existed long before the modern Indonesian state and the Dutch and Japanese colonial periods. Each of the multitude of ethnic groups of the archipelago has its own history and developed its own spiritual beliefs, cultural norms, decision-making structures and regulations - known collectively as *adat*. *Adat* is not static and unchanging. Most of this knowledge has evolved through generations and has been sustained through practice and orally; little exists as written documents.

During the 19th century, the Dutch superimposed a western concept of 'the state' and state control of land on the territory they colonised. Through Dutch forestry and agrarian laws, the state claimed the right to control forest land. These laws were applied mainly in Java and those parts of the 'outer islands' (e.g. Lampung and North Sumatra) where the colonial administration was well established. Elsewhere, *adat* law and land tenure systems prevailed. The Dutch gave limited recognition to communities' land rights through the Domain Statement (*Domein Verklaring*).

After independence, this pluralist legal system was replaced by a centralist one whereby all rights are controlled by the state. The 1945 Indonesian Constitution, drawn up by the founding fathers of the new Republic, Sukarno and Hatta, strongly reflects their idealism, socialist leanings and anti-colonial sentiments. When they wrote that the state has the right "to manage all resources above, below and on the ground for the well-being of all its people" (Clause 33, sub-clause 3), they could not foresee that the state would become an agent of repression and exploitation - as happened after Suharto seized power in a military coup in 1965. The interpretation of that specific clause by Suharto's 'New Order' regime underpins all land and natural resources conflicts in Indonesia to this day.

After taking power, the Suharto regime quickly produced a stream of new laws and supporting regulations which gave it far greater control over natural resources. The Basic Forestry Law (5/1967) was a key part of this endeavour. This, like Dutch colonial forestry law, put all forests under state control. The forestry authorities (then part of the Department of Agriculture) issued logging permits to 350 private companies. The Basic Mining Law (11/1967) paved the way for the government to grant hundreds of mineral exploration and exploitation concessions, often overlapping with forestry and plantation concessions. This process also ignored the fact that most of this land was - and still is - already claimed under *adat* law.

Any Indonesian law is qualified by all-important 'operating regulations' (known as *PP* in Indonesian). Other policy instruments include presidential and ministerial decrees and parliamentary decisions. In the mid-1970s, the government issued a regulation on Forest Planning (*PP33/1974*) which allowed the Directorate of Forestry to define the extent of 'forest land'. This resulted in a Forestry Department empire covering 143 million ha - roughly three-quarters of Indonesia, including 88% of the land of the 'outer islands'.

## State control of forests

The government made a clear distinction between 'land' and 'forest' - the two entities were controlled by different ministries and different laws. This division persists in official thinking today and lies at the heart of many conflicts with forest communities. Land defined as 'forest land' was to be controlled by the Forestry Department and the Basic Forestry Law, whether or not it was covered with trees. All other areas came under the administration of the Minister for Agrarian Affairs (and the National Land Agency when it was set up in 1988) and were subject to the 1960 Basic Agrarian Law<sup>28</sup>.

Indigenous peoples, on the other hand, have their own understandings of the relationships between 'land' and 'forest'. Some do not distinguish between 'land' and 'forest' as one area could be managed both for agriculture and as a secondary forest within a rotational cycle. Others have a classification system far more complex than the government's simple distinction. The tenure and rights to use this forest/land may be held by individuals, families, clans, the whole community or a mosaic of some or all of these depending on the *adat*. The limits of each piece of land/forest are marked by natural markers such as streams, rocks, paths, hills or long-lived, characteristic trees. Commonly, but not always, the family which clears a patch of forest for the first stage of

rotational use can claim that as its own. There is rarely any written proof of ownership; tenure records are part of the community's oral history.

By contrast, the government only recognises official proof of tenure in the form of land ownership certificates issued by the National Land Agency (*BPN*). Certification is a costly, time consuming process which is extremely difficult for forest people with limited access to urban-based lawyers or the cash to pay for their services. It is not even possible for many. Certificates can only be issued for individually held, private land - so communally held land is not eligible. Forest peoples cannot gain title to their land through the Land Agency if it has been designated 'forest land' as this is not subject to agrarian law. Another obstacle to legal tenure is the requirement that farmed land must be under permanent cultivation before it can be certified. This automatically excludes the rotational cultivation systems practised by many indigenous peoples which involve long fallow periods and excludes some agroforestry systems where crops are planted within forests.

Yet another source of confusion over the extent of state control over forests in Indonesia stems from fact that, by early 1999, only 68% of land claimed by the Forestry Department had been formally delineated and gazetted as required by law<sup>29</sup>. In other words, nearly one third of 'state forest' lands are not definitively under the legal jurisdiction of the Forestry Department. Once forest has been delineated, forestry officials have the legal duty to inform the local communities affected, but this rarely takes place.

## Customary forest and indigenous rights

In short, indigenous peoples were dispossessed and disempowered throughout the Suharto years (see also p. 11). *Adat* forests were claimed as state lands; *adat* land and resource tenure were not recognised; *adat* systems of forest management were disregarded. Parts of the 1945 Constitution (e.g. Clause 18 and the Explanatory Notes) and the 1960 Agrarian Act which recognise some indigenous peoples and their land rights were ignored by the government for the next three decades. Where the government did acknowledge the existence of customary *adat* laws, state law was (and still is) considered

27. This section draws on Fay, Sirait & Kusworo, 2000; Sirait, Fay & Kusworo, 2001; and Fauzi, 1999.

28. The Department of Land Affairs became an agency controlled by the Ministry of Home Affairs in 2000.

29. Fay and Sirait, 1999

superior. This results in a fundamental difference in perspective between the state and indigenous peoples.

Indigenous communities continue to believe that their *adat* land belongs to them and that the state has no authority over it. Many claims originate from before the Dutch colonial period and, in some cases, this can be proven. These communities therefore maintain that the government cannot grant rights to these lands in the name of the Indonesian Republic to others for mining, forestry or plantations. It can only grant land use rights for areas not belonging to them. The onus, they say, should be on the government to show that this is not *adat* land before granting any concessions.

After Suharto was forced to resign in 1998, the interim government was pressurised into addressing the need to reform forestry and land law. The Minister of Agrarian Affairs attended the first Congress of Indigenous Communities (see p.43) where he was lambasted by angry representatives of communities locked in land disputes with private and state-owned companies. He subsequently took the first step towards the

formal recognition of *adat* land ownership.

Ministerial decree 5/1999 allows the registration of *adat* lands - including communal lands. It also enables *adat* communities to lease their lands to the government or the private sector. Hopes raised by this initiative were soon dashed by the new Forestry Act (41/1999) which reasserted the principle of state control. This law recognises the category '*adat* forest', but only as a class of state forests. Moreover, since the introduction of regional autonomy legislation, responsibility for the registration procedure has moved from Jakarta to local authorities and even the status of ministerial decrees is now open to challenge. Whether or not provincial or district level officials act on Ministerial Decree 5/1999 will depend largely on the lobbying power of *adat* communities and their supporters in the regions.

### National Parks and *adat* rights

As is the case with almost all forested areas of Indonesia, Indonesia's National Parks are usually the customary lands of indigenous peoples. Most of these areas have been

established as parks without any consultation with indigenous communities. Too often, the local people only know that the land which they believe is their ancestral birthright has become a park when park authorities - with or without government staff and the security forces - try to evict them. Indonesian law forbids any settlement or human activity within the core zone of a National Park. Communities may be allowed to live in enclaves, frequently in the buffer zone, but even so, they are not allowed to practise their traditional rotational land use systems. The irony is that the high biodiversity which attracts conservationists often owes its existence to the customary practices and cultural taboos of *adat* communities. Far from being pristine environments, many of Indonesia's National Parks are the product of generations of traditional natural resource management systems.

The eviction of the Morone people in Southeast Sulawesi is one example of the conflict between parks and rights (see DTE 41:6). An example of a more positive approach in Lore Lindu National Park, Central Sulawesi is on p.53.

## The Ammatoa of South Sulawesi

### *An example of traditional forest management*

Most of the lowland rainforest of South Sulawesi was logged many years ago to make way for extensive plantations, agricultural land and other 'development'. Remaining forest areas are under serious pressure due to population growth. Yet only 250 km east of the provincial capital of Makassar (Ujung Pandang), in the eastern part of Bulukumba district known as Kajang, there is mature rainforest, rich in wildlife. This is the customary land of the Ammatoa who still live by a system of strict rules governing their social behaviour and their relationship with their forest environment<sup>1</sup>.

The Ammatoa (sometimes called the Kajang) share some similarities with the Baduy of West Java. An inner community, which observes the strictest form of their belief system - the *Pasang ri Kajang*, is surrounded by a more extensive area governed by customary law. The inner community was allowed to continue the traditional way of life when the Suharto regime introduced legislation standardising the village governance system throughout Indonesia in the 1970s. Traditional leaders in the wider community were supplanted by government appointed officials but, to some extent, they have managed to hold onto their customary power and practices. Members of the inner community, centred on the village of Tana Toa, wear characteristic black clothing and do not use any modern goods such as motor vehicles or plastics.

The Ammatoa's forest lands now

cover 317.4ha and are bounded by four rivers. These forests are rich in plant and animal life: rattan and many commercially valuable tree species are still found there. The conservation of this forest stems directly from the Kajang beliefs which stress the social values of working together, helping others and co-operation. The Ammatoa believe that *Turie' Ara'na* created the world and all living things as one complete system, analogous to the human body with its different organs. Hence all parts must be cared for and preserved to maintain the integrity of the whole. The forests are believed to bring the rains, maintain water sources and keep the balance between wet and dry seasons.

The forests are divided into three zones: the 'forbidden zone' where no-one is allowed to enter or to disturb the forest; the 'inner zone' where people can only collect forest products at particular times, determined by customary law; and the 'community zone' which everyone can use. All forest is sacred to the Ammatoa and it is forbidden to fell trees, hunt or collect forest products unless permitted by customary law. The forest is also the place where many of the ceremonies which are an integral part of community life must be held: ceremonies to appoint traditional leaders; to curse or ask forgiveness for people who have broken *adat* law; to give thanks or ask for protection; and to make peace with their Creator.

According to the Kajang belief

system, people should only take sufficient to meet their basic needs in order to maintain a balance with the rest of the environment. Hence the Ammatoa have a subsistence lifestyle and are largely self-sufficient. They depend on cultivating traditional varieties of rice and vegetables and fishing. Deer, monkeys, cuscus and birds are hunted for food. Local timber is used for housing and furniture and some is sold to boat-builders in fishing communities on the coast.

Ammatoa society is governed by a council made up of traditional leaders (*Galla*) and their representative - an 'executive' or *Karaeng Tallu*. The customary guardians (*Sanro*), responsible for holding ceremonies and healing practices, are also important in everyday life. Apart from ceremonies, these community leaders meet regularly to take decisions. Some *Galla* were appointed as official village heads during the 1970s and this has undoubtedly helped to protect their pre-Islamic culture and their environment. Equally important in this respect has been this indigenous people's fearsome reputation for magic. One Ammatoa spokesman explained that he would use his power to command swarms of wild bees if their lands were threatened by outsiders: "Developers and security forces can defend themselves against knives and other weapons, but they cannot fight against bees".

i. Interview with Ammatoa representative, AMAN Congress March 1999; WALHI SulSel pers com

# Forest classifications

All 'state forest' in Indonesia is officially classified into three functional categories: Protection Forest (for watershed protection and prevention of soil erosion); Conservation Areas (including National Parks and Nature Reserves) and Production Forest - subdivided into 'Permanent Forest' (for sustained logging) and 'Conversion Forest' - areas to be clear-felled for agriculture, settlements and other non-forestry uses. Some land with tree cover is excluded: perennial tree crops including rubber, coconut, oil palm and various fruits and nuts are classified as plantations and

Department of Social Affairs' programmes to settle 'shifting cultivators' and to relocate 'isolated and backward tribes'.

A major obstacle to Indonesian forest policy has been the lack of accurate maps of the forest estate and land with forest cover or reliable data on deforestation and replanting (until the World Bank/MoF maps were published - see box, p.3). Large areas of 'state forest' in Indonesia are not forested and, in some cases, have not been for several decades. The original designation was made by forest officials' lines on maps in Jakarta, rather

sites located in swamp forest. The worst of the technical shortcomings were rectified through a comprehensive land use survey carried out to identify appropriate transmigration locations during the late 1980s. The RePPProT study, funded by British government grants, recommended revisions in the Forestry Department's figures, but did not address the way that the forestry and transmigration authorities had annexed indigenous peoples' lands<sup>31</sup>. Also, by categorising land as 'forest', 'extensively used land' and 'intensively used land', the study perpetuated the myth that the forests are not used by forest-dwelling peoples.

## Forest categories - Suharto era

The 143 million ha of 'forest lands' were divided as follows:

Protection Forest	30 million ha	21%
Nature Reserves/National Parks	19 million ha	13%
Limited Production	31 million ha	22%
Regular Production	33 million ha	23%
Conversion Forest	30 million ha	21%

Conversion Forest figures were lower later (see table, p. 4) as conversion proceeded.

Source: *Jakarta Post* 8/Mar/96

count as 'estate crops' or agriculture. Paradoxically, industrial timber estates (*HTI*) of fast-growing tree species to supply the pulp industry are included in the forest inventory.

This classification, carried out during the 1980s, was called the Consensus on Forest Land Use (*TGHK*). The classification was based on biophysical criteria (primarily soil type, slope and climate) with no consideration of social or economic aspects. Also, the 'consensus' was only between provincial government agencies. There was no consultation with local communities, let alone consent. Throughout Indonesia, communities whose land had been declared Protection Forest were targeted for resettlement as 'local transmigrants'. Many other forest peoples were also forced out of areas allocated to logging companies under the

than accurate field data. 'State forest' lands largely followed the areas designated as forest during the colonial period, even though significant amounts had already been turned into agricultural land or settlements by indigenous and migrant populations. Villages, farmed land and coarse grasslands plus millions of hectares of traditionally managed forest systems became part of Indonesia's forest estate. For example, in South Sumatra, official forest maps in 1984 showed there was three times more forest than during the Dutch colonial era, mainly because these included smallholders' rubber and fruit plantations<sup>30</sup>.

Poor mapping caused serious errors. Some 'permanent forest' turned out to be grassland; logging concessions were granted on steep slopes; and transmigration

*"Collusive agreements between officials of the Forestry Department and concessionaires, inadequate mapping, tardy gazetting of nature reserves, and poor co-ordination among authorities controlling each use category resulted in the transfer of 4.55 million hectares of protection and conservation forests to HPHs by 1990."*  
[WALHI, YBLHI, 1992]

Until the 1992 Spatial Management Act, Indonesia had no integrated land-use planning. While the forestry authorities in Jakarta were awarding logging concessions (*HPH*) to private companies, other ministries were also handing out rights to forest peoples' lands, for example, as mining concessions or transmigration sites. Poor co-ordination between central authorities and inaccurate maps produced overlapping concessions. Not uncommonly indigenous communities found both a logging and a mining company claiming their land. Meanwhile, during the 1980s, local authorities had been drawing up regional development plans (*RTRWP*) independently of the Forestry Department. The result was two separate and often contradictory land-use zoning schemes. From 1992, the two sets of plans had to be consolidated.

The resulting '*padu serasi*' negotiations between local government and forestry officials were long and difficult, not least because the process involved two powerful government bodies in Jakarta: the National Planning Board (*BAPPENAS*) - under the Ministry of Home Affairs - and the Forestry Department. Most, but not all, provinces had agreed integrated land use plans with the central authorities by the late 1990s. Then everything changed again with the introduction of regional autonomy in January 2001. This completely altered the relationship between central and local governments and transferred zoning responsibilities to local authorities.

30. Gautam et al, 2000

31. RePPProT, 1990, p.167

## The Forestry Department

During the Suharto period, the Forestry Department became one of the largest ministries in terms of staff, budget and political influence. Together with its regional and provincial offices, this ministry employed up to 30-40,000 people<sup>1</sup>. It shares an office complex in Jakarta with the State Forestry Companies Inhutani I-V; Perhutani (now privatised) and several private timber companies; the plywood trade association, *APKINDO*; and the Association of Indonesian Forest Industries (*APHI*).

Responsibility for forest protection and nature conservation (including National Parks) also comes under

the Forestry Department - where business priorities have meant that conservation interests are secondary. The Environment Ministry - which is most critical of negative impacts of government policy - is a separate, much smaller entity with little political power.

At various times, forestry has been under the control of the Minister for Agriculture and/or combined with the plantations sector. For simplicity's sake we refer to the Forestry Department throughout.

i. Barber et al, 1994

# Forestry during the Suharto era

"From nearly nothing in 1966, the timber and forest products industry has with the state's active support grown into a highly concentrated, wealthy and well-connected political and economic actor dependent on cheap raw materials, used to high levels of profit and accustomed to passing on the environmental costs of unsustainable logging practices to local communities, the state and society at large. The industry is now a significant factor in forest policy-making and thus lessens the autonomy of the state to move in directions that might be more sustainable but would hurt the industry". (C.V. Barber, 1997)

During the thirty three years of Suharto's rule, Indonesia changed from a predominantly rural economy to become one of Southeast Asia's 'tigers'. Suharto's uniform, unsustainable vision of development depended on the exploitation of the country's rich natural resources to foster urbanisation and industrialisation. Oil and gas, minerals and forestry were, and still are, seen as important sectors of the economy because they generate state revenues, foreign exchange and employment. At the forestry industry's peak, in the early 1990s, forest products contributed 6-7% of GDP and 20% (US\$8.5bn) of Indonesia's foreign exchange earnings - second only to oil<sup>32</sup>.

The forestry sector was also a valuable political tool. Forest concessions were granted to the military and to business colleagues of the Suharto family. Under this patronage, timber companies grew into conglomerates which diversified into many other areas of the economy including real estate and banking. The rise and fall of Mohammad 'Bob' Hasan - widely known as Indonesia's *de facto* forestry minister for years - epitomises the crony capitalism which characterised the New Order regime (see box).

The recent history of forestry in Indonesia can be summed up as three phases:

- w **1970s:** the development of large-scale commercial logging
- w **1980s:** the growth of the timber processing industry
- w **1990s:** the plantation boom (pulp and oil palm).

The 'outer islands' have largely been logged by private companies whose primary interest was money not forests. The state-

32. Kartodihardjo, 1999, cited in World Bank, 2000

33. *Tebang Pilih Tanam Indonesia (TPTI)* means the Indonesian Selective Logging and Replanting system. Forest activists joked that the acronym really stood for *Tebang pasti Tanam inshallah* (logging is definite, but replanting depends on Allah's will.) Trees are felled on a 35-year cycle. Only trees with a diameter of over 50cm can be harvested in normal Production Forest and over 60cm in Limited Production Forest.

owned forestry companies (Inhutani I-V) which operated there were little better (see box). Forestry became just another economic sector where entrepreneurs could get a quick return on investments. This was asset stripping in the form of forest destruction. Macroeconomics and politics rather than expert forestry advice ruled forest management. The rights and interests of forest-dwelling communities counted for nothing in the rush to extract quick profits.

The HPH concession system was hugely damaging: it destroyed forests through over-logging; increased the likelihood of forest fires; violated indigenous rights; deprives forest peoples of their livelihoods and institutionalised corruption. Logging trails opened up forest to exploitation by outsiders, including local townspeople, migrants and transmigrants placed on failing sites. Logging camps employing non-local labour brought disruption to forest-dwellers and social conflict.

In theory, commercial loggers were required to practise selective logging and, later, to replant logged areas under Indonesia's *TPTI*<sup>33</sup> system. In reality, timber companies had a free rein due to minimal supervision of logging concessions and rampant corruption. Illegal practices, such as exceeding the annual allowable cut and felling outside concession limits, were commonplace and companies did all they could to avoid paying forestry taxes and levies.

A Reforestation Fund set up in 1980

for replanting logged areas (see box p.11) was pilfered by companies, ministers and the president and his family for their own purposes.

Annual forest fires were a symptom of the growing crisis in Indonesian forestry. (see p.16). The system had built-in incentives to over-log a concession (see p.13) and fines or sanctions were rare.

Indonesian companies were not alone in benefiting from the Suharto system. International timber companies moved in during the logging boom of the 1970s in order to export logs, including US-based Weyerhaeuser and Georgia Pacific and Japan's Sumitomo and Mitsubishi. Most pulled out towards the end of the decade but some South Korean and Japanese companies maintained an active interest.

## Mining

Foreign companies continued to promote and benefit from forest destruction in other ways. International miners were invited to exploit the mineral wealth underlying the forests, through foreign direct investment and mining legislation passed in 1967.

Mining in Indonesia has been a significant cause of forest destruction, with concessions covering over 36 million ha - a fifth of the country's total land area. Much of this is forested land (see also p.27).

The damage is done not only at the mine itself, where the forests are torn up in

## The state-owned companies: Perhutani and the Inhutanis

Indonesia's state-owned forestry companies were established in the 1970s. Perum Perhutani managed 2.5 million ha of forests and plantations in Java and East and West Nusa Tenggara. Most of this was teak and pine plantations on Java<sup>i</sup>.

Meanwhile, the PT Inhutani group controlled far larger amounts of forest on the 'outer islands': PT Inhutani I in East Kalimantan, South Sulawesi and Maluku; PT Inhutani II in South and East Kalimantan; PT Inhutani III in West and Central Kalimantan; PT Inhutani IV in Aceh, North and West Sumatra and Riau; PT Inhutani V in Jambi, South Sumatra, Bengkulu and Lampung.

As logging companies' permits expired or were withdrawn due to malpractice, more and more forest land outside Java came under Inhutani's control. Inhutani I-V were also allowed to form joint ventures with private logging and plantation companies. In this way, Inhutani expanded into the oil palm sector. By mid-1998, 14 million ha were being managed by the Inhutani group, with 8 million ha as state-

private joint ventures. (WRI/FWI 2002 (draft) p26)

While the Inhutanis operated like profit-oriented private companies, Perhutani also had a social mission. Apart from rehabilitating forests under its control, Perhutani set up some 'social forestry' schemes for people living in and around the areas it controlled on Java (see also p.17). Nevertheless, the social and environmental track records of Inhutani companies and Perhutani were no better than private companies. Tensions were high between Perhutani and villagers on Java who claimed rights to forest land<sup>ii</sup>. From 1998 onwards, this erupted into open conflict and large-scale timber raids on plantations.

Perhutani was privatised in March 2001. Since the economic collapse in 1997, all Inhutanis have been in severe financial difficulties<sup>iii</sup>.

i FWI/GFW, 2002 (draft) p26

ii. See Peluso N., 1990, in Poffenberger, 1990, for a good account

iii. *Kompas* 4/Apr/01

## The military and timber

Since 1967, timber concessions have been distributed to reward loyal generals and appease potential dissidents in the military. Timber is a well-established means of supplementing the inadequate military budget, particularly at regional command level. The Department of Defence's business group PT Tri Usaha Bakti (TRUBA) controlled at least 14 timber companies by 1978<sup>i</sup>. Companies controlled by military foundations were given lucrative concessions in border zones and occupied territories. The military ran sandalwood logging operations in East Timor and were heavily involved in the trade of the fragrant *gaharu* resin in West Papua. Until the 1999 elections, the majority of cabinet ministers and governors had military backgrounds.

The International Timber Corporation of Indonesia (ITCI) controls one of the largest logging concessions in East Kalimantan, adjoining Kutai National Park. The company, originally a joint venture between TRUBA and US company Weyerhaeuser, obtained a 601,000ha concession in 1971. Weyerhaeuser pulled out of Indonesia in 1983<sup>ii</sup>. Until the downfall of Suharto, TRUBA owned 51% of ITCI with the remainder split between holdings controlled by Suharto's son, Bambang Trihatmodjo, and business tycoon Bob Hasan<sup>iii</sup>. There are unconfirmed reports that the military are continuing to log the area heavily. ITCI also has a large timber plantation in the same area (PT Hutani Manunggal) which was included in the list of companies accused of causing the 1997 forest fires by burning to clear land. Local groups also reported serious forest fires in ITCI's concession in early 1998: 20,000ha were reported to have gone up in smoke<sup>iv</sup>. ITCI was not prosecuted. The company unsuccessfully applied for certification under the Indonesian Ecolabelling Standards system in 1998<sup>v</sup>.

Another military-owned logging company, PT Yamaker, which had a concession along the Indonesia - Malaysia border in West Kalimantan extracted far more timber than was permitted under selective logging rules. Large tracts of Dayak customary lands now need reforestation. Local communities who have been left destitute are taking court action to press for Rp10 bn (US\$1million) compensation<sup>vi</sup>.

Military involvement in logging S.Aceh is included in J. McCarthy's CIFOR Occasional Paper 31, Oct 2000: *Wild logging*

- i. Dauvergne P, 1997, *Shadows in the Forest*, p71
- ii. *Gallon Environmental Newsletter* 8/Jan/01 quoting Barr 98
- iii. Indonesian Business Data Center, 1994, p.166
- iv. pers com - email from Samarinda 15/Apr/98
- v. pers com LEI
- vi. *Kompas* 9/May/01

order to excavate the ores, but also by the building of roads, towns and ports, by the pollutants carried in water courses and by the increased competition for land and resources caused by the influx of outsiders<sup>34</sup>.

In 1967, PT Freeport Indonesia - now operator of one of the largest gold and copper mines in the world - was the first to take advantage of mining opportunities under Suharto's New Order regime. with Canadian nickel miner INCO, coming in the following year with a concession covering 6.6 million ha in a forested region of Southeast Sulawesi. While Freeport's mine itself was not in a forested area, around 13,000ha of forests of lowland forest downstream have been destroyed or damaged by tailings, depriving local peoples of their livelihoods. Freeport is owned by US-based Freeport-McMoRan Copper & Gold Inc, in which Britain's Rio Tinto has a 14.6% share.

Rio Tinto acquired 90% of the Kelian gold mine, which started production in 1992, and half of PT Kaltim Prima Coal - Indonesia's biggest coal producer - together with BP<sup>35</sup>. Both these mines are located in forest areas of East Kalimantan claimed by indigenous peoples. The Kelian mine, like Freeport, and the Australian-owned Indo Muro Kencana gold mine in neighbouring Central Kalimantan, have been linked with serious human rights violations<sup>36</sup>.

## Forest consultants

International companies gained lucrative forestry consultancies during this period. Foremost amongst these was the Finnish company, Jaakko Pöyry, brought in during the 1980s to advise the Indonesian government on a master plan for a large-scale plantation programme linked to developing a pulp and paper industry<sup>37</sup>. Jaakko Pöyry went on to be

consultants on specific projects, including PT Inti Indorayon Utama (now known as PT Toba Pulp Lestari) - notorious for conflicts with local communities displaced by feeder plantations and for the paper/rajon pulp plant's appalling pollution record<sup>38</sup>. (See box, p.38 for new pulp development.)

## From logs to plywood

Throughout the 1960s and '70s Indonesia experienced a logging boom, based on the export of raw logs. By 1979, Indonesia was the world's largest producer of tropical timber. Some 580 logging concessions had been issued by the late 1980s, covering over 60 million ha. Although these concessions averaged about 100,000ha each, some timber tycoons controlled millions of hectares of forest through groups of logging companies (see box, p.10). The exploitation rights lasted 20 years, but could be extended to 35 years, by which time often little or no commercially valuable timber remained<sup>39</sup>.

In 1985, the government imposed a log export ban, ostensibly to promote forest conservation, but actually to stimulate the growth of an Indonesian wood processing industry<sup>40</sup>. All logging companies had to set up factories producing sawn timber, plywood,

*continued on p.11*

34. Marr, 2000

35. *DTE*, Nov 2000, Newsletter No 47, p6, 7, 11

36. (see recent *DTE* newsletters for reports on these and JATAM website: <www.jatam.org> for more details).

37. Carrere & Lohmann, 1996

38. See for example *DTE* 41:1 for more.

39. Barber et al, 1994

40. The log ban was replaced in 1992 with prohibitively high export taxes. These were reduced following 1997 by IMF demand, but a temporary export moratorium was imposed again in 2001.

Protest by local people against INCO, May 2001

Photo: YTM



## The value of the forestry industry in the late 1990s

Volume of wood exports (1998)	49 million m <sup>3</sup>
Gross value of wood exports (1997)	US\$6 billion*
Contribution of wood to domestic economy (1997)	US\$8 billion
Contribution of wood to total GDP (1990s)	6%
Estimated value of 'non-market' forest products	US\$3 billion <sup>#</sup>
Value of forests' watershed & soil conservation functions	US\$22 billion

All figures from OED Report World Bank January 2000, unless otherwise indicated.

\*Mainly as plywood, pulp and paper; pre-1998 tariffs on log exports were so high that there was no legal export of raw timber.

<sup>#</sup> FWI/GFW, (draft), 2002

## Bob Hasan: the downfall of the 'King of the Forest'

Mohammad 'Bob' Hasan is still the best known figure in Indonesia's forestry industry. Other timber tycoons owned more logging and plywood companies or controlled more logging concessions and plantations (see box, below), but no other individual has exerted such power over the whole forestry sector. Hasan's dominant influence on forestry policy and practice derived from two sources: his long-standing close friendship and business associations with former president, Suharto; and his role as head of the forestry industry associations. He headed the powerful Indonesian Forestry Community (*MPI*): an umbrella organisation which includes the Association of Indonesian Wood Panel Producers (*APKINDO*), the Association of Indonesian Concessionaires (*APHI*) and the Indonesian Saw Millers Association (*ISA*).

Hasan's association with the ex-President dates back to the 1950s when Suharto was supplementing his earnings as a military officer in Central Java through business deals with ethnic Chinese entrepreneurs. Hasan soon changed his name from The Kian Seng and became a Muslim in a vain attempt to shake off anti-Chinese prejudice. One of his first ventures was running PT ICTI (see box p.9) which was worth US\$500,000 when he took control in 1969 and US\$100 million by 1993<sup>i</sup>.

Bob Hasan's close ties with Suharto enabled him to become one of Indonesia's richest and most powerful business tycoons. Hasan was a major player in six business groups by the late 1990s: in addition to his forestry empire under the Kalimanis Group, he controlled the Pasopati Group with its 120 satellite companies and the Hasfarm Group (agriculture) and had interests in the Nusamba group (10% Hasan; 10% Suharto's son Sigit and 80% Suharto-controlled foundations); the Tugu Group (a partnership between the Nusamba Foundation; the state oil company Pertamina and Pertamina's pension fund) and the Bank Umum Nasional Group (40% Hasan; 60% Kaharuddin Ongko)<sup>ii</sup>. He successfully bid to build a new coal-fired coal station in West Java. He got US\$109 million from the Reforestation Fund to set up a new pulp mill in East Kalimantan<sup>iii</sup>.

He became chairman of the car manufacturer and petrochemicals conglomerate PT Astra in 1997. He was close to being one of the 10 richest men in the world with assets of US\$3,000 million<sup>iv</sup>. But even Hasan made mistakes: through Nusamba, Hasan gained control of 30% of the Busang gold mine in East Kalimantan, which was later revealed to be spectacular fraud.

WE WOULD LIKE TO EXPRESS OUR THANKS TO  
**PRESIDENT RI SOEHARTO**  
ON THE OFFICIAL OPENING OF  
428 WOOD PRODUCTS FACTORIES  
THROUGHOUT INDONESIA  
TODAY, WEDNESDAY 30 JULY 1991.  
IN  
**PT. SURTA INDAH WOOD INDUSTRIES**  
TANJUNGPONDOK, DISTRICT KAB. GRESIK, JAWA TIMUR

*Press notice, 1991, placed by a Hasan company*

Hasan became even more influential once Suharto's wife, Tien, died in April 1996. In addition to being the president's golfing partner and business confidant, he took on the role of settling the business rivalries among the president's six children. In the final months of the Suharto regime, Bob Hasan's powerful role behind the scenes was officially recognised when the president appointed his loyal friend Minister of Trade and Industry - the first ethnic Chinese to have a Cabinet position.

As head of the Indonesian Forestry Community (*Masyarakat Perkayuan Indonesia, MPI*) and the Indonesian Plywood Association (*APKINDO*), Hasan operated a personal monopoly over half the world's tropical plywood exports<sup>v</sup>. He turned *APKINDO* into a powerful plywood marketing cartel, using it to determine the price of Indonesia wood products overseas and the export quotas, allocations and prices which plywood producers would receive. This increased financial returns for the member companies, but only as long as they supported Hasan's rule. Companies which complained about the

monopolies and rake-offs were punished by exclusion from the most lucrative export allocations.

*APKINDO* also became part of Hasan's money-making machine as he used it to set up a his own plywood marketing companies in major importing countries. These included Nippindo in Japan; Indo Kor Panels Ltd. in Hong Kong which handled sales to South Korea; Celandine Co. Ltd. (Hong Kong) to co-ordinate panel shipments to China and Taiwan; PT Fendi Indah in Jakarta to manage exports to the Middle East; and Fendi Wood in Singapore to oversee sales to Singapore and Europe<sup>vi</sup>. All Indonesian plywood exporters had to use Hasan's shipping company Kencana Freight Lines and his insurance company PT Tugu Pratama. In this way the whole trade from plantation to consumer markets flowed through his companies.

Hasan became an easy target for reformists once Suharto had been removed from power. His sprawling business empire hit serious problems after the financial crisis and his banks collapsed. The Indonesian Bank Restructuring Agency became one of Hasan's major creditors<sup>vii</sup> (see p.32). The *MPI* has accused its former chairman of siphoning off hundreds of millions of dollars into his own businesses and banks and Hasan's involvement in the misuse of funds in five charitable foundations the ex-president controlled is under investigation. He is now in prison serving a 6 year sentence for corruption in a fraudulent aerial mapping project by his company PT Mapindo Parama and of misappropriation of reforestation funds<sup>viii</sup>. He was ordered to pay US\$243 million for losses to the state and his appeal was turned down.

Hasan became a scapegoat for much of what was wrong with forestry in Indonesia for the past three decades. Former forestry ministers, senior forestry staff and heads of forestry companies and conglomerates who are not ethnic Chinese have entirely escaped public scrutiny.

However, Hasan has never been made to answer for the crimes committed against the many communities living in and around forests whose livelihoods were destroyed by his many logging companies.

### Who owned the forests ?

#### Major forest conglomerates in the Suharto period

Group	Owner	Concession holdings
Kayu Lapis Indonesia	Hunawan Susanto	3.5 million ha (17 companies)
Djajanti	Burhan Uray	2.9 million ha (17 companies)
Barito Pacific	Pangestu Prayogo	2.7 million ha (27 companies)
Kalimanis	Mohammad 'Bob' Hasan	1.6 million ha
Korindo	Johanes Empel	1.3 million ha

(Source: *Jakarta Post* 28/Sept/98; *PasaR* 22/Sept/98)

i. *Forum* 8/Sep/98

ii. *DTE* 33:10

iii. *DTE* 38:8

iv. *Forbes*, July 1997

v. *Asian Timber*, Sept 96 p44-7

vi. Barr C, 1998, Summary of MA thesis via EDF 21/Apr/98

vii. *Dow Jones Newswires*, 7/Dec/99

viii. *Jakarta Post*, 15/Mar/2001

## The Reforestation Fund

The Reforestation Fund is sad misnomer. Throughout the Suharto years, this fund was used to promote forest destruction, notably through providing finance for the creation of industrial timber estates (see p.14) the drainage of over 1 million ha of swamp forest for the Central Kalimantan 'mega-rice' project and 'Bob' Hasan's Kiani Kertas pulp and paper mill in East Kalimantan. As an 'extra-budgetary' fund, only the Forestry Minister and the president were responsible for its use.

Current investigations may only be revealing the tip of the iceberg about how much of this money has been squandered, embezzled or mismanaged. Some of Indonesia's massive foreign debt would not have been created if the Reforestation Fund had not been handled so inefficiently and corruptly. This means that, once again, ordinary Indonesians lose out twice over as they will ultimately bear the cost of debt

repayments to international lenders.

Reforestation payments were said to amount to Rp7 trillion (approx US\$700 million) before interest in mid-2000. The Reforestation Fund would be richer if logging companies had been forced to pay their contributions during the Suharto years and if the fund had not been used for non-forestry purposes. The financing of the Forestry Department office complex in Jakarta is under investigation. It may well have been built with Reforestation Funds through Yayasan Sarana Wana Jaya, a foundation owned by former Forestry Minister Soedjarwo<sup>i</sup>. A joint investigation by a team of forestry and finance officials revealed that unpaid logging fees and Reforestation Fund contributions amounted to Rp15 trillion (approx US\$1.5 billion). An additional Rp1.6 trillion (US\$160 million) of the Reforestation Fund had gone on former president's pet projects (including Rp80 billion for his

grandson's company PT Ario Seto and Rp400 billion to Habibie's national jet programme<sup>iii</sup>. It is believed that some of the Reforestation Fund disappeared in propping up the fragile national currency during the first impact of the Asian financial crash.

The Department of Forestry asked Attorney General Marzuki Darusman in early 2000 to take action against five business tycoons suspected of defrauding the Reforestation Fund to the tune of Rp784 billion (approx US\$80 million). The suspects were 'Bob' Hasan, Barito Pacific boss Prayogo Pangestu, Suharto's daughter Siti Hardiyanti 'Tutut' Rukmana, Probosutedjo - another Suharto relative and business man Ibrahim Risjad<sup>iv</sup>. Of these only Hasan has been convicted - see box, p. 8)

i. *Bisnis Indonesia* 27/Jun/00

ii. *Kompas* 7/Jun/00

iii. *Kompas* 22/Feb/00

iv. *Bisnis Indonesia* 8/Feb/00

*continued from p.9*

chipboard or other wood products.

These measures drove out most international logging companies and stimulated the vertical integration of the industry. Eventually a few giant Indonesian conglomerates controlled the whole industry from logging through to the export of wood products like plywood mouldings and quality paper. Marketing cartels chaired by Bob Hasan (see box,p.10) dominated timber production and wood product exports. Indonesia became the world's biggest plywood exporter. At its peak (in 1992) the annual output of plywood was nearly 11 million m<sup>3</sup>, 80% of which was for export<sup>41</sup>. Most of these companies were completely Indonesian owned, although a few Japanese and Korean investors like Marubeni and Kodeco formed joint ventures with Indonesian companies.

### Vast overcapacity

The fact that forest destruction means a finite and diminishing supply of wood available to industry didn't concern the timber tycoons or government. The Investment and Co-ordinating Board (BKPM) issued licences for wood processing industries without reference to the log supply calculated by the Forestry Department. The result was that by 1998 the capacity of sawmills, plywood, paper pulp and other wood-product factories (117 million m<sup>3</sup>) was roughly six times estimates of sustainable yields (under 20 million m<sup>3</sup> per year). Large-scale industrial timber plantations, intended to supply the raw material for the fibreboard, pulp and paper and construction industries failed to materialise at anything like the rate required to make up for forest depletion, despite

funding from the Reforestation Fund (see box).

The wood processing industries became increasingly dependent on timber supplied by the clear felling of Conversion Forest and illegal logging. In 1997 the official timber supply was 29 million m<sup>3</sup>, yet the actual quantity consumed was 86.5 million m<sup>3</sup>. This left a shortfall of 41 million m<sup>3</sup>, after imports and recycling had been accounted for. In 1994/5 official figures showed a drop in timber production yet an increase in production from saw mills, plymills and paper and pulp factories<sup>42</sup>. Worse was to come in the unsettled post-Suharto period (see p37).



## The cost to forest peoples

*"Indigenous peoples' understanding and control over our own natural wealth have been destroyed by policies which enforce social and cultural uniformity".*

(KMAN position statement March 1999)

The foundation stones of Suharto's New Order regime were political control and economic development. Through adherence to a national ideology of 'Pancasila development' and economic growth, Indonesia would become a strong, unified country and its people would become

prosperous. Suharto assumed the paternalistic title of 'Father of Development' (*Bapak Pembangunan*). Yet the hidden cost of Indonesia's 'development' has been borne largely by the forest peoples and the poor of the 'outer islands'. Their land and resources have been appropriated - often using violence - to satisfy the needs of a corrupt elite, the central government and the demands of the increasingly modernised, urbanised population on Java. This process was supported politically and financially by international lending agencies and creditor governments, while the timber traders profited directly from the wholesale destruction in the forests.

This was the attitude of the Indonesian government in 1990:

*"The logging industry is a champion of sorts. It opens up inaccessible areas to development; it employs people; it evolves (sic) whole communities; it supports related industries; it performs public and community services. It creates the necessary conditions for social and economic development. Without the forest concessions, most of the Outer Islands today would still be underdeveloped."*

(National Forestry Action Plan Gol/FAO)

To the decision-makers in Jakarta, indigenous peoples were irrelevant to a modern Indonesian state. The very existence of indigenous forest peoples was denied in the common official statement that "all Indonesians are indigenous". On the other hand, in official documents, indigenous people were referred in negative terms as

41. *Asian Timber*, Sept 1996 p44-7

42. Scotland et al, 1999

'backward', 'primitive', 'alienated' or 'isolated'. As *adat* peoples were not recognised, so their traditional forest-use practices were not recognised as legitimate management systems. They were labelled 'forest squatters' and 'agents of forest destruction' and their land management system (under the heading of 'shifting cultivation') rather than a rapacious forestry industry, was blamed as the major cause of deforestation<sup>43</sup>. Local governance acts (5/1979 and 5/1974) dismantled traditional power structures in indigenous communities and replaced them with a standardised system. Every village in Indonesia became part of a huge bureaucracy in which all decision-making was determined from Jakarta.

Attempts by local communities to stop or limit the violation of their rights and the destruction of their forests were largely ineffective<sup>44</sup>, with some notable exceptions (see p.19). Within Indonesia, the tools of political oppression - censorship, military terror, imprisonment - were used to crush opposition. Land reform was off the political agenda; the 1960 Agrarian Law was seen as the product of Sukarno's socialist allies. Even organisations or individuals who talked about land rights or fair compensation for people displaced by 'development projects' ran the risk of being branded as communists: a charge tantamount to subversion in a country where the leader gained power in an anti-Communist coup. International concern was met with polite or insistent indifference. No figures are available and few studies have been done on the numbers of people living in and around forests displaced or impoverished by large-scale logging operations and plantations<sup>45</sup>.



Logging truck, N. Sumatra

DTE

## Transmigration

Indonesia's transmigration programme - partly funded by the World Bank - moved 8 million people to the nation's forested islands between 1969 and 1994<sup>46</sup> and forced the relocation of indigenous peoples. Not only were their forests taken over by government schemes to provide new settlements and agricultural land for landless poor from Java, Bali and Madura but, if these schemes failed, the settlers often moved on to occupy other

*adat* land. In a bitter irony, dispossessed indigenous people were also settled on these sites, so that the newcomers could teach them to grow arable crops. 'Spontaneous migrants' (encouraged by government propaganda) followed in the wake of official settlers, again clearing more *adat* forest, particularly once the transmigration programme was coupled to credit-based plantation estates (*HTI-Trans* and *PIR-Trans* - see also box,p.13.)

Ten years after it began supporting the programme, the World Bank concluded that transmigration had been a major cause of deforestation and had had major negative and probably irreversible effects on some indigenous groups<sup>47</sup>. Transmigration was directly responsible for the clearance of about 2 million ha of forests between the 1960s and 1999<sup>48</sup>. But the knock-on impacts including spontaneous migration, transmigrants moving off unsuitable sites into new areas and the programme's association with plantation schemes, have resulted in far greater forest loss - possibly five times as great as the area originally planned<sup>49</sup>. It is widely believed that, until the programme was drastically reduced following the 1997 economic crash, the transmigration programme, and its knock-on effects was the single most important cause of forest loss.

For a fuller discussion on transmigration see DTE's report *Indonesia's transmigration programme: an update*, July 2001. [www.gn.apc.org/dte/ctrans.htm](http://www.gn.apc.org/dte/ctrans.htm)

## Forest communities development programmes

Successive government development plans (*Repelita*) included, as objectives for forestry development, increasing the prosperity of local communities and environmental protection. The 6th Five Year Plan (1993-8) gave poverty eradication highest priority. By the early 1990s, a number of community development programmes had been set up such as the Forest Community Development Programme (*Pembinaan Masyarakat Desa Hutan - PMDH* - commonly called the *Bina Desa* programme), implemented by logging companies under the Forestry Department; initiatives funded under the Presidential Decree on Under-Developed Villages (*IDT*) and the Integrated Area Supervision scheme (*PKT*) carried out by the local government. The projects included the provision of basic schools, health centres and washing facilities; agricultural extension work; dirt roads; sports facilities and places of worship. The overt intention was to reproduce a 'modern', standardised Indonesian lifestyle based on the Javanese model which included replacing traditional land use patterns with settled farming.

All these village development

programmes shared similar goals of poverty reduction, but they were - for the most part - poorly planned and implemented. More often than not, they did not address the real needs of communities or deal with all villages within their domain. All were top-down schemes which treated communities as objects of social development rather than active participants. Local people were expected to be the grateful recipients of any temporary support, not agents involved in the design, planning and management of any scheme. A social forestry programme on Java designed to overcome many of the above shortcomings had only limited success (see box p.17).

Companies, forestry officials and local government staff had very limited knowledge about the local communities - their priorities, needs, culture, customary laws - and there was no co-ordination between activities carried out in the same area by different agencies. There was little monitoring or evaluation and, when the budgets had been spent and the programme providers moved on, there was little to show - except, perhaps, for a few richer local officials<sup>50</sup>.



43. See for example Indonesia's National Forestry Action Plan, 1990, Gol/FAO, p22
44. SKEPHI & Kiddell-Monroe, 1993, in Colchester & Lohman, *The Struggle for Land and the Fate of the Forests*, WRM/ZED
45. A notable exception was studies done as part of the Sustainable Forest Management Programme (SFMP), a large, long-term Indonesian-German forestry project in East Kalimantan. The first phase involved detailed field studies in three concession areas (Inhutani I, PT Sumalindo Lestari Jaya and PT Limbang Ganca) and examined relationships between these companies and the local populations. A number of reports were published, for example: Main Results SFMP Document No.2, 1995. More limited social studies were carried out by the UK-funded ODA Forestry programme in the early 1990s in Central Kalimantan, Riau and Jambi.
46. Gol National Development Planning Agency 6th 5 Year Plan 94/5-8/9 cited in WRI, 1997 p30.
47. DTE Special report on Transmigration, 2001, p2
48. FWI/GFW, (draft), 2002
49. MacKinnon, 1996, p390
50. Diah Rahardjo, 1996, pers com

# Plantations in the Suharto period

*"In a 'worst case scenario' in which plantations replace most natural forest outside protected areas, the distinction between forestry on Java and the outer islands will diminish."*

(WALHI/YLBHI 1992)

Indonesia's ambitious plantations programme, started during the Suharto period, directly contributed to the destruction of the rainforests, sparked social conflict and the violation of indigenous peoples' rights. Natural forests have been consistently undervalued through Indonesian forestry policies which make it more profitable (in the short term) to clear the land for plantations.

The expansion of two major plantation types - industrial timber (*HTI*) and oil palm - is intimately linked to logging. The Suharto government encouraged the conversion of natural forest to plantations through a policy decision which allowed companies to clear fell 'unproductive' Production Forest and use 60% of the land for *HTI* and 40% for oil palm<sup>51</sup>. It was in the interests of conglomerates to ensure that their subsidiaries over-logged timber concessions to reduce yields to below the critical 20m<sup>3</sup>/ha and then apply for 'forest conversion' permits.

Industrial timber and oil palm plantations present similar social and environmental threats to forests and forest peoples. Selective logging leaves some areas of rainforest relatively intact and even heavily logged areas can eventually regenerate. Plantations - including oil palm - mean wide-

spread, permanent forest destruction. Both types of plantations are typically established on forest land rather than degraded grasslands or scrub. Both are predominantly monocultures of exotic species (i.e. not native to Indonesia). Both are large-scale and deprive large numbers of forest peoples of access to land and resources to support their families. Both have been linked to the Indonesian government's transmigration programme through *HTI-Trans* or *PIR-Trans* schemes (see box). These led to conflicts between indigenous peoples and settlers over land rights, cultural differences and access to schools, clinics and other facilities.

Oil palm and pulpwood plantations are also a major cause of forest fires, although this was not officially acknowledged by the forestry minister until the 1997/8 fires disaster. Although illegal in Indonesia since 1994, burning is still common practice as the easiest and cheapest method of preparing land for plantations (see fires, p.16).

There are also strong similarities between the economic forces which have driven *HTI* and oil palm plantation expansion. Both pulpwood and palm oil are cash crops which generate products for export and increase foreign exchange revenues. Both industries are attractive to foreign investors because of the steadily increasing global demand for paper and paper products and for the many products manufactured from palm oil, including margarine, soap, makeup, detergents, chocolate-substitute and cooking oil. Both exemplify how foreign companies have sought to profit from Indonesia's forestry regulations and lax environmental controls through schemes which would not be allowed in their own countries where environmental legislation and democratic controls are stronger.

## ***HTI* - Trees for industry or money-making scam?**

Estate crops are not new to Indonesia: the Dutch East India Company and Dutch colonial administration established extensive plantations of tree crops like rubber and teak, mainly on Java and Sumatra. Since independence, plantations have also been promoted through 're-greening' and watershed protection programmes intended to replant some of the millions of hectares of degraded land described by officials as 'critical', 'barren' or 'unused'. However, the focus of concern of environmental, social and indigenous organisations is the *HTI* system, which promotes the clearance of natural forests and their replacement by large-scale commercial plantations.

Tropical countries have a natural commercial advantage when it comes to plantations. Fast-growing species such as *Acacia mangium*, *Gmelina arborea* and *Paraserianthes falcataria* are typically ready to harvest seven years after planting in Indonesia. The tree growing cycle in temperate countries is normally 30 to 45 years.



Bob Hasan and entourage inspect seedlings for pulpwood plantation, 1996

Antara

The *HTI* programme was introduced in 1990 as part of government efforts to boost the non-oil and gas sectors of the Indonesian economy. In theory, areas of degraded land would be prioritised for replanting with fast-growing trees to feed Indonesia's burgeoning paper pulp industry. The Reforestation Fund would provide private companies with cheap financing for pulpwood investments. In practice, the whole system was a scam. Logging and plantation companies worked hand in glove as they were generally subsidiaries of the same conglomerates. The Indonesian government gave companies concessions covering tens of millions of hectares and allowed them to operate virtually unsupervised.

Developers preferred to clear logged-over forests for their plantations, rather than attempting to reforest tree-less areas. This also allowed them to extract and sell remaining timber, primarily to the pulp industry. There were no effective penalties against a company which flaunted selective logging regulations. The minister may cancel its logging licence, but by that time the damage had been done and the profits were in the bank. The parent group could then set up a plantation company which was eligible for cheap loans from the Reforestation Fund to finance planting. But planting did not always take place and, where it did, poor management of the new plantation meant that the trees did not always survive.

The plantation scheme got off to a slow start and never achieved the promised results. Under 1 million ha of timber estates

### **PIR schemes**

*PIR* (Nucleus-Estate / Smallholder) schemes have been used to provide cheap labour for oil palm and other plantations and intensive aquaculture projects across Indonesia. Oil palm schemes funded by the ADB and World Bank, linked to the transmigration programme (*PIR-Trans*) contributed to deforestation and caused pollution as well as the displacement of indigenous peoples. Smallholders, obliged to sell their crops to the operating company, often found they were worse off than before they joined the schemes due to fluctuating commodity prices, problems with land entitlement, corruption and malpractice and difficulties in repaying loans.

*HTI-Trans* schemes supplied cheap transmigrant labour for timber plantations. The programme was scrapped in 2000, one of the official reasons being that wages were too low for transmigrants to sustain an appropriate living.

(See DTE Special Report on Transmigration, July 2001 [www.gn.apc.org/dte/ctrans.htm](http://www.gn.apc.org/dte/ctrans.htm))

51. *KepMen* 614/Kpts-II/1999, see Casson, 2000

52. *Jakarta Post* 27/Feb/93

53. WALHI, pers com 9/Nov/98

were created in the first two years, well below the target of 1.5 million ha for that period<sup>52</sup>. By 1994, 38 companies had been allocated 3,841,777ha for industrial tree plantations. By 1998, 161 companies had applied to set up timber estates covering nearly 8 million ha and 98 of these had been given permits for 4,620,738ha - mostly in Sumatra and Kalimantan<sup>53</sup>. While ever larger amounts of land were allocated to HTI, less than a quarter of it was successfully established as timber plantations. This meant that the forestry industries - largely plywood and the growing pulp and paper industry (see below) were still relying on natural forests to provide raw materials and would continue to do so in future.

The government attempted to conceal the failure of the HTI programme by using figures which included areas reforested by Perhutani and Inhutani. These (then) state forestry enterprises became responsible for reforestation after years of private logging companies' 'cut and run' practices. Government figures of 6.1 million ha of forest lands reforested were rightly regarded with suspicion<sup>54</sup> since some of the same areas had been replanted several times, only to be cleared by timber raiders or forest fires.

Even if the target had been achieved, the replanted area still would have been negligible when compared with the vast tracts of forest damaged or totally destroyed within logging concessions and the third of Indonesia's forests zoned for clearance for commercial agriculture (see box, p7) for figures). Moreover, like commercial plantations, reforested areas are mainly planted with a limited number of fast-growing introduced species. In no way do these plantations fulfil the social and ecological functions of the natural forests they replace.

## Pulp and paper

*"The growth of the pulp and paper sector in Indonesia since the late '80s has been based on the clear felling of vast area of forest -- estimated at at least 800,000 hectares a year -- the spread of tree monocultures, the violation of indigenous peoples' land rights, and the granting of official subsidies to companies, which often hide corrupt practices."*

(WRM Bulletin, 41, December 2000)

Until 1987, Indonesia was a net importer of paper and pulp. Paper was an expensive luxury for the majority of the population. Natural forests were hardly used for pulp. Indonesia's pulp manufacturing originally depended on agricultural waste, largely from sugar plantations, plus pine plantations<sup>55</sup>. The domestic paper industry was protected by tariffs. A number of paper mills using imported pulp had been built, as pulp could

be imported free of duty, but there were no integrated pulp and paper mills.

Nevertheless, the government and the forestry industry had ambitions to become the world's leading pulp and paper producer by 2005<sup>56</sup>. According to head of the Raja Garuda Mas Group, Sukanto Tanoto, Indonesia's pulp production capacity would exceed 11 million tonnes by 2010<sup>57</sup>.

Much of the initial investment was in Sumatra, including PT Kertas Kraft (Aceh, 1989); PT Inti Indorayon Utama (N. Sumatra 1989); PT Indah Kiat (Riau, 1984) and PT Riau Andalan Pulp and Paper (Riau, 1995). Indah Kiat's Perawang plant was the first to use pulp to produce paper. In 1993 Indorayon started commercial production of viscose pulp. Other large pulp plants were set up in West Java and East Kalimantan<sup>58</sup>. By 1996 there were 65 pulp and paper mills in production with plans for a further sixteen<sup>59</sup>. The main Indonesian companies in the pulp industry were already big players in other aspects of the forestry business, namely Sinar Mas, Barito Pacific and Raja Garuda Mas/APRIL.

Bankrolled by overseas finance, Indonesia's industry became one of the world's leading producers, with pulp capacity expanding almost seven-fold between 1988 and 1999, from 606,000 tonnes per annum to 4.9 million tonnes. Paper processing capacity rose from 1.2 million to 8.3 million tonnes for the same period<sup>60</sup>. It was also one of the lowest cost producers due to cheap loans, low wages, lax environmental controls and large-scale legal and illegal logging of natural forests.

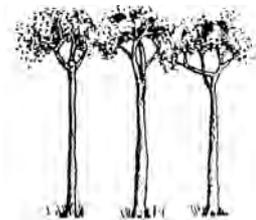
Most of Indonesia's pulp and paper production was for export. Indonesia was well-placed, with Japan a major paper importer and demand for paper in Southeast Asia growing fast - until the economic crisis hit in 1997. Also, the potential domestic market was huge, with Indonesia's 200 million plus population and an economic growth rate of 8%. Each Indonesian consumed on average only 19.4kg of paper a year, compared with an annual per capita consumption of 106kg in Malaysia, 200kg in Singapore and 330kg in USA<sup>61</sup>.

## Overcapacity in pulp plants

The environmental and social costs of Indonesia's burgeoning pulp and paper industry have been high. Indonesian and international NGOs had warned that the dramatic expansion of Indonesia's pulp and paper sector was based on 'mining the forests'<sup>62</sup>. For sustainable production, the capacity of a pulp mill should not exceed the volume of pulpwood that can be legally obtained from a company's own concessions and neighbouring farmers. It soon became obvious that the capacity of the pulp and paper industry far outstripped sustainable timber supplies. Pulp plants were already

experiencing shortages of raw materials by the mid-1990s, even before many of the planned mills had been built<sup>63</sup>. And, as plantations had not been established, companies were meeting their demands from illegal supplies. For example, in 1993, a parliamentary commission accused Indah Kiat of buying timber illegally cleared from 70,000ha<sup>64</sup>.

The Suharto government encouraged overcapacity, firstly by insisting that logging concessionaires develop downstream industries and secondly by allowing companies to defer tax payments in years when plant capacity was being expanded. Companies claimed that high capacities would reduce unit costs and make their product more competitive in international pulp and paper markets.



## Oil palm

*"Oil palm plantations are not a panacea, but a disaster for Indonesia and Indonesia's forests"*  
(Telapak/EIA, 2000)

The 1990s were a boom period for the Indonesian oil palm industry. This 'development' promised land, employment opportunities and greater prosperity - for small-scale farmers and for the Indonesian economy. Indonesian environmentalists now see the expansion of large-scale oil palm plantations as the third massive blunder in Indonesian forestry policy, following hard on the heels of the logging concession system and the establishment of industrial tree plantations to feed the pulp and wood industries<sup>65</sup>.

The rapid spread of oil palm plantations became a major direct cause of

54. Agenda 21 p25; RePPPProT, 1990, p165

55. RePPPProT, 1990, p185

56. Jakarta Post 8/Sept/93

57. Gallon Environmental Letter Vol 5, No. 2, 2001

58. Indonesian Business Data Center, 1994

59. DTE 29/30:11

60. Barr 2000

61. Kompas 11/Aug/01, 2000 figures.

62. See for example DTE's *Pulping the Rainforest*,

1991 and WALHI's *Mistaking Plantations*, 1992

63. SKEPHI European support office 27/Oct/96

64. Jakarta Post 22/Sept/93

65. See for example, WALHI's end of year statement 1998

66. Siscawati, 1999

67. See DTE 35 (supplement), and 36

deforestation and social conflict in Indonesia<sup>66</sup>. Companies took *adat* land without consultation or adequate compensation; local people whose livelihoods once depended on the forests were tied into sharecropping schemes (*PIR*) which led to indebtedness, loss of independence and poverty.

Concerns about the social and environmental impacts of this sector have been heightened since the 1997/8 forest fires and the economic crisis. Of the 176 companies accused of burning to clear land, 133 were oil palm plantation companies (43 of which were Malaysian)<sup>67</sup>.

Companies which financed plantations through loans depend on high global prices to repay bank loans. The palm oil market, like most export crop markets, is subject to boom and bust cycles. Since so many oil palm plantations in Indonesia operate through credit schemes, fluctuations in prices hit indebted farmers very hard<sup>66</sup>.

These concerns were swept aside by the Suharto regime whose main interest was the foreign exchange revenues the plantations could bring into the country. More recently, pressure to service the mounting debts has taken priority over social concerns.

*"Fifty indigenous peoples' leaders who attended a workshop on oil palm plantations, in March 1999, stated that they and their peoples had taken on high interest private debts for the first time in their lives by joining Nucleus-Estate Shareholder schemes on oil palm plantations. Their involvement was forced and in many cases involved military intimidation. Many of the leaders had been arrested and jailed when they opposed the programme." (M. Siscawati, March 1999)*

## The expansion of oil palm

Oil palm was introduced to Indonesia from West Africa in the nineteenth century. There was some development of oil palm plantations by the Dutch colonial government, but the sector stagnated during the early years of independence.

The revival of the Indonesian oil palm industry stems from several initiatives in the 1980s. The World Bank funded several Nucleus Estate/Smallholders (*PIR*) projects beginning in 1980. This was coupled with Bank support for the Indonesian government's transmigration programme. The Asian Development Bank also helped fund five *PIR* plantations between 1981 and 1995<sup>67</sup>. In 1984 the Ministry of Agriculture issued a regulation to promote the oil palm sector through the *PIR* approach. This was followed by a Presidential Decree (1/1986) which integrated the transmigration programme with the *PIR* scheme. In this way, government-sponsored migrant farmers were used to open up forest areas and as a cheap source of

## Attractive investment

Key factors which made Indonesian oil palm plantations an attractive prospect for domestic and foreign investors were:

- w the high temperature and rainfall ensured high growth rates;
- w large tracts of land had suitable soils;
- w Indonesian laws and regulations relating to land and forests could be easily manipulated, so land was cheap;
- w Indonesian labour was cheap, particularly where plantations were coupled with transmigration schemes;
- w companies could benefit from selling timber from any remaining forest, before clearing the land for planting;
- w there was relatively little room for further expansion of oil palm in peninsular Malaysia;
- w the Indonesian government was keen to promote exports, particularly outside the oil & gas sector.

Almost all of these factors still apply today - see p. 39 for recent developments.

labour for industrial plantation companies<sup>68</sup>. At the same time, access to credit at preferential rates for estate development and processing facilities stimulated the development of large-scale private oil palm plantations<sup>69</sup>

By the end of the Suharto period in 1998, the total estimated area planted with oil palm plantations had reached 2.5 million ha<sup>70</sup>.

(SK376/1998). This set down the criteria for suitable land - criteria so broad that they cover the majority of lowland rainforest in western Indonesia. The (then) state-owned forestry companies, Inhutani I-V, were also allowed to expand into the oil palm sector by forming joint ventures with plantation companies.

## Conglomerate control

The palm oil industry was, until the economic crisis, increasingly dominated by giant conglomerates which controlled an integrated process from plantation to palm oil processing and the manufacture of cooking oils. Most oil palm plantations in Indonesia (48% of the total area) were owned by private companies; smallholders only controlled 33% and state-owned plantations 19%<sup>72</sup>. Four Indonesian groups - Astra, Salim, Sinar Mas and Raja Garuda Mas - controlled two-thirds of private estates by 1997. Private companies also had access to a large share of the smallholder palm oil output from so-called plasma/tree-crop transmigration programmes.

Palm oil refinery capacity in Indonesia was concentrated in the hands of five corporate groups: Sinar Mas, Salim, Hasil Karsa, Musim Mas and Bukit Kapur, who jointly controlled 61.3% of total annual refining capacity<sup>73</sup>. With the exception of the last three, all these conglomerates had been heavily involved in the forestry and plantation industry for many years.



Oil palm plantation, Kalimantan

DTE

Annual production of crude palm oil (CPO) had reached almost 5.4 million tonnes (1997) and export earnings stood at US\$1.4 billion from 2.9 million tonnes (1997)<sup>71</sup>.

One of the key factors facilitating the continued conversion of tropical rainforest to oil palm plantations was a controversial regulation passed in the last weeks of the Suharto government

68. Potter and Lee, 1998

69. DTE, 2001, *Special report on Transmigration*

70. Siscawati, 1999

71. Casson, 2000

72. *Inside Indonesia* Apr-June 1999

73. Casson, 2000; Wakker, 2000

74. paper presented at KMAN, 1999

75. Wakker, 2000.

## Forest fires

The catastrophic forest fires of 1997/8 were the first to hit international headlines and TV screens, but they were not the first or the last time Indonesia's forests have gone up in smoke. The 1982-3 'Great Fire of Borneo' destroyed 3.6 million ha of forest in East Kalimantan. The financial value of timber lost was estimated at over US\$5 billion, quite apart from the damage to people's health and livelihoods as far away as Singapore<sup>76</sup>.

This was described as the "greatest natural catastrophe in historical times"<sup>77</sup> but - as in subsequent years - these fires were man-made. Mature, intact tropical rainforest has little undergrowth and is too wet to burn easily, even in very dry 'El Niño' years like 1982/3, 1987 and 1997/8. Where logging companies had created vast tracts of degraded forest, dry underbrush and discarded timber became tinder. The fires were particularly hard to extinguish where coal and peat deposits under the forest floor burned for months.

Little was learned from this disaster. Year after year, government ministers and local officials continued to scapegoat 'shifting cultivators', ignoring the destructive practices

of large, politically well-connected logging companies which continued to over-log their concessions with impunity.

The oil palm sector boom in the 1990s made the situation worse. Burning was seen as the cheapest option to clear forested land to establish large scale plantations. The smoke, carried by prevailing westerly winds to mainland Southeast Asia, prompted annual formal protests from Indonesia's ASEAN neighbours and calls for Jakarta to take action on what they euphemistically called 'the haze'.

### The 1997-8 fires

The difference with the 1997/8 fires was the political and economic context in Indonesia as well as the scale of the disaster. While the fires raged and a huge pall of smog choked Southeast Asia, the Jakarta government was caught up in political and economic turmoil. Apart from the forestry and environment ministers, Indonesia's leaders paid no serious attention to the disaster. Almost 4 million ha of agricultural land, over 3 million ha of lowland forest and 1.5 million ha of peat and swamp forest were burnt in 1997/98<sup>78</sup>.

The extensive fires ravaged large areas of Indonesia, especially on the islands of Kalimantan and Sumatra. These forest and land fires and the accompanying smoke, caused

serious damage to the forest areas, air pollution, damage to public health, loss of life, destruction of property and livelihood options, and other substantial economic losses in much of southern Southeast Asia. Estimates put the area of Indonesia burned at 9.7 million ha (forest and non-forest land), with some 75 million people affected by smoke, haze, and the fires themselves. The economic costs were estimated to be between US\$4.5 billion and US\$10 billion<sup>79</sup>.

*For full list of companies accused of starting fires and more details on the 1997 fires see DTE 35 supplement of the fires.*

*See p.40 for fires, post-Suharto, recent initiatives and fires monitoring websites.*



76. Meijaard & Dennis, R (1997)

77. Johnson, 1984.

78. Barber & Schweltheim, 2000

79. *ibid*

## The first signs of reform

Preventing forest destruction was practically impossible under President Suharto, because it directly benefited his family and cronies. Most ministers in key positions controlling natural resources - forestry, mining, transmigration & resettlement, home affairs (which included agrarian affairs and the powerful National Planning Board) and trade & industry, promoted the authoritarian, exploitative policies in which ordinary Indonesians were no more than the objects of top-down development initiatives. Yet three forestry and environment ministers showed some change in attitudes towards local communities and indigenous resource management and sowed the seeds for future reforms.

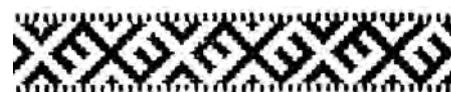
Forestry Minister Djamaluddin Suryohadikusumo (1993-1998) made some attempt to include forest peoples in forest policy. He wanted to develop a new model for forestry in Indonesia geared towards increasing revenue from the forestry sector while promoting sustainable forestry. Djamaluddin managed to get a limited amount of new legislation in place on community-based forest management before Indonesia's 1998 elections, when he lost his post - probably due to the enemies he made in the forestry industry (see *KdTI* box p.17 & *HKM* p.44). He tried to take action to curb

the worst excesses of the forestry industry, cancelling or refusing to renew around one fifth of the 584 logging concessions which had been issued at the time and at least drawing public attention to a disaster in the making due to overcapacity in the wood processing industry<sup>79</sup>. Most conspicuously, he publicly blamed forestry companies, rather than forest communities or the El Niño climatic phenomenon, for the disastrous 1997 forest fires. Djamaluddin went on to become an influential advisor to the two most important international policy and research institutions in Indonesia: the Centre for International Forestry Research (CIFOR) and the International Centre for Research on Agroforestry (ICRAF).

Emil Salim was also confronted with the problems of taking action against the business elite during his 12 years as environment minister (1981-1993)<sup>80</sup>. He had a high profile - often making pronouncements on the need for pollution control and sustainable development - but little power. To compensate for this, Salim developed close associations with the burgeoning environmental movement and gave support to non-governmental organisations. These groups and the new generation of civil society groups they have nurtured proved to be vital elements in the drive for political change,

human rights and forest policy reform. He went on to set up the ecolabelling working group (see p.18) and to chair the GEF-funded NGO, Kehati.

When Sarwono Kusumaatmadja, a career bureaucrat in the government party GOLKAR, took over from Salim as Environment Minister in 1993 many NGOs had low expectations. In the event, Sarwono continued to push for reform and spoke out on the need to control the activities of logging and plantation companies during the 1997/8 forest fires. He was an outspoken government critic in the dying days of the Suharto regime and, briefly, became minister for a newly created marine department in the Wahid government.



80. DTE 29/30:6

81. In 1978 the government set up the Ministry for Development Supervision & Environment, later transformed into the Ministry for Population & the Environment which is now the Ministry for the Environment.

## Civil society struggles

The term 'civil society organisations' (CSOs) in Indonesia encompasses a wide range of very different groups, including mass organisations, trades unions, community groups and non-governmental organisations (NGOs). The NGO community alone comprises tens of thousands of organisations, ranging from large well-established or well-funded foundations to small groups operating on a shoe-string; from national networks to village co-operatives. Some are independent, radical campaigning groups; others are linked to political or religious parties; yet others are thinly disguised commercial ventures or may have been created purely to access government or donor funding.

Indonesia's NGO movement only began to grow with the national economic development of the late 1970s and 1980s. The anti-communist purges which accompanied the early days of Suharto's dictatorship wiped out or drove underground any independent organisations. Gradually, a new generation of well-educated, middle class individuals set up organisations to address the worst excesses of the New Order. Some (including later leaders of WALHI and SKEPHI) had cut their campaigning teeth in a short-lived wave of student activism in the mid-1970s. Others belonged to 'nature lover' or independent study groups. Typically, each NGO dealt with specific issues - labour conditions, social problems, the urban poor, the environment - and advocacy was limited to public education and application of state laws. The Suharto regime stamped down brutally on any groups and individuals deemed to threaten its authority. To band together, to tackle broader agendas of rights or state violence, or to protest openly was to risk imprisonment.

Nevertheless, some communities did stand up for their rights, particularly by the early 1990s. Once the majority of their customary land had been taken by logging companies, mines or transmigration sites, forest peoples like the Bentian Dayaks of East Kalimantan and the Yamdena islanders of the Southeast Moluccas realised that the alternative to protest was the destruction of their societies and cultures as well as their livelihoods<sup>82</sup>. Villagers in Java who lost their land to industrial or commercial developments faced destitution. The thousands of peasants in Central Java who refused to move off their land for the Kedung Ombo dam became a national *cause celebre*<sup>83</sup>.

Throughout the Suharto years, environmental activism was tolerated to a greater extent than other forms of political action. The international environmental movement had been boosted by the first UN 'Habitat' conference in Stockholm in 1972.

Indonesia soon established an environment ministry. The minister, Emil Salim, had good intentions but a small budget and no field staff, so a symbiotic relationship developed between him and environmental groups in Indonesia. The NGOs could raise issues in public (as long as they were not too aggressive) and, in return, would receive tacit protection from government crackdowns. Their position was further strengthened by the 1982 Environment Act which recognised civil society's role in protecting the environment.

Some organisations were founded as networks in order to resist government repression. The forest campaigning NGO, SKEPHI, founded in 1982, was initially a very radical network with a high public profile. Members from up to a dozen organisations openly criticised government policy and spread information on forest issues internationally then dispersed until the uproar died down. On the other hand, in its early days, organisations belonging to WALHI (Indonesia's Friends of the Earth) took a less confrontational approach, focusing on

## The Social Forestry Programme

Perum Perhutani, the state-owned forestry company, controlled all forests in Java outside conservation areas until 2000. It became interested in social forestry in the 1980s in an attempt to reduce conflict with local communities<sup>i</sup>.

The forests managed for timber production on Java are mainly teak plantations (and, to a lesser extent, pine) which date back to the colonial period. The conflicts arose because local communities saw these semi-natural forests as their land and claimed the right to fell timber for their needs and to grow their own crops there<sup>ii</sup>. In contrast, Perhutani's official remit was to maximise income from timber production. So forest guards evicted forest farmers and villagers caught with logs were charged with theft.

The Social Forestry Programme, largely funded by the Ford Foundation, sought to bridge the gap between forest farmers and Perhutani officials. Its main aim was to give local communities greater access to forest land so that they had some means of supporting their families. Land-poor villagers had to form 'forest farmer' groups in order to get plots. They could then plant agricultural crops between rows of plantation trees in return for planting, weeding and generally caring for the main tree crop. They were also allowed to collect waste timber for firewood. Perhutani changed its planting and cropping regimes to allow farmers a longer period to grow their crops. NGOs provided liaison between Perhutani and forest farmer groups and the monitoring and evaluation from the field trials fed back to a joint steering committee of decision-makers within the Forestry Department. Research by Indonesian and foreign universities into improving the yields and values of forest farmers' crops provided further input.

The Social Forestry Programme was influential in that it did reduce conflict between Perhutani and villagers in the areas where it operated. At least some forestry officials learned to see NGOs and even

forest farmers groups as partners rather than opponents. Villagers gained legal access to the forests and could cultivate more land, thus increasing their incomes and food security. The programme pioneered written agreements between forest farmers and the state-owned forestry company on the rights and responsibilities of both parties. Another innovation was the framework which enabled dialogue or consultation between the government, a forestry company and local communities.

Overall, this ten-year initiative only had limited success, largely because Perhutani is a massive autocratic, bureaucratic organisation with an inbuilt resistance to change. The few enlightened individuals within it could not transform entrenched attitudes and the number of pilot projects never reached the critical mass needed for the new practices to spread further. Decision-making was almost exclusively top-down. The programme encountered social and technical problems. It tended to benefit better-off farmers rather than the landless, poorest members of the community who were the primary target.

Farmers could not grow crops for more than three years in teak plantations due to heavy shade. The programme did not challenge the status quo in that it only addressed issues of forest access and management rather than ownership rights. Once donor funding was phased out in the mid-1990s, the government would not provide the necessary financial support to continue and expand the work.

- i. A more detailed analysis of the Social Forestry Programme is presented in Chidley L & Potter D, 1997, NGOs and Environmental Policy in Indonesia, GECOU Working Paper 8, The Open University, UK
- ii. The reasons behind these land claims are complex. Levels of rural poverty in Java; the scarcity of agricultural land; the relationship between communities and Dutch plantation managers; and the vestiges of pre-colonial *adat* law and beliefs are all relevant factors. See Peluso N, 1992, *Rich Forests, Poor People*.

82. See for example *DTE* 22:5,11 and 19:1

83. See for example, *DTE* 26:1

increasing environmental awareness amongst journalists, student groups and communities. Later, these NGOs evolved in very different directions. The Legal Aid Foundation, YLBHI, adopted a more overtly political stance and pursued workers' rights and land rights cases through the courts. WALHI and YLBHI established the legal precedent for NGOs to take court action against the government with the landmark case against the Indorayon pulp mill in 1989<sup>83</sup>. A consortium of environmental NGOs, including WALHI, later tried twice to sue President Suharto for the appropriation of reforestation funds for the national aircraft project of his Minister of Technology (Habibie) and for 'Bob' Hasan's Kiani Kertas pulp mill<sup>84</sup>.

Successes were rare. Forestry baron 'Bob' Hasan publicly accused Indonesian forestry NGOs of promoting the interests of international competitors<sup>85</sup>. The International NGO Forum on Indonesia (INGI), lobbied the World Bank and IMF to adopt policies and projects which were less socially and environmentally damaging in Indonesia. It disbanded and re-emerged as INFID following the government ban on Dutch aid. This was decided after the Netherlands development minister, Jan Pronk, led international protests over a massacre in East Timor. Suharto's vice president Try Sutrisno, called Indonesian human rights activists "the new traitors"<sup>86</sup>.

As the 1980s gave way to the 1990s, more changes occurred. Indonesia hosted a UN-sponsored workshop on human rights where environment, development and women's groups participated. The National Commission on Human Rights (*Komnas HAM*), set up in 1993, provided another vehicle for communities to express their protests and demands for justice. Connections between different kinds of organisation began to flourish - for example members of SKEPHI, student activists and women's groups joined forces in a temporary alliance as the human rights coalition

INFIGHT<sup>87</sup>. Organisations like WALHI and YLBHI started openly to advocate challenging state control and building mass support for democracy.



Detail from Suharto period protest calendar

### Special Purpose Lands

#### (Kawasan dengan Tujuan Istimewa - KdTI)

Ministerial Decree 49/1998 was one of the few signs of a more progressive approach towards forest management by local people during the Suharto era. It was the direct result of intensive lobbying by one group of traditional agroforestry farmers - the Krui of Lampung - and their supporters (see p.50). In some ways, they were pushing at an open door. Forestry Minister, Djamiluddin, was keen to reduce conflict over forest resources by recognising sustainable community-based natural resource management systems that lay within 'state forest' lands. He was also prepared to work with NGOs supporting the local community to reach a compromise.

The Special Purpose decree did not change the status of the forest - it was

still 'state land' - but it allowed the indigenous community to continue to collect forest resources, including timber, for an indefinite period. This was the first time that the government had recognised the value of and safeguarded a traditional forest management system. In the short period before the Suharto government fell and new forestry legislation was enacted, several other communities applied for Special Purpose status (later called *Kawasan untuk Tujuan Khusus, KuTK*), but the supporting regulations were never enacted. Instead, subsequent forestry ministers have promised a broader policy instrument on *adat* forest under the 1999 Forestry Act.

### Certification starts

The certification of timber and forest products is intended to improve forest management through consumer pressure. The best known scheme was set up by the Forest Stewardship Council (FSC) in 1993. Timber operations are inspected by FSC accredited teams which evaluate them according to a series of Principles and Criteria. These cover environmental and social issues, including the legal recognition of indigenous peoples' customary rights. If a logging concession measures up to these standards, the timber and any products made from it can carry the FSC logo. Consumers are prepared to pay higher prices for wood products which come from sustainable, equitable sources. FSC-certified forestry operations are located in more than 30 countries.

Indonesia started its own ecolabelling initiative independently in 1993. A working group of forest NGOs, including LATIN and WALHI, academics and industry representatives developed a scheme under the chairmanship of former Environment Minister Emil Salim. This was agreed by the forestry industry and the government in 1998 and was recognised by the Indonesian National Standards Board in 1999. Companies which fulfil the criteria and indicators are awarded ecolabel certificate SNI 5000.

The working group became an independent organisation, Lembaga Ekolabel Indonesia (LEI), which trained assessors, advised companies about the certification process and upheld the standard of certifications. Concerns that the LEI standard might be lax compared with internationally recognised schemes have gradually diminished. Only one concession - managed by PT Diamond Raya Timber in Riau - had gained a LEI certificate by mid-2000 and then only at the lowest (bronze) level, although this decision itself has proved highly controversial.

Indonesian companies were very slow to accept certification, even though Indonesia signed up to the International Timber Trade Organisation's pledge that, by 2000, all tropical wood traded should come from sustainably managed forests.

For more background see DTE/Rainforest Foundation Briefing on Certification, June 2001 at [www.gn.apc.org/dte/Ccert.htm](http://www.gn.apc.org/dte/Ccert.htm). (See also box, p.36 for more recent FSC certification in Indonesia.)

84. DTE 1-4

85. DTE 24:9 and 34:3

86. DTE 23:6

87. Schwartz, 1999, p254

88. DTE 8:12

# A legacy of conflict

During the Suharto years it was extremely difficult for ordinary Indonesians to express their opposition. The civil administration was paralleled by a military command structure which permeated every aspect of village life. There was no democracy: the party political structure was tightly controlled by the president so that the government party always won elections. Local assemblies (*DPRD*) existed to rubber stamp decisions made in Jakarta. People who tried to stand up for their rights were accused by the military, police or civil authorities of belonging to the banned communist party or intimidated in other ways. Violence was used routinely to crush resistance to logging, plantations, mines and other 'development' schemes.

Where the government or private companies did decide to use something other than the security forces option to address social conflicts, that route was negotiations about compensation. This short-term fix did nothing to address the basic grievances and often merely prolonged the disputes. Legal action was not an option, since the judiciary was (and remains) notoriously corrupt. Companies and individuals with links to the ruling elite were above the law.

Against these odds, many communities did stand up for their rights. They include:

w Bentian Dayak in East Kalimantan have struggled to prevent their forests and agroforestry gardens being clear-felled and

converted to *HTI* plantations. Their leader L.B. Dingit, was awarded the Goldman Environmental Prize in 1997. (*DTE* 34:5)

w The community group Rimueng Lam Kaluet threatened to burn all *HPH* concessions in South Aceh unless the licences of timber companies involved in illegal logging were withdrawn. (*DTE* 40:11)

w Local people's rubber plantations and forest fields were bulldozed in South Sumatra to make way for the PT TEL paper pulp plant and the plantations which will feed it. (*DTE* 44:10)

w Indigenous people's agricultural lands, forests and graveyards have been flooded by the ADB-funded Kambaniru dam in east Sumba, Nusa Tenggara Timur province. (*DTE* 37:15)

w The Moronene people have been forcibly evicted from their forest lands by the military four times in two decades. Their homeland has become Rawa Aopa Watumohai National Park. (*DTE* 41:6)

The Moi in West Papua protested to the local government against the logging of their forests by PT Intimpura, a company linked to the Indonesian military. (*DTE* 16:3)

w Thousands of Ngaju Dayak and transmigrant families joined forces in protests that they had been left destitute with no means of supporting themselves by the Central Kalimantan swamp forest mega project. (*DTE* 42:8)

w Villagers of Wahai, North Seram, Maluku

set fire to a shrimp company's property. The company, part of the giant Djajanti logging group, had tricked them out of their land and destroyed their sago stands. (*DTE* 40:15)

w The Samihim Dayaks of South Kalimantan successfully sued seven oil palm plantation companies belonging to one of Indonesia's biggest conglomerates for burning local peoples' lands during the 1997 forest fires. (*DTE* 42:12)

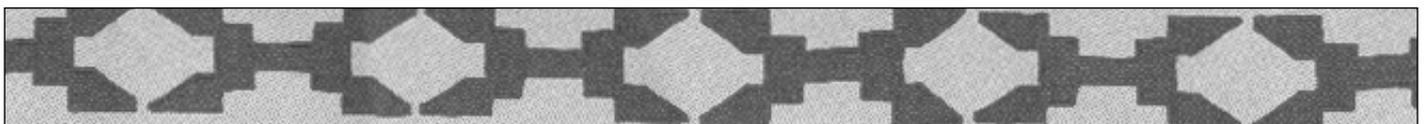
Three features are prominent in the majority of these cases:

- w lack of control over or access to land and natural resources;
- w lack of justice in the distribution and use of land and resources;
- w highly centralised decision-making.

Conflicts over forests have risen sharply since the change in government in May 1998. The legacy of the Suharto regime's drive for 'development' is over 20,000 disputes involving forests, plantations, protected areas and agricultural land<sup>89</sup> (see table below).

The underlying reasons behind these disputes have not been addressed in the post-Suharto era and many of these conflicts remain unresolved. As Part II explains in further detail, recent governments have at last started to recognise the problem. However, so far they have failed so far to take effective action to protect the interests of millions of Indonesians whose lives depend on the forests.

89. Muhammad et al in *LATIN*, 2000



## Conflicts and natural resources 1990-1996

Source	Number of cases	Type of conflict	Parties involved
<i>HPH</i>	8,741	Burning; overlapping permits; social conflict	Companies; local communities; local/central government
<i>HTI</i>	5,757	Change of land use status; corruption of Reforestation Fund; social conflict	Companies; local communities; local/central government
Perhutani	3,097	Illegal logging; timber raids; reclaiming land; attacks on forest rangers	Perhutani, local communities; logging 'mafias'
Land	1,492	Land disputes; misuse of land use permits	National Land Agency, local communities; local government; private companies
National Park	1,492	Illegal logging; overlapping permits; agricultural encroachment; timber raids	Local communities; National Park and Nature Conservation authorities
Plantation	405	Raids on plantation crops; seizure of local peoples' land	Private and state companies; local communities
Ethnic	331	Conflict between different ethnic communities; social conflict between indigenous communities and settlers	Various ethnic groups, companies and the government

(Source: *LATIN* (1999) Reprinted in *Ketika Rakyat Mengelola Hutan*, KpSHK, 2000, p2)

# Part II: Forest reforms in the post-Suharto era

The Asian economic collapse of 1997 precipitated the political events which forced President Suharto's resignation in May 1998. Since then there has been more opportunity for the voices opposing forest destruction to speak out and there have been more possibilities for positive change in policies and practice. Greater political freedoms have helped civil society groups strengthen their demands, gain greater access to decision-makers in the government and raise politically sensitive issues in the public arena.

But the economic crisis has also created new imperatives which are driving yet more forest destruction. Indonesia's creditors, led by the IMF, have set a course for economic recovery which requires Indonesia to sell off state assets and generate revenues by exploiting natural resources. Although these creditors were partly to blame for the economic crisis - by pouring investment funds into a corrupt and brutal regime - they are unwilling to share the costs. Instead, the burden is being transferred to ordinary Indonesians and their already depleted natural resources.

This is one of the reasons why, despite all the talk of reform, policies promoting relentless resource extraction have continued until today.

The post-Suharto reform process and its impacts on the forests have been shaped both by the economic crisis itself and the subsequent interventions of Indonesia's creditors; by the demands of civil society and Indonesia's ambitious and chaotic process of decentralisation. Reforms have been constrained by the financial priorities of the international lending institutions as well as by the interests of influential members of the political and business elite, and the ever-present military. A break-down in centralised state authority, aided by rampant corruption and almost non-existent law enforcement

During a politically turbulent time which has seen three presidents and four forestry ministers, key elements of the forest reform process - positive and negative - have included:

- w A new Forestry Law (41/1999)
- w A decision to draft a new National Forest Plan
- w Attempts to reduce the influence of timber tycoons
- w Debt-restructuring and threat of closure for indebted logging, plywood and pulp companies
- w Pressure to reduce overcapacity in wood-processing industries
- w Direct involvement of CGI members in forestry policy decisions
- w Ministerial commitment on action against illegal logging
- w Attempts to clamp down on corruption
- w Pressure to open up forest industries to foreign companies
- w Continued expansion in the oil palm and pulp sectors
- w Decentralisation of decision-making in forests (from 2000)
- w The issuing of permits for hundreds of small logging concessions
- w Mining suspended in Protection Forests pending government decision
- w Certification and subsequent suspension of FSC certification of timber from plantations
- w The first FSC certification of timber from natural forests
- w Ban on further conversion of natural forests (from 2000)
- w Ban on felling of *ramin* (2000)
- w Total log export ban (temporary) (2001)
- w An MPR decree governing laws on natural resources and land (2001).

has led to a dramatic increase in the uncontrolled exploitation of forests.

The end result in May 2002 is a renewed confrontation between vested interests seeking to maximise profits from the forests and communities seeking secure livelihoods.

Part II of *Forests, People and Rights*, starts by describing the political and economic context for post-Suharto reforms affecting forests and forest peoples. It then outlines some of the key policy changes under forestry ministers Muslimin Nasution, Nur Mahmudi, Marzuki Usman and Mohammad Prakosa. The main drivers of and constraints to the reform process - the IFIs, the demands of civil society, decentralisation and the vested political, business and military interests are also described. The section ends with an overview of the continued pressure on the forests from industry overcapacity, illegal logging, oil palm and forest fires.



Indigenous women at KMAN, 1999

## The political and economic context

*"No country in recent history, let alone one the size of Indonesia, has ever suffered such a dramatic reversal of fortune". (World Bank, 1998)*

Indonesia currently faces enormous challenges: an unprecedented economic crisis; building democratic institutions after three decades of autocratic rule; and implementing a far-reaching decentralisation programme. At the same time, the over-exploitation of Indonesia's forests threatens the livelihoods of millions<sup>1</sup>.

For many years Indonesia had been widely praised as an economic miracle and a development success story. International financial institutions, multinational companies and foreign investors had fallen over themselves to do business in Indonesia,

turning a blind eye to its shocking human rights and environmental record.

World Bank reports had described Indonesia in glowing terms as one of the fastest growing economies in the world, with "a strong emphasis on macroeconomic stability and diversification (and)...far reaching reforms in trade, investment, taxation and finance"<sup>2</sup>. The economy grew at an average growth rate of 7% per year throughout the 1980s and until 1997. Official indicators of the average Indonesian's standard of living improved substantially. In 1967 Indonesian per capita income was \$US50; by 1991, it was

\$US610 and the number of people below the official poverty line fell from over 70 million to about 27 million in the same period<sup>3</sup>. Life expectancy increased from just 46 years in 1970 to 63 years by 1995 and infant mortality had dropped from 145 to 53 per 1,000 live births<sup>4</sup>.

However, these figures did not tell the whole story. The statistics compiled by the Suharto regime were self-serving and, particularly on the social front, grossly inaccurate. The majority of Indonesians were still very poor and deprived of rights or

1. This section is drawn mainly from TAPOL *Bulletins* August 1997 - Feb 2002
2. World Bank, 1993,p1
3. *ibid*
4. World Bank, 2000, OED, p1

security. Widespread corruption throughout Suharto's administration had created a hidden private and public debt problem, compounded by lack of financial controls. When the financial crisis struck Asia in mid-1997, Indonesia was hardest hit and - unlike its ASEAN neighbours - has yet to recover. The poor, without land or security, have suffered most.

### Economic meltdown<sup>5</sup>

While Indonesia experienced its worst ever forest fires in 1997/8 (see p.16) the financial crisis (commonly called *krismon* in Indonesia) brought severe economic, social and political impacts to the whole country. The Indonesian rupiah lost over half its value against the US dollar between July 1997 and February 1998. The economy contracted by 15% in 1998. In the same year, Indonesia's state banks suffered massive losses of Rp200 trillion (around US\$30bn), equivalent to one-fifth of the country's GDP. The richest Indonesians salvaged as much as they could by sending capital overseas, but ordinary people lost their life savings as banks closed and food prices sky-rocketed. Unemployment figures rose from 2.5 million in 1997 to 8.7 million in February 1998<sup>6</sup>. The crisis brought a four-fold increase in poverty, with half the population now below the poverty line.

The IMF stepped in with a massive bail-out package of US\$43 billion dollars in October 1997. Even this failed to stop the rot and a 'rescue package for the rescue' was agreed in February 1998. Indonesia was required by the IMF to adhere to a tight monetarist policy, with high interest rates and spending controls. As conditions of the loan, the Jakarta government had to stamp out corruption, dismantle monopolistic practices, reduce trade and investment restrictions for foreign investors and privatise state companies. The structural adjustment programme and its conditionalities also had important effects on natural resource use (see p23).

These measures suited the interests of international capital, but made the burden for ordinary Indonesians more severe, as fuel and food subsidies were withdrawn and public spending on health and education was sacrificed to make debt repayments. As the economic crisis deepened and the social impacts worsened, government critics began to see the IMF as part of the problem, not the solution for economic recovery.

### Pressure for reform

The economic crisis fuelled political pressures mounting against the ageing dictator. The reform movement - opposition parliamentarians, students, activists and academics - was fast gathering momentum, demanding an end to *KKN* - corruption,

collusion and nepotism - and calling for '*reformasi total*' in Indonesia. As student protesters filled the streets of Jakarta and other cities, public outrage grew at the military's brutal response. Food riots and violence, often directed at Chinese shopkeepers, became a daily occurrence in cities and even small towns

The farce of the March 1998 elections was the final straw. Suharto, as the only candidate, was reinstated for a fifth presidential term. His cabinet was packed with loyal supporters, including his friend and business advisor, the forest tycoon 'Bob' Hasan as Trade and Industry Minister and his eldest daughter 'Tutut' as Social Affairs Minister. The pressure on Suharto mounted from within Indonesia and from abroad as creditor nations finally lost faith. On May 21st, 1998 Suharto was finally forced to resign the presidency. He handed over to his vice-president and erstwhile protégé, B.J. Habibie. Like most members of Suharto's last cabinet, Forestry Minister Sumahadi only held his post for two months.



### Interim rule

A tidal wave of political euphoria and much talk of reforms followed. Habibie promised democratic elections, relaxed censorship, lifted some of the restrictions on the political opposition and released some political prisoners of the Suharto regime. Once the elections were announced, new political parties sprang up like mushrooms after rain.

As the press became more open, revelations of human rights violations by the Armed Forces, including the kidnapping of activists, the shooting of student protestors and massacres in West Papua, East Timor and Aceh, greatly increased public resentment of the military's role in Indonesian politics. Ordinary Indonesians, whose demands for justice had been silenced for so long, started

to voice their grievances and call their oppressors to account. The cry went up for Suharto, his family and cronies to be put on trial for robbing the Indonesian people. They demanded that the army get out of politics. NGOs started using the new political openness to organise meetings, press publicly for reform and draw up their own agendas for the future.

However, the transfer of power from Suharto to his deputy, Habibie, marked a new phase of the power struggle rather than its end. The Indonesian Armed Forces, one of the main supporters of the New Order regime, was now on the defensive but its powers were not significantly curbed. Although Suharto had stepped down and some of his supporters in the government were replaced, much of his regime remained intact.

In the months following Suharto's resignation, the reform movement lost some of its momentum and the disparate nature of the political opposition became apparent. Three decades of oppression had left Indonesia ill-prepared for change. There was no coherent opposition but an *ad hoc* alliance of groups of activists, students, trades unionists, NGOs and workers which had gradually coalesced around the banned PRD party, Megawati's branch of the Indonesian Democratic Party (PDI-P) and Islamic movements. The reform movement was predominantly an urban and middle class movement and the agenda for reform reflected this. No attention was paid to the interests and needs of peasant farmers and peoples of the 'outer islands'. Indigenous forest people were ignored.

### Indonesia & democracy<sup>7</sup>

Indonesia's first democratic elections in 44 years took place in June 1999, one year after the resignation of Suharto. Abdurrahman Wahid (known popularly as Gus Dur) and Megawati Sukarnoputri (daughter of Indonesia's first president) were appointed as president and vice-president. Indonesia had changed: East Timor had voted against integration with Indonesia and was under UN administration in preparation for independence; the police force had been separated from the Indonesian armed forces; new regional autonomy laws had been passed by parliament (see page 30); the media were freed from censorship; labour unions had been liberalised.

However, for all Habibie's promises of reform, there had been no radical economic or political change. Revelations

5. Sunderlin, 1998, *Dow Jones* 6/Jul/99

6. TAPOL Bulletin, April 1998, No. 146 p11

7. This section is drawn on *Tapol Bulletins* and Aspinall E, in *Inside Indonesia* Oct-Dec 2001, pp23, 'Mother of the Nation'

about the corruption which pervaded the Suharto family's US\$15 billion business empire shook investor confidence and the Indonesian economy remained in a parlous state. New laws on the criminal code and states of emergency restricted human rights and democracy instead of promoting them. The World Bank-funded social safety net programme, intended to alleviate the worst effects of the economic crisis on the poor, proved to be ineffective and riddled with corruption. Demands for self-determination in West Papua and justice in Aceh had been ignored. Moreover, the values of the powerful Javanese elite and the business community remained unchallenged throughout the transitional regime and remained at the heart of the new government.

As the former leader of Indonesia's largest Islamic group and a prominent opposition figure, Gus Dur was known for his deep commitment to democracy and a pluralist civil society. So hopes were high that his government would implement a genuine programme of reform. Instead, Wahid's presidency brought *reformasi* to an end. During the Suharto and Habibie regimes, the opposition movement had an obvious enemy. Now the political map had become far more complex. Wahid only became president due to a compromise between military leaders, a coalition of Islamic parties and various New Order figures. Megawati's PDI-P party had won most votes, whereas Wahid's PKB party was one of several minority groups. Throughout his period of office, Wahid was preoccupied by a difficult balancing act to appease the political interests of rival factions. The continuing economic problems concealed the developing constitutional crisis.

The initial signs were promising. Wahid appointed some prominent reformers to his cabinet and took steps to reduce the political power of the military. Prominent NGO figures were invited to advise his ministers. Political exiles were allowed to return to Indonesia and the president gave public support to dialogue over demands for self-determination in Aceh and West Papua. However, Wahid's many overseas trips to improve international relations and mobilise more financial support for the country's beleaguered economy left him vulnerable. The military and the old regime's Golkar party regrouped and formed alliances with other political parties and business figures.

These forces gradually rallied against Wahid, undermining reforms in parliament and Indonesia's supreme legislative assembly, the MPR. Wahid became embroiled in two highly public corruption cases which became the excuse for his opponents to instigate impeachment proceedings against him. In April 2000 and then again in December that year, the IMF further contributed to his difficulties by withholding a US\$400 million tranche of its US\$5 billion

loan programme on the grounds of failure to implement economic reform. Without IMF support, it became impossible for Indonesia to reschedule billions of dollars of debt to foreign creditors.

Long before the end of his 21 month rule, most reformists had become disillusioned as Wahid behaved like any other politician desperate to maintain power. He reshuffled the cabinet several times in a vain attempt to bolster his political position as well as threatening to dissolve parliament and vilifying the press. As Wahid's influence weakened, the military gained ground and the president was cornered into ordering intensified military operations in Aceh. Indonesia seemed on the brink of anarchy as Wahid's supporters from his East Java homeland threatened to invade Jakarta. Wahid was finally ousted on July 24th 2001, when a Special Session of the MPR revoked his mandate as president, installing his deputy, Megawati as the fifth president of the Republic of Indonesia.

### Megawati's position

*"The fear is after two years of messy, often volatile political transition, the pendulum has swung back in favour of conservative forces and that Megawati is beholden to them".*

*(Far Eastern Economic Review, 2/Aug/01)*

The failure of Wahid to bring greater democracy and reform to Indonesia is not surprising. Many other countries which endured long, authoritarian regimes have undergone protracted periods of political instability. In Indonesia, the situation is made worse by the nation's grave economic problems and a world teetering on the edge of recession. Indonesia's total foreign debt, including the public and private sectors, is estimated at over US\$140 billion - an amount comparable with the country's annual GDP<sup>8</sup>.

The omens are that Megawati will not be any more successful. She came to power with the backing of the military and her multi-millionaire husband's business and political connections are suspect. Her record as vice-president was unimpressive: she remained silent on all important issues and completely failed to fulfil her remit to resolve the political conflict in the Moluccas and West Papua and the ethnic conflict in Central Kalimantan.

Megawati is determined to uphold 'the unity' of Indonesia which means little hope for independence movements in West Papua and Aceh. She is also committed to revising the regional autonomy laws which she regards as handing over too much control to local governments.

There were fears that Megawati's close relationship with the military would bring a return to authoritarian rule and they have been proven right in West Papua and

Aceh where there has been an escalation in military violence. There have been signs of progress at central government level - a new decree was passed in November 2001, which brings Indonesia's agrarian and natural resources together under one piece of legislation for the first time - but civil society groups are increasingly looking to the regions as the window of opportunity for change.

In contrast, Megawati's appointment was hailed by world leaders and the IMF as heralding a return to stability. Her 'honeymoon period' as president saw a new agreement with the IMF and a deal with the US president for more loans and support for the military.

The early enthusiasm was cut short by the events of September 11th and the US-led 'war on terrorism' that resulted. For a time, Megawati's presidency looked doomed as she wavered between support for the USA's war in Afghanistan and appeasing anti-US feeling at home. The economic downturn following September 11th did not help Indonesia's troubles.

But Megawati did survive into 2002 and her close alliance with the military has been consolidated during recent months. Her failure to respond to demands for an independent enquiry into the assassination of Papuan independence leader Theys Eluay, and the creation of a new military command in Aceh are evidence of this.

### Megawati and the forests

Megawati made few public statements about forests in her first six months of office. Opening the Third National Forestry Congress in October 2001, she blamed forest destruction on mismanagement, corruption and the lack of proper planning. This had resulted in the loss of state revenues and loss of livelihoods for a great number of people, she said. In December, she announced a new direction on sustainable logging certification for logging companies (see also p.36). In January this year the president told environmentalists she was angry about forest destruction, the lack of progress with reforestation and corruption in the Reforestation Fund. It remains to be seen what she will do about this.

Megawati has not, however, paid specific attention to the fate of forest peoples or their maltreatment under government policy over the past decades. Some see signs of hope: she is believed to back her Forestry Minister, Muhammad Prakosa, in his attempts to do something about illegal logging. But her military backers may apply pressure if this get-tough policy bites too deeply into their financial interests.



8. Jakarta Post 16/Aug/01

# The increased role of the IFIs

*"...rather than protecting the forests with what may seem to be conservation-enlightened requirements by the IMF, the overall effect of IMF intervention perpetuates conditions responsible for rapid deforestation."* (H. Mainhardt, 2001)

Since Indonesia's economic crisis, international financial institutions (IFIs) have enjoyed hugely increased leverage over government decision-making and have played a fundamental role in forcing the pace and direction of reforms affecting forests and forest peoples. Led by the International Monetary Fund and the World Bank, these creditors are using their position to try to force Indonesia to make economic reforms to suit the global free-market economy, whilst ensuring that debt repayments continue. They refuse to admit their share of responsibility for Indonesia's huge debt burden, inherited from the Suharto era, when a large proportion of this was embezzled. Some 30% of World Bank loans, amounting to \$30bn, were corrupted<sup>9</sup>.

At the same time, the World Bank in particular has been forced to pay attention to the concerns of civil society groups both inside Indonesia and abroad, who are calling for an end to debt-dependency, greater accountability among lenders to corrupt regimes and an end to loans and loan conditions which have negative impacts on forests and communities. As a result, the loan conditions imposed on Indonesia by the IMF, World Bank and other lenders have contained mixed messages. They call for increased forest protection whilst at the same time introducing measures which encourage further destruction.

## The Lol conditions

The first major set of reforms affecting forests were contained in the IMF's October 1997 and January 1998 Letters of Intent (Lol) with the Indonesian Government - the documents which spelled out the loan conditions Indonesia had to agree to secure a \$11bn loan as part of a US\$43bn bail-out package (see box, next page for details of this and subsequent Lols). The contradictions were apparent from this first of seventeen Lols signed over the next four years. Although improvements in governance and transparency (for example calls for reform of concession regulations, introduction of performance bonds and for the dismantling of cartels) could clearly benefit both forests and government revenues, other objectives such as reducing export taxes on timber were just as likely to offset those gains. A requirement for forest land conversion targets to be reduced to 'environmentally sustainable levels' was inconsistent with the removal of restrictions on the export of palm oil and on

foreign investment in the sector - a move that was likely to accelerate the rate of forest conversion to plantations.

The measures did nothing to address the underlying structural causes of deforestation and degradation. Indigenous peoples and other forest communities would continue to be marginalised as their rights to control forest lands and resources were ignored.

Ironically, while the Lols called for greater transparency and consultation with civil society, the process of drafting the agreements themselves was anything but transparent. The contents of the Lols still are not made available for public scrutiny before signing. There is no participation by those most affected.

Some of the contradictions in the forest conditionalities may be due to the way the IMF called in the Bank at a very late stage to approve the initial deal. Bank forestry experts in Washington called in Indonesia specialists and worked overnight to draft the conditions. There are also important differences between the approaches of the two organisations. The IMF has no permanent office in Jakarta and no understanding of forestry, other than as a sector for generating revenues. On the other hand, the Bank has considerable Indonesian experience - with transmigration and plantations for example - for which it had been severely criticised.

## World Bank loans

*"The aim of the program stated in the Bank's Forestry Policy (1991) to reduce the rate of deforestation and meet the needs of the forestry industry - have not been fulfilled."*

WALHI, 2000

The World Bank had tried, in 1993, to make a \$120 million loan conditional on forestry reform, but this failed because it threatened business interests close to Suharto. It first initiated a forestry programme in 1989 (with the FAO). A second project was designed to provide policy advice, but this was terminated in 1995<sup>10</sup>. From then on, there was indirect involvement in forestry through such projects as the controversial Land Administration Project (LAP) (1995 to present) - see DTE Special Report on Transmigration, 2001. The Bank's own review team concluded that the World Bank forestry policies and practices had been a miserable failure<sup>11</sup>.

Following the economic crash, the World Bank refined and included the IMF's loan conditions in two structural adjustment loans - PRSL I (April 1998) and PRSL II (May 1999). Wider stakeholder consultation took place and a paper prepared for the consultation aimed to respond to social

concerns by explicitly calling for community-based conservation and concession management. The PRSL II was accompanied by a specification that draft forest legislation needed to accommodate "rights and responsibilities for adat [customary] areas which include forest areas" and required a "community forest participation regulation". The Bank also called for greater transparency (making new maps of forest areas publicly available) and a "multi-stakeholder consultative process" during the drafting of legislation and regulations.

The Bank went ahead with PRSL II despite the lack of progress on conditions set on the first loan. It ignored warnings about the Forestry Department's lack of commitment to genuine consultation in drafting the new Forest Law passed in 1999 (see p.27).

Moreover, the same fundamental flaws remained at the heart of the package. Inconsistent requirements (such as those relating to land conversion and oil palm) were coupled with problems of feasibility and effectiveness (could the objectives stipulated actually be achieved?). Above all they focused on the conventional wisdom of the World Bank - that of improving efficiency within the existing forest management paradigm.

Initially the Habibie government committed itself to greater environmental and social objectives promising to replace export taxes with resource royalties and stating that Bob Hasan's plywood cartel had been dismantled. It also agreed to a June 1998 deadline for changing regulations on the award of logging concessions to be followed by a sweeping reform programme for concession management by year end, including "provisions to encourage participation by local communities and protection of forest dwellers".

In some areas, reforms were minimal - for example, just 15% of forest concessions known to have been allocated illegally were revoked and despite increases in stumpage fees, rent capture declined because payment in rupiah was allowed at favourable exchange rates. The lack of progress led the World Bank to suspend the disbursement of monies in late 1998. It was clear that the reforms were fundamentally flawed with the government apparently seeking to comply with the letter rather than the spirit of the reform packages sought by the IFIs.

## Reform without change

At first NGOs were keen to use opportunities for consultation opened up by the new political climate and by the conditions on stakeholder involvement in policy-making required by the World Bank. But disillusionment soon set in when the

9. Jakarta Post 28/Dec/01

10. Seymour, 2000, p.86

11. Gautam et al, 2000

government failed to act on input from NGOs during a series of consultations on the new forest law.

These and other policy reform negotiations were a very new way of proceeding for the Forestry Department and civil society for which both parties were ill prepared. The large number and frequency of meetings to discuss forestry policy reform put a great strain on the finances and personnel of NGOs in particular. After the failure to secure positive change through the Forestry Act consultations, NGOs were

largely left out of the drafting of the National Forestry Plan which has dragged on until now.

Since then, NGOs have become more skilled in making use of opportunities to engage with donors and use them as levers for change. They have pushed for changes in forestry policy through the CGI-initiated Inter-Departmental Committee on Forests (see box on CGI p.28 ) and through big, donor-sponsored meetings such as the 2001 'FLEG' meeting on illegal logging (see p.38). But they have also continued to press Indonesia's creditors and the IFIs to take

responsibility for failures. They have staged anti-debt demonstrations against the CGI, slammed the World Bank's record on forestry and used the media to get their message across.

### Impacts of the economic crisis on forest peoples

While there have been several studies of the impact of the economic crisis on health, nutrition and education, very little attention has been paid to the effects on the environment and forest communities. Any analysis is complicated by the 'triple whammy': the interaction between the political and economic crises plus the forest fires and drought of 1997/8. The effects vary widely between different parts of the country and different social groups. For example, people who owned their own land and produced export crops like coffee, pepper and palm oil generally benefited at the expense of the landless and workers on nucleus-estate schemes.

One of the first studies, on the effects of the economic crisis on farmers' livelihoods and forest use, was by the international forestry research institution, CIFOR<sup>12</sup>. Preliminary results from fieldwork in Riau, West and East Kalimantan and Central Sulawesi showed that the situation was highly variable both geographically and with time. The report concluded that the crisis had a larger negative impact on farmers than originally expected. Unsurprisingly, poor farmers were hardest hit, but the short term impact on forests was possibly less than some feared. The main threat to the forests was from better-off farmers, immigrants and urban entrepreneurs who are more likely to convert forests to grow the most profitable cash crops. The researchers also pointed out that observers may be underestimating the impacts of the political vacuum on forests since the lack of law enforcement was making illegal logging and encroachment on protected areas more likely.

This prediction was to prove all too accurate as the negative impacts of regional autonomy combined with the emergence of a new level of forest entrepreneur acting in collusion with officials in local governments and the security forces to speed up the rates of destruction.



12. Sunderlin et al, 2000

### IMF Letters of Intent - conditions on forestry since 1997

Altogether there have been 17 agreements contained in Letters of Intent or similar Memoranda between the IMF and the Indonesian government between October 1997 and January 2002.

Date	Conditions
Oct 1997	Review the administration and allocation of forestry concessions, with a view to significantly raising stumpage fees in 1998/99, and use the proceeds of the Reforestation Fund solely for sustainable management of forestry resources.
Jan 1998	Lift restrictions on foreign investment in oil palm plantations (implemented early 1998) lift export ban on oil palm products (done); reduce forest conversion targets to sustainable levels (later replaced with conversion moratorium), implement performance bonds for forest concessions (not yet), reduce export taxes on logs and rattan to 10% by end of December 2000 (was eventually implemented but the log export ban of Oct 2001 acted against this); introduce measures to reform the logging industry including: phase in new resource rent taxes on timber resources (done) increase stumpage fees, implement auctions for new concessions and lengthen concession periods; allow concession transferability and de-link concession ownership from processing for new concessions. (All eventually implemented - but no auctions have taken place); eliminate <i>APKINDO</i> 's monopoly over plywood exports (implemented March 98) Incorporate Reforestation Fund into national budget (implemented early 1998)
Jul 1998	Complete audit of Reforestation Fund by end December 1998. (The deadline was extended many times and the audit was not finally completed until the end of 1999.)
Mar 1999	This Lol noted that the moratorium on the award of new permits for forest land conversions was being observed "while new land allocation procedures and conversion targets are being developed". (In fact, the forest conversion moratorium, on applications for permits submitted after May 2000, was not announced until August 2000 and had many loopholes.)
Jul 1999	(Note: from here on the objectives generally become more vague.) Implement "broad-based consultation process, seeking assistance from the World Bank, the ADB, and other stakeholders prior to implementing major forest policy reform".
May 2000	Starting June 2000, publication of quarterly reports on the implementation of corrective actions following Reforestation Fund audit is required.
Jan 2000	Greater stakeholder consultation and participation in decisions affecting natural resources; expand and improve environmental monitoring; move towards price structuring of natural resources that reflects true value; special attention to forest management to ensure sustainable production of goods and services; review of forestry sector taxation in Jan 2000; continue moratorium on new forest conversion licences until "transparent, rules-based procedures are developed to minimize further conversion of the remaining natural forest"; transparent criteria and budgeting procedures to upgrade Reforestation Fund to be developed in consultation with the World Bank, to be implemented beginning April 1, 2000.
Aug 2001	<i>BPKP</i> (Development Finance Comptroller) audit of Reforestation Fund to be completed by end of 2001.

All Lols are listed on the IMF website at: [www.imf.org/external/country/idn/index.htm](http://www.imf.org/external/country/idn/index.htm)

# Reforms in the Habibie period

## Muslimin Nasution

(May 1998 - October 1999)

As the first forestry minister of the post-Suharto period, Muslimin made a stream of announcements - some contradictory - about forestry reform. The new minister was caught between the demands of reformers, the conditionalities of international financial institutions and the still-powerful forestry lobby.

In 1998 Muslimin established a Reform Committee which was charged with constructing a new framework of forest management; restructuring the Department of Forestry and Estate Crops; and drawing up a new forestry law to replace the 1967 Basic Forestry Act.

Forestry reforms were very necessary. The Indonesian forestry industry had to be more economically efficient and more environmentally responsible. Large companies which managed vast concession areas were seen as corrupt, financially inefficient and responsible for bad forest

management practices. They were now blamed as the main cause of forest degradation, soil erosion and forest fires.

Progress was slow due partly to the fundamental difference in attitudes to forestry reforms between the international finance institutions and Jakarta-based politicians. In the IMF's eyes, the right to exploit natural resources should be allocated purely on economic grounds. In Indonesia, the allocation of forest concessions has always been a highly political issue (see p.8). The Habibie government was still reluctant to break the link between political and economic interests. In the 'reform era', the allocation of logging rights was to fulfil a different political agenda: promoting the ideal of co-operatives and the business interests of the middle classes.

## Cutting the concessionaires down to size

Muslimin issued new rules for logging concessionaires. Logging licences due to expire in 1999/2000, he announced, would

## Co-operatives

Under Muslimin Nasution, there was a strong push to open forest exploitation to co-operatives. All logging companies were to give 20% of their shares to co-operatives. Every year the company must increase the co-operative's stake by 1%. So if the concession lasted for 35 years, the co-operative would eventually end up with 55% of the company!

However, co-operatives in Indonesia are not always the independent entities usually understood by the term. Since Independence, co-operatives have been a political tool to appease nationalist and populist demands in Indonesia. In practice they have become an extension of a vast, corrupt government bureaucracy which permeates every village.

The co-operative logging scheme was in any case manipulated by commercial entrepreneurs to gain access to new unlogged areas. Among the areas to see an upsurge in logging was Siberut in the Mentawai Islands, where local people were used to front commercial operations run by outsiders. (see DTE 44:6 for more on this case)

i. *Jakarta Post* 15/7/99

## KUDETA's demands

One of the first civil society organisations to set out its ideas was the student/academic and NGO alliance, provocatively named KUDETA, (The Coalition for the Democratisation of Natural Resources). This was their 'manifesto' for reform issued within a month of Suharto's resignation:

### **Return natural resources to the people!**

*The Coalition for the Democratisation of Natural Resources demands that the transitional government of Indonesia immediately carries out the following steps:*

- w *Immediately revoke the status of state forests by redefining the boundaries between state forests and forests that have been owned and controlled by traditional and social communities;*
- w *Restructure state institutions responsible for the management of natural resources and the environment; and*
- w *Redirect the development and utilisation of natural resources by making traditional and local communities the main actors of natural resource management as producers of both timber and non-timber products, to fulfil subsistence, domestic and export needs.*

*Furthermore KUDETA strongly urges Muslimin Nasution, Minister of Forestry and Estate Crops, to carry out the following reforms:*

- w *Cease all Forest Concessions (HPH), Timber Estates (HTI), large Private Plantations and Timber Use Permits (IPK).*
- w *Cancel forest conversion for large plantations, transmigration and mining activities.*
- w *Revoke all regulations and policies regarding the exploitation and the violation of community rights to manage natural resources.*
- w *Revoke all regulations and policies that restrict the trade of forest and plantation commodities produced by traditional and local communities.*
- w *Recognise access and control by local communities to manage state-claimed forests.*
- w *Reallocate natural and forest resources to be directly controlled and managed by local and/or traditional communities.*
- w *Provide complete open access to information regarding the utilisation and protection of natural resources to the general public.*
- w *Purge the Department of Forestry and Estate Crops of collusion, corruption and nepotism.*
- w *Bring to trial forest and plantation companies proven to have burned forest resources.*
- w *Conduct open consultation and dialogue with different groups, especially traditional and local communities to define the substance of and steps for total reform in natural resource management.*
- w *Reject governmental forestry reform that does not have a transparent process and does not address fundamental issues in forestry and the management of natural resources.*

*Jakarta, 11th June 1998 Signed by 66 Indonesian forest, environment, development and human rights NGOs.*

not be renewed or extended. All new logging concessions must be linked with co-operatives (see box). Logging companies would have to give 20% of their shares to local co-operatives; 10% to state-timber companies and 10% to companies owned by the provincial administration in order to get an extension of their concession licences.<sup>13</sup>

The size of concessions would be limited to 100,000ha with a maximum total of 400,000ha anywhere in Indonesia for each concessionaire - be it company, co-operative or individual (Decree 6/1999). Companies which exceeded the concession limits would have to pay a higher rate of taxes. All timber logged would also be subject to a new social tax to be returned to the local community<sup>14</sup>.

Some of the 'excess' land from companies with greater concession areas than allowed would be handed over to small companies or co-operatives, higher education institutions and Muslim schools to manage as 'Land Grant Colleges' - an initiative that continued to violate *adat* rights<sup>15</sup>.

Many of these measures had more to do with political expediency and populist demands than sustainable forestry. In the 'reform era' it was vital that policies were seen as reining in the big business conglomerates, particularly those run by ethnic Chinese, and appeal to 'ordinary Indonesians'.

The humiliation of Bob Hasan, the

13. *Jakarta Post* 18/Jul/99

14. *Straits Times* 8/May/99

15. *Bisnis Indonesia* 8/Apr/99 cited in *BI* 28/Apr/99. See DTE 44:7 for example of LGC on Siberut).

most influential timber tycoon of the Suharto era who had been the government's trade and industry minister just months before, suited the public mood. Hasan was expelled from the country's highest legislative body, the MPR, by Habibie in June 1998. The following month he was questioned for three hours by the Attorney General over the handling of APKINDO funds<sup>16</sup>. This was the start of a lengthy process which eventually saw him jailed for corruption in one of Indonesia's most notorious prisons, Nusakambang.

## IMF pressure: auctions and performance bonds

The forestry minister was forced to introduce new measures to satisfy the IMF and World Bank, including auctioning logging concessions; performance bonds; allowing the sale of concessions and relinquishing control of the Reforestation Fund to the Treasury. (See also Lol box page p.24).

Many indigenous communities had hoped that, when the 20-year timber concessions granted in the 1970s and 80s ran out, the forests would revert to them. But this was not to be. As part of the IMF's 1997 economic 'rescue package', concession rights were to be auctioned instead. Most of the logging rights on offer were for concessions which had expired or had their licenses withdrawn due to gross mismanagement. Many were owned by timber tycoons close to Suharto and his children, including Prayogo Pangestu's Barito Pacific Group and Bob Hasan's Kalimanis Group.

The wilder dreams of some international conservation NGOs or foreign timber companies that they might - for quite different purposes - be able to get their hands on Indonesian logging concessions were dashed in the announcement of the

### Land reclaiming

Immediately after the fall of Suharto there was a wave of actions to reclaim land lost to 'development projects' by the original owners. This has become a more coherent movement over the past four years, throughout Indonesia. Examples of this include the reclaiming of land from Perhutani in West Java and Banten.

Many of these actions have been co-ordinated by the peasants movement, with legal support from the legal aid foundation, YLBHI. In many cases these actions have still been met with violent reaction from the police,

Such reclaiming actions are a potential source of conflict between dispossessed peasant farmers and indigenous forest peoples.

See DTE 52:2 for Banten case and DTE 48:9 for Sukabumi, W. Java case.

## Concessions cut

Many logging concessions which had been issued in the 1970s have expired in the last few years. Although some of these were renewed, many were not, and the total number was drastically reduced.

By mid 1998, 652<sup>i</sup> concessions had been issued covering 69.5 million ha of forests. Of these, 395 licences (35.5 million ha) had come to the end of their 20-year period. Another 32 (2.9 million ha) were due to expire that year. 293 concessions (34 million ha) were still operating<sup>ii</sup>. By mid 1999 the number had been reduced to 146<sup>iii</sup>.

i. Other sources say 580 concessions (see p. 9) - the higher figure may be cumulative.

ii. WALHI 2/Nov/98 - citing Ministry of Forestry and Plantations figures

iii Jakarta Post 15/Jul/99



Clearing forest in MHP concession, S. Sumatra DTE

conditions for the first auctions. Only Indonesian state-owned companies, private companies with local offices and co-operatives would be allowed to take part<sup>17</sup>.

The new system was open to corruption since parties eligible to take part in the auction would be pre-selected. The new regulations were also unclear about the methods of valuing concessions and how they should be managed, although Forestry Department officials said they would use financial, social and ecological criteria. New concession holders would be required to pay a Performance Bond - refundable only if they stuck to forestry regulations<sup>18</sup>.

While this may look like a good idea, the insistence on performance bonds presented problems. Firstly, performance bonds would require a major change in culture. Indonesian timber companies have been 'mining' the forests for years, with little or no control from the Forestry Department over what they did on their concessions. Secondly, performance bonds would not ensure that timber companies did not continue to over-exploit the forests. Indonesia's notoriously weak bankruptcy laws and regulations on capital repatriation make it all too possible for companies and their profits to 'disappear' leaving behind devastated tracts of forest. Thirdly, performance bonds favoured large timber companies rather than the co-operatives and small businesses which the Indonesian government wanted to promote, since only they had the funds to guarantee the bonds.

While the IMF and World Bank were keen to press forward with the auction of all forest concessions, the Indonesian government dragged its feet. Plans for

auctions were first announced in September 1998 but, month after month, the date was pushed forward and the auctions never took place.

## Local communities

Alongside an attack on the timber barons, there were promises of improvements for forest-dependent communities in the immediate post-Suharto period. These came as a result of demands from NGOs, indigenous groups and academics as well as reform-minded officials within the Forestry Department. There was also pressure from Indonesia's creditors for consultations with stakeholders including forest peoples.

New regulations about 'community forests' would ostensibly allow local people to use the forests where they live in traditional ways (SK677/1998). The catch was that - in practice - communities had first to form a co-operative then, with a recommendation from the local authorities, get the approval of the Minister for Forestry and Plantations. If their application was successful, the co-operative would be granted a 30-year concession to manage their own forest in accordance with a community forest management plan drawn up with guidance from forestry staff aided by NGOs or university experts. They would be responsible for the demarcation of the area; its rehabilitation; its conservation; and forestry levies<sup>19</sup>. In addition, the government hoped to establish 'mini industrial forests' of 5-10ha through the participation of communities living near forests<sup>20</sup>.

This community forestry initiative has been a topic of hot debate within and between government, academic and NGO circles. At best, it offered some forest communities a legal option to use their resources. At worst, it has become yet another local government tool to exercise patronage, generate revenues and achieve reforestation of damaged forests on the cheap (see also p.44).

16. DTE 38:4

17. Kompas 21/May/99

18. Jakarta Post 15/Sep/98; Bisnis Indonesia 16/Jan/99

19. Suara Pembaruan 14/Nov/98

20. Suara Pembaruan 14/Nov/98

## The 1999 Forestry Law

Once Habibie's interim government took over, the race was on to get new forestry legislation in place. This was only partly to satisfy the community groups, NGOs and academics who had been lobbying for change; forestry policy reform was included in the conditionalities of the IMF and World Bank loans.

The opportunity presented a dilemma for reformists in the government. The 1967 Basic Forestry Act had been the source of conflict between the government and forest communities for over three decades. It had been identified as one of the underlying causes of deforestation in Indonesia at meetings of the CSD's International Panel on Forestry<sup>21</sup>. All subsequent forestry legal instruments depended on it. Fundamental change could only come through a new Forestry Act.

On the other hand, a new Forestry Act would be politically contentious. There were many different vested interests at stake and the process of negotiation was time consuming. The window of opportunity for policy reform might be very limited and a new Forestry Act had already been several years in the making by the time Suharto stepped down.

The solution was to 'put the cart before the horse'. Instead of following the usual legal process of laying down the main law first then introducing supplementary legislation, the new government continued to reform the subsidiary legislation around which a new Forestry Act could be constructed. This had the advantage of the appearance of reform without tackling the fundamental issue of land rights. A sense of foreboding grew amongst forest campaigners that, for all the talk of reform, the new Forestry Act would be shaped around these conservative regulations instead of providing a framework for fundamental change. And so it transpired.

It gradually became evident that the interim government and civil society groups had very different views of forest management. Government officials apparently welcomed proposals from NGOs and community forestry experts, but had no intention of radically changing the framework of Indonesia's forestry system. Basic principles agreed at one meeting would undergo fundamental changes or disappear when the next policy draft prepared by Forestry Department staff appeared. Revised drafts for the Forestry Act were produced with such rapidity that the versions presented to outside experts for discussion and modification had already been superseded by more recent ones agreed within the Department.

Habibie did not succeed in rushing the new Forestry Act through parliament

before the June 1999 elections. Ironically, given the World Bank's avowed commitment to supporting democracy and civil society, it was the Bank's conditionalities which indirectly forced the Act to be passed two months later - before the new president and his democratically elected government were in place and in the face of fierce opposition from forest reformers. The Bank had withheld disbursement of a US\$400 million tranche of funding in late 1998 and the government was desperate to secure new IMF loans as the economic crisis deepened.

### Adat rights denied

The new Forestry Act only recognises two categories of forest tenure: state forest and private property. *Adat* forest is specifically defined as "state forest where communities with customary laws are" (41/1999 Clause 1, sub-clause 6). This classification continues to deprive forest peoples of their rights and their livelihoods. (For more information about the Forestry Act see *DTE* 43:2-4.)

At the time of writing, many of the all-important operating regulations which spell out how the principles of the 1999 Forestry Act will be applied in practice have yet to be finalised. These include regulations on customary forests (*hutan adat*). Progress has been slow because NGO, forestry academics and donor agencies are using this opportunity to press for greater recognition of indigenous rights, while the Forestry Department has been doing its utmost to maintain the *status quo*.

### Impact on mining

The 1999 Forestry Law prohibits open-pit mining in Protection Forests. This had a major impact on the mining industry, since many exploration concessions handed out by Jakarta prior to 1999 included this category of forest. The new measure put around 150 mining projects covering 11.4 million ha of forest on the wrong side of the law. Ever since, mining companies and local governments seeking to raise income from the mining projects have lobbied to change the law to enable them to operate in the forests. NGOs, led by the mining advocacy network, JATAM, have mounted a campaign to prevent them<sup>22</sup>.

One of the suspended projects is a joint venture between Australia's BHP-Billiton (75% share) and state-owned mining company, PT Aneka Tambang (25%) to develop a nickel mine on Gag Island, off West Papua. PT Gag Nickel's contract of work was signed with the Indonesian government in February 1998. The company was forced to suspend activities on the island when the Forestry Law was passed, following an announcement by the Forestry Department that the contract area was protected.

Prior to suspending the project,

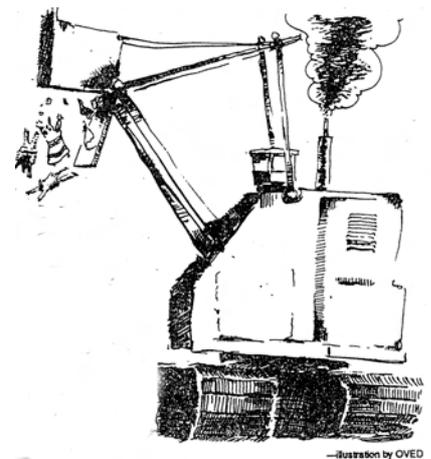
Gag Nickel had spent US\$50 million on exploration activities and had found 240 million tonnes of high-grade nickel and cobalt resources.

Early this year, after Canada's Falconbridge pulled out a partnership agreed in 2000, BHP hinted it might pull out if the forest status question could not be cleared up. West Papua's governor J. Solossa is pressing central government to allow the mining to proceed and says the classification of forest on the island as protected is a mistake. He has the Mines and Energy Minister Purnomo Yusgiantoro on his side. In March this year his ministry announced it had reached agreement with the forestry minister on changing the forest status to Production Forest and allowing the project to go ahead<sup>23</sup>. At the time of writing, there had been no separate confirmation from Forestry Minister Prakosa.

Gag island (only 56 square kilometres) is one of the hundreds of islets of the Raja Empat archipelago off the Bird's Head region of West Papua. The biological diversity in Gag's waters is among the richest in the world. This marine environment is under threat from plans to dump the proposed mine's tailings in the sea<sup>24</sup>.

There has been almost no public discussion about the potential negative impacts of the proposed mine on the island's forests or Gag's indigenous population.

Other mining projects affected by the law are PT Newcrest in Halmahera, North Maluku province, and PT Citra Pala Mineral in Central Sulawesi (in which Rio Tinto has a majority interest).



21. This later became the International Forum on Forests.

22. See *DTE* 52:9 and JATAM petition [www.jatam.org](http://www.jatam.org).

23. *Asia Pulse/Antara*, 19/Mar/02

24. *Mineaction / Tempo Magazine / Kabar-Irian*, 19-25 Mar, 2002

## The CGI focus on forests

Indonesia's multilateral and bilateral creditor grouping, the Consultative Group on Indonesia (CGI), meets annually to set levels of financial assistance. It is chaired by the World Bank and includes the IMF, the Asian Development Bank, the European Commission and UN agencies as well as bilateral lenders like the USA, Britain and Japan.

During the Suharto era, this group largely ignored human rights and the environment in its discussions but, post-Suharto, it started to broaden its demands to include progress on 'governance' and forest management. Whereas before it was seen as political meddling, 'good governance' is now at the top of the donor agendas. This change of perspective has had a knock-on effect on the forest policy debate. The emphasis on 'law enforcement, anti-corruption measures and stakeholder participation reflects this change.

In July 1999's CGI meeting, forest management was considered for the first time. It was at this meeting that the World Bank presented its first evidence that deforestation rates were probably double previous estimates. The following January, the CGI held its first meeting specifically on forestry issues and came up with eight action points for the Indonesian government to implement. Illegal logging has been the main focus of concern within the international lending community since then. The eight points were:

- w a crack-down on illegal logging;
- w speeding up an assessment of forests as a basis for a National Forest Program (NFP);
- w a moratorium on all conversion of natural forests until agreement on NFP is

reached;

- w down-sizing the wood-based industry to balance timber supply and demand and increase competitiveness;
- w closure of heavily-indebted companies under the control of the Indonesian Bank Restructuring Agency (IBRA);
- w connect reforestation with existing forest industries and those under construction;
- w a recalculation of the 'real value' of timber;
- w the use of decentralisation processes as a tool to enhance sustainable forest management.

In October that year, the only real progress to report was the setting up of an Inter-Departmental Committee on Forests (IDCF) to implement the action points. This included key NGO members as well as ministry staff and, significantly, was chaired by Co-ordinating Minister for Economic Affairs Rizal Ramli. The Committee promised to come up with an Action Plan at the October meeting. This plan, made public in December 2000, expanded the 8 action points to 12 and included points on land rights and a review of the HPH system. Working groups were set up to look at areas of concern including tenure for *adat* communities. However, Ramli argued that only four commitments should be prioritised: illegal logging, forest fires, restructuring indebted wood based industries and forest inventory and mapping. Once again, the fundamental issue of land rights was pushed aside. IDCF member, WALHI, walked out in protest at the lack of progress and the dominance of the Forestry Department in the Committee.

When the CGI met to review progress on the action points in April 2001,

the Wahid government - paralysed by political wrangling in Jakarta - had just managed to rush through a couple of measures, most notably a ban on sales of the endangered *ramin* wood, and a presidential decision instructing a clamp-down on illegal logging. CGI members said they wanted "tangible results" soon. Before the meeting Forestry Minister Marzuki Usman had tried to pre-empt criticism by calling the eight action points agreed by his predecessor unrealistic.

There was no separate meeting on forests at November 2001's annual meeting in Jakarta, but the lack of progress in implementing reforms was criticised. Forestry Minister Prakosa presented a draft of the National Forestry Statement - the first step towards the long-awaited National Forestry Programme, required as part of World Bank lending conditionality, but this was not the result that creditors had wanted. It was agreed that the IDCF should be revitalised in a further attempt to get some action.

### NGO reactions

NGOs in Indonesia and overseas have been highly critical of the CGI agencies for failing to take a share of the responsibility for Indonesia's economic crisis. They have consistently called for debt reduction and cancellation of corrupt debt amassed during the Suharto era.

At the November 2001 meeting in Jakarta, Indonesian NGOs in the Coalition for Forests and Debt called on the CGI to stop financing deforestation in Indonesia. They also raised concerns that the Indonesian government had reduced the Forestry Action Plan from twelve to five points, without any consultation with stakeholders. The NGOs' demands presented to the CGI included a call for a moratorium on large-scale commercial logging in natural forests, and a stop to the involvement of the Indonesian security forces in forest exploitation.

See DTE 52:11. The full NGO statements are at [www.gn.apc.org/dte/CCGI4.htm](http://www.gn.apc.org/dte/CCGI4.htm).

See also [www.infid.be/](http://www.infid.be/) and [www.gn.apc.org/dre/Af19.htm](http://www.gn.apc.org/dre/Af19.htm) for more on NGO position on the role of the CGI.

### Loans, grants and ECAs

*"It is clear that forest sector loans do not fulfil their aim of preventing deforestation and degradation. On the contrary, they increase the Gol's debt burden and increase foreign exchange by exploiting forest resources. Directly and indirectly, forest sector loans tend to accelerate forest destruction."*  
(Longgena Ginting, Paper for CGI meeting, 2000)

Forests and forest peoples are affected both by loans, grants and government export credit agency (ECA) funding aimed directly at the forestry sector as well as assistance not specifically directed at forests. The latter include the IMF's bail-out loans, which come with conditions which direct overall economic priorities - often with damaging consequences for forests and communities.

Some 20 donors within the CGI are involved in financing programmes in the forestry sector. As of April 2001 these donors were funding around 50 projects, accounting for almost US\$250 million in grants.

Many of these same governments are supplying export credit funding for

private sector projects which damage forests. A December 2000 study<sup>ii</sup> by the US group, Environmental Defense, and Indonesia's Bioforum, showed that ECA projects in Indonesia's paper and pulp sector include the Indah Kiat Pulp & Paper (IKPP), Riau Andalan and Tanjung Enim Lestari (TEL) operations - all of which are associated with land-grabbing intimidation against local peoples forest destruction or illegal logging. (Bioforum/EDF Export Credit Agency Finance in Indonesia, Dec 2000 - see also DTE 49:11)

- ii. Fried & Soentoro, 2000
- ii. European Commission, 2001

### CGI meetings 1998 - 2002

July 1998	Paris	\$7.9 bn
Jan 1999	Jakarta	
July 1999	Paris	\$4.7 bn
Jan 2000	Jakarta	
February 2000	Jakarta	
October 2000	Jakarta	
October 2000	Tokyo	\$4.8 bn
April 2001	Jakarta	
November 2001	Jakarta	\$3.1 bn

# Reforms during the Wahid period

## Nur Mahmudi Ismail (October 1999 - March 2001)

Nur Mahmudi Ismail was appointed first forestry minister in the Wahid presidency. Forest reforms continued to be driven by economic imperatives and the new president's focus on prioritising the interests of foreign investors over local communities' needs.

Like his predecessor, Nur Mahmudi made a string of policy decisions which left most observers amazed and confused. These were, in part, a response to IMF Lol conditions and the eight point action plan agreed with the CGI in February 2000 (see CGI box p.28).

In August 2000, he announced that no more logging concessions (HPHs) would be issued by central government after the end of 2000 and existing HPHs would be gradually phased out<sup>25</sup>. In May that year the minister declared that all forestry operations outside Java would be put under the control of new state companies. These companies would share profits with the provincial authorities (30%), districts (30%) and local people (10%). (How much profit there might be was debatable since the priority was to restore forests for 'sustainable logging'.)

Forests on the 'outer islands' damaged by over-logging would be restored by 'enrichment' - selective replanting with commercially valuable species. Initially, 26 million ha of forest would be in the hands of these new companies. Restoring this area would require Rp130 trillion (approx US\$13 billion), which Nur Mahmudi wanted to take from the Reforestation Fund. Eventually, the forests would be managed by small and medium-sized community enterprises<sup>26</sup>.

The minister also submitted a proposal for a US\$500 million loan from the Miyazawa Plan - Japan's economic rescue plan for Asia - for the reforestation and the development of industrial timber estates on 1 million ha by Inhutani I, II and III<sup>27</sup>. He hoped to raise funds for replanting forests from taxes from the water sector, a carbon tax, income from forest parks and debt for nature swaps<sup>28</sup> (see box p.34).



25. *Media Indonesia* 18/Aug/00

26. *Reuters* 4/ Jul/00

27. *Reuters* 25/Apr/00

28. minutes from meeting between NGOs and Nur Mahmudi, Washington 9/Mar/00

29. *Reuters* 21/Nov/00

## The run-up to regional autonomy

Governors, local governments, district heads, parliament, private sector associations, the World Bank and forestry academics denounced the plans for new state forestry companies as out of step with regional autonomy legislation and inappropriate for tackling the crisis in Indonesia's forests.

These plans were eclipsed in August 2000 by a new initiative: a national forestry agency (*Badan Pengelola Kehutanan BPK*) - a state-owned commercial enterprise to oversee the management of 'state forest'. The concept, which was widely regarded as nationalisation by the back door, came in for more criticism - especially from the regions who saw it as Jakarta's means to by-pass local autonomy and maintain control over its forest empire. Nur Mahmudi's response to the frosty reception to his plans was to send a team to the regions to whip up support.

How the minister planned to address the problems of continued clear felling of forests and forest fires while all this replanting went ahead was one of many unanswered questions. The plans were also thrown into doubt by regional autonomy

legislation, due to be implemented in January 2001, and by local governments' expectations that they would have much more say in forest management.

In late 2000 Nur Mahmudi appalled NGOs by issuing a fresh batch of logging concessions to private companies, just before the deadline, reneging on earlier promises to phase out concessions. These included 21 new HPH concessions<sup>29</sup>. This move was decried as being against the spirit of decentralisation, due to start only weeks later.



Farmers in West Java reclaim their land from *Perhutani*

## WALHI calls for logging moratorium

*"Even 'legal logging' through forest concessions can be considered an illegal operation because it contributes to the killing of our forest."*

(Longgena Ginting, *Jakarta Post* 23/Oct/00)

In January 2000 Indonesian environmental NGO WALHI issued a statement on the CGI forestry meeting called *Indonesian Forestry: How to move forward*. This not only called for a halt to conversion of natural forests, but also for a moratorium on all logging in Indonesia under the concession system "until the borders of all indigenous peoples' rights are defined." A moratorium on forest conversion was part of the CGI-Gol Action Plan (see p. 28). The statement also pushed for the acknowledgement, respect and protection of indigenous peoples' lands<sup>i</sup>.

Longgena Ginting, WALHI's campaigns co-ordinator, pointed to the danger of focussing just on 'illegal logging' in government efforts to stop forest destruction. A pattern of timber consumption which is over three times the forest's productive capacity cannot continue, he said. In WALHI's opinion, only by stopping all logging will it be possible to hold a dialogue on future forest exploitation. "We may have to lose a total of US\$3 billion income from legal felling, but can actually save

US\$8.5 billion worth of timber that would be lost through illegal logging"<sup>ii</sup>.

The following year, the moratorium call was included in the recommendations issued by the third Indonesian Forestry Congress. This stated that "there should be a moratorium on logging natural forests as part of the commitment to the incremental reform of forestry in Indonesia"<sup>iii</sup>.

AMAN, the indigenous peoples' organisation established in 1999, insists that the legal rights of indigenous peoples must be restored and that any plans for logging, mining, plantations, fisheries and transmigration programmes "must be based on consultations with the indigenous peoples to whom the land and resources belong..."<sup>iv</sup>.

### WALHI's logging moratorium campaign page is at

<http://www.walhi.or.id/KAMPANYE/Moratorium.htm>

i. WALHI position paper 26/Jan/00

ii. *Jakarta Post* 23/Oct/00

iii. See [www.gn.apc.org/dte/CFC.htm](http://www.gn.apc.org/dte/CFC.htm) for English translation of the statement).

iv See DTE Special Issue on AMAN, Oct 99:3

# Regional autonomy and forests

Indonesia's regional autonomy laws (22 & 25/1999) were passed in May 1999 and implemented from January 2001. They have been a major force for change in forest management. The programme has had seriously negative impacts and is believed to have sped up deforestation in some areas. It has also had some positive effects in areas where strong civil society action has made regional governments more responsive to local peoples' interests.

The regional autonomy policy arose out of the perceived need, immediately following the downfall of Suharto, to head off national disintegration and offer resource rich regions more control over and financial gain from their natural resources. West Papua and Aceh, which had the strongest independence movements, were offered 'special autonomy' packages, passed into law in late 2001<sup>i</sup>.

Forests, as one of Indonesia's most valuable natural resources, have been the object of an undignified power struggle between central and regional governments. While local governments have asserted their new authority with a vengeance, the central government has attempted to retain a high degree of control.

Since Megawati replaced Wahid as president, the whole decentralisation programme has been under revision, with conservative elements - including the military and Megawati herself - known to be against a system they regard as too near federalism.

There is also pressure from Indonesia's creditors who recognise the political necessity of decentralisation, but still regard it as a potential threat to Indonesia's ability to service its debts.

## Points of contention

The Department of Forestry and Plantations has been extremely resistant to any erosion of its power base through regional autonomy. It was not until November 2000, just weeks before the deadline, that Mahmudi finally announced some measures which set out how control over forests would be transferred to the regions.

The struggle for power between centre and regions has been focussed on the following:

**Logging revenues:** under the 1999 law on fiscal decentralisation, revenues from forestry should be divided 80% for the regions and 15% for central government. In 2000 Forestry Minister Nur Mahmudi proposed a 70% - 30% split which angered the regional heads.

For more information on regional autonomy see DTE 46 [www.gn.apc.org/dte/news.htm#ra](http://www.gn.apc.org/dte/news.htm#ra) plus articles in DTE 48 and 51.

CIFOR's studies on decentralisation and forests are at <http://www.cifor.cgiar.org/highlights/Decentralisation.htm>

**Reforestation Fund revenues:** central government proposals initially split Reforestation Fund revenues at 40% for the regions and 60% for central government. This was later changed to 90:10 in favour of the regions (see p.35).

**Decision-making over concessions:** a November 2000 decree (SK05.1/2000) permitted local governments to issue logging permits (see box.p.31). The minister attempted to reverse the decision the following year, as some district heads (*Bupatis*) were issuing hundreds of logging licences in their areas, but was widely ignored. In February this year the *Bupatis* pressed Megawati to hand over full control of the forests.

Then, later that month the current forestry minister, Muhammad Prakosa, moved to recentralise forest management by cancelling Mahmudi's 2000 decree, thereby banning provincial governors and *Bupatis* from issuing any further logging licences<sup>ii</sup>. The minister argued in an April 2002 interview that decentralisation would be selective and gradual<sup>iii</sup>. It is not clear what, if any, authority the *Bupatis* have left to make decisions over the forests. The situation is further confused by the fact that the implementing regulations for the 1999 forestry law - which outlined the division of administrative authority - have not yet been finalised. It remains to be seen whether the *Bupatis* will pay any attention to Prakosa's ban.

**Hierarchy of authority:** *Bupatis* feel they can ignore directives from central government because there is no hierarchy of authority between centre, provincial and district levels. They argue that local regulations (*Perda*) carry the same weight as central government decrees so they can follow edicts which contradict those coming from Jakarta.

## Negative impacts

One of the main drawbacks of regional autonomy is its tendency to strengthen the position of powerful local political and business elites. Entrepreneurs, government officials and members of the security forces

are colluding to extract as much profit from the forests as they can, in as short a time as possible, through local timber concession licensing powers.

In Central Kalimantan, for example, investigations by the Indonesian NGO Telapak assisted by the UK-based EIA, have documented rampant illegal logging within Tanjung Puting National Park. This is known to be controlled by Abdul Rasyid, a member of Indonesia's highest legislative body the MPR. His company, Tanjung Lingga has been identified as the transit point for all stolen timber in Central Kalimantan and most recently, linked to illegal exports of timber on to China (see also p.38). Although Rasyid has been investigated by the Attorney General's office, no arrest has ever resulted. For more details, see EIA/Telapak reports on illegal logging in Indonesia at [www.eia-international.org/](http://www.eia-international.org/).

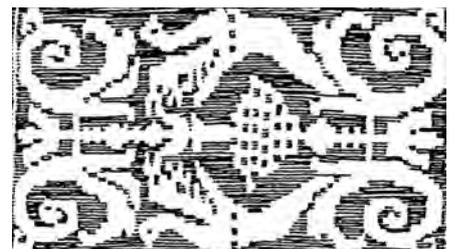
In some areas, the state forestry companies (Perhutani and Inhutani) have been accused of colluding with local officials and timber entrepreneurs to fell illegally. Civil society groups have pressed local governments to take control away from these corruption-riddled companies.

## Positive effects

The struggles for more local democracy and financial control of forestry in the regions are only just beginning. Civil society organisations, local officials and Jakarta's politicians and bureaucrats are starting to wrestle with the complexities and contradictions within the regional autonomy legislation, pronouncements from the forestry minister and between the two.

In East and West Kalimantan the NGOs and indigenous peoples organisations were the first to use regional autonomy to lobby local governments to implement more equitable forest management<sup>iv</sup>.

Recent district level legislation passed in Wonosobo, Central Java, is providing for community management of forests formerly controlled by state company Perhutani - (see p. 49).



i. See DTE 51

ii. *Bisnis Indonesia* 1/Mar/02

iii. DPA 9/Apr/02

iv. See DTE 46, page 14-16

## The anti-corruption drive

In the second half of Nur Mahmudi's time as minister, the Forestry Department was more concerned with its internal organisation. For four months following a cabinet reshuffle in August 2000, the Department of Forestry and Plantations was amalgamated with the Department of Agriculture and Nur Mahmudi was demoted to junior minister. The 'super ministry' proved short lived: by November 2000 the institutional arrangement had

reverted to its previous form. The reasons probably had more to do with President Wahid's need for political support from the Justice Party, formerly headed by Nur Mahmudi, than considerations of forests or forest peoples.

A drive to wipe out corruption had dominated the Department's agenda since May 1999, but a complete turn-over of all echelons of forestry officials in Jakarta failed to eliminate the deep-rooted culture of

corruption. Surtipto, (appointed December 1999) the forestry minister's second-in-command, tried to tackle illegal logging and timber smuggling but since warnings of raids were spread in advance most of these were little more than publicity stunts. At the same time, former high ranking officials, including ex-minister Harahap, were revealing their own malpractice as they were called as witnesses in the trial of Mohammad 'Bob' Hasan, accused of fraudulent use of Reforestation Funds through his aerial mapping company PT Mapindo (see p. 10).

In March 2001, Nur Mahmudi was sacked, officially for his "lack of clear vision" on forestry, although the minister claimed it was because he had refused to bow to pressure to sack Surtipto (see also p.34).

Surtipto had prepared the reports that put former forestry king 'Bob' Hasan in jail. He then pressed for court action against Prayogo Pangestu, forest tycoon and close business associate of Suharto's daughter 'Tutut', for embezzlement of around US\$35 million from the Reforestation Fund<sup>30</sup>. The main case related to PT Musi Hutan Persada, the feeder plantation for the controversial PT TEL pulp plant in South Sumatra, but there are many more<sup>31</sup> (see also box p.11). Surtipto had also submitted documents to the Attorney General's office six months before on the involvement of members of the Suharto family and their charmed circle in forestry corruption cases, including Hutomo Mandala Putra, Bambang Trihatmodjo, Anthony Salim, Probosutedjo, Ibrahim Risjad, Sudwikatmono and Hasjim Djojohadikusumo<sup>32</sup>. These accusations impinged on the business interests of New Order elements still within the government and Wahid himself was rumoured to be close to Prayogo. Surtipto was alleged to be plotting Wahid's downfall and was 'retired' less than 2 weeks after Nur Mahmudi's dismissal<sup>33</sup>. Since then he has sued for unfair dismissal<sup>34</sup> and tried to clear his name.

### HPH Kecil - locally issued logging permits

A new threat to Indonesia's forests and forest communities is the so-called 'small logging concessions' (*HPH kecil*) - issued by local authorities. The term properly applies to the '100ha' concessions (*HPHH*), created by Ministerial Decree (*KepMenHutBun* 310/1999) in order to reduce illegal logging and resource conflicts<sup>i</sup>. The idea was to increase local incomes by giving communities a stake in forest exploitation. Forest villages could form a co-operative or a company and then log in Conversion Forest areas for a year. The district administrator, not Jakarta, grants these permits.

In some provinces hundreds of these small operators have been allocated '100ha' concessions and literally thousands of applicants are queuing up. East and West Kalimantan are the best documented cases. In Kutai Barat district, *Bupati* Rama Asia had issued over 600 *HPH kecil* by mid 2001<sup>ii</sup>. The *Bupatis* of Bulongan and Kutai Tengah have also issued hundreds<sup>iii</sup>, but East Kalimantan provincial forestry authorities have no overall idea of how many or where these are<sup>iv</sup>. The West Kalimantan Forestry service has complained that too many '100ha' concessions have been issued in districts like Sintang<sup>v</sup>.

Evidence is mounting that the effect of huge numbers of small-scale loggers is as damaging as the old-style large *HPHs*. There are no checks on exactly where logging is taking place so the area cleared may 'accidentally' exceed 100ha. Moreover, these concessions are now being handed out for some areas of Production Forest where plenty of commercially valuable timber remains. In at least one district, contractors for Malaysian companies are taking over these annual permits, moving from location to location as they expire<sup>vi</sup>.

There are further problems. Far from reducing conflict, '100ha' concessions are generating disputes within and between villages and with companies. 250 cases of conflict in 15 sub-districts of Kutai Barat have been attributed to disputes with companies where small concessions overlap with existing *HPHs*; with neighbouring families or villages over boundaries between 100ha concessions; and over who gave permission for the forest to be logged<sup>vii</sup>.

Confusingly, the term *HPH kecil* is often used for permits for much larger concessions. A later ministerial decree (*SK* 5.1/2000) allowed districts to issue concessions up to 50,000ha and provinces up to 100,000ha to local companies<sup>viii</sup>. These logging permits were originally intended for areas of Production Forest where licences for concessions had expired or been withdrawn by Jakarta. Since regional autonomy, several local authorities have seized the opportunity to pass regulations or issue decrees permitting them to grant their own forest concessions. These are known locally by a bewildering array of acronyms such as *IPH* (in Batang Hari district); *IUPHHK* (Kutai Barat) and *IPKHPA* (Merangin).

These locally issued forest concessions share many negative features, despite their different origins and extents:

- w All the permits can only be allocated to legally registered bodies: in practice, co-operatives or companies. So communities cannot apply through *adat* institutions;
- w The companies and co-operatives are frequently controlled by urban entrepreneurs, government officials and local assembly members rather than forest communities;
- w There is widespread corruption. Permits are issued by *Bupatis* to reward their supporters and may be sold on to other companies;
- w Forest planning at provincial and national levels is virtually impossible;
- w Deforestation through illegal logging is likely to increase, due to lax controls.

Prakosa has attempted to withdraw local authorities' rights to issue forest concessions (see box, p.30). But regional governors and administrators claim that, since autonomy, local decisions and regulations carry more weight than ministerial decrees and show every sign of continuing 'business as usual'.

- i. *Pontianak Pos* 29/May/01
- ii. *Kompas* 26/Sept/01
- iii. *Suara Pembaruan* 2/Oct/00
- iv. *Jawa Pos* 10/Jan/01
- v. *Pontianak Pos* 29/May/01
- vi. GTZ staff pers com 11/Dec/01
- vii. SHK Kaltim letter to authorities 16/Jun/01
- viii. Email via FKMM 19/Nov/01



Logs on Mahakam River, E. Kalimantan

DTE

30. *Tempo* 27/Mar /01

31. *Tempo* 12/Jun/01

32. *Bisnis Indonesia* 22/Mar/01

33. *Jakarta Post* 28/Mar/01

34. *Tempo* 11/May/01

## Debt and the forestry industry

Since the economic collapse, Indonesia's powerful and politically well-connected forestry industry bosses have been fighting hard to resist reforms demanded by the international lending community and by civil society, which harm their interests.

An intimate connection had developed between the timber conglomerates and the banking sector under the Suharto regime. During the years when the economy was awash with oil and timber revenues, any company with connections to the Suharto family had no difficulty obtaining low cost loans from Indonesian state-owned banks - regardless of official credit limits. These were used to raise more finance, including from overseas. When the government liberalised the commercial banking sector in the late 1980s, some forestry tycoons bought substantial shareholdings in commercial banks (see table). Their conglomerates could then borrow from their own banks to fund pulp and paper mills and petrochemical plants.

In short, the forestry tycoons were heavily involved in illegal practices in financial activities as well as in their logging concessions. Both aspects of malpractice were ignored due to corruption and lack of monitoring. This meant that the export credit agencies, investment banks, stock exchanges, brokerage houses and pension funds which bought into these conglomerates were (and still are) effectively financing illegal activities.

It became apparent how rotten the system was when the Asian financial crisis triggered a collapse in Indonesia's banking sector in mid-1997. Dozens of state-owned and private banks went bankrupt and the business empires set up by forestry tycoons also faced financial ruin. The government closed down many smaller banks and took over others, but the magnitude of the problem was far greater than anyone had foreseen. Indonesia's foreign and national debt was eventually estimated at US\$200 billion.

To avoid total financial meltdown, a bank restructuring agency (IBRA) was set up with IMF and World Bank funding. IBRA is now responsible for recovering all the loans

of closed banks, and the non-performing loans of state banks and banks taken over by the government. It has also guaranteed some companies' billion dollar foreign debts to prevent the collapse of other banks - including the Indonesian central bank.

The forest-based industry - particularly the pulp and paper sector - is one of its major debtors. The economic crisis forced wood processing companies to sharply reduce their activities due to collapsing markets in the rest of Asia, particularly South Korea and Japan - major importers of Indonesian plywood and pulp. Hasan's group was identified as IBRA's third-largest debtor, after the Barito group, owned by timber tycoon Prayogo Pangestu, and the group of companies owned by Suharto's son Hutomo 'Tommy' Mandala Putra<sup>i</sup>.

Hasan's group of companies owes in excess of US\$500 million to IBRA. His East Kalimantan pulp mill, PT Kiani Kertas, owes IBRA US\$370 million, the ninth largest of more than 4,000 corporate debtors<sup>ii</sup>. The mill is still allowed to operate, even though it is technically insolvent and regardless of the fact that overcapacity in the pulp and paper industry is a major factor driving deforestation and illegal logging in Indonesia.

### Corrupt connections

Expectations that efforts to reform the country's bankrupt banking sector would fully expose the corruption of the Suharto family and their cronies have slowly faded. IBRA has found it hard to reveal the relationships between companies and the true extent of their debts. Indonesia's conglomerates comprise a myriad of holding companies, subsidiaries and affiliates whose structures and finances are enmeshed in complex ways. The conglomerates are making the whole investigation process as slow and difficult as they can, in the expectation that IBRA will eventually write off their debts rather than force them into liquidation.

IBRA is unwilling to close down companies: it sees that as the government's role. IBRA has not helped itself by keeping most negotiations private, giving rise to

rumours that payoffs and patronage are still rife. Legal action against certain companies has been mysteriously delayed. It is possible that political support has been the determining factor in whether companies and individuals are prosecuted, especially during the precarious later days of Wahid's presidency.

Four examples illustrate how the forest-related conglomerates have striven to keep their assets out of the hands of government and foreign creditors.

**Prayogo Pangestu**, the Indonesian business tycoon, is the major shareholder of the controversial South Sumatra pulp plant, PT Tanjung Enim Lestari (PT TEL). Prayogo misled the Indonesian government, IBRA and international creditors over several of his bankrupt businesses which include Bank Andromeda and Indonesia's largest petrochemical company PT Chandra Asri. In late 2000, he was ordered to hand over shares in PT TEL and his logging conglomerate **PT Barito Pacific Timber** as a guarantee in IBRA's US\$738 million rescue package of Chandra Asri. A deal was negotiated for IBRA to take a 31% stake in the petrochemical company with the remainder split between Prayogo (49%) and Japan's Marubeni Corp (20%). Marubeni is the largest overseas creditor of Chandra Asri and is also a major stakeholder in PT TEL. However, the Chandra Asri deal failed when Indonesia's powerful Financial Services Policy Committee discovered that Prayogo had already surrendered PT TEL and its feeder timber company, PT Musi Hutan Persada, to two private creditors in other bailout deals. It was not revealed when or to whom PT TEL and PT MHP had been signed over. Suharto's daughter 'Tutut' (Siti Hardiyanti Rukmana), who was a close business associate of Prayogo, was a nominal shareholder in both companies<sup>iii</sup>.

According to a joint report by researchers from CIFOR and the Indonesian NGO, Telapak, the Indonesian government,

i. *Dow Jones Newswires* 7/Dec/99

ii. Barr C, 2000

iii. *Dow Jones* 9/Dec/00; 4/Jan/01; 13/Feb/01

### Forestry tycoons and the financial crisis (as of 2000)

Founder	Conglomerate	Major Forestry Asset	Bank	Total IBRA Debt US\$
Eka Tjipta Widjaya	Sinar Mas	Asia Pulp & Paper	Bank Internasional Indonesia	42 million
Sukanto Tanoto	Rajah Garuda Mas/APRIL	Riau Andalan Pulp & Paper; Toba Pulp Lestari (formerly Indorayon)	Unibank	92 million
Prayogo Pangestu	Barito Pacific	Tanjung Enim Lestari	Bank Andromeda	640 million
'Bob' Hasan	Kalimanis (APKINDO) Suraya Hutani Jaya	Kiani Kertas	Bank Umum Nasional Bank Bukopin Bank Universal	450 million

(Adapted from tables in Barr C, 2000, *Profits on Paper*, CIFOR/WWF - see [www.cifor.cgiar.org](http://www.cifor.cgiar.org))

under the guise of 'restructuring' the loans of the Chandra Asri factory, has now effectively forgiven all but US\$100 million of the original US\$1.1 billion that the company borrowed from the state banks. The government has also given back control of Chandra Asri to the original owner, Prayogo Pangestu, chairman of the Barito Pacific group<sup>iv</sup>.

The **Djajanti Group** has Rp 3.3 trillion (US\$ 330 million) outstanding loans under IBRA and its true debts may be much higher. Yet, at the same time, this Indonesian conglomerate was looking at investing in forestry operations in the Russian Far East. Headed by Burhan Uray, this conglomerate controlled the largest area of forests in Indonesia. Starting from logging operations in Kalimantan, it grew into a business empire in plywood, plantations and fisheries mainly in eastern Indonesia. Like the other timber tycoons, Burhan Uray also diversified his businesses into the finance and property sectors. However, unlike Hasan, Salim and Pangestu, he did not get heavily involved in the banking sector, did not borrow heavily overseas and was not as close to the Suharto family. Instead, Djajanti was connected with a number of lower level military and officials and borrowed heavily from state-owned banks, such as the now defunct Bank Dagang Negara. In contrast to the case of 'Bob' Hasan, there is almost no recent press coverage of Djajanti and its debt problem.

**Raja Garuda Mas** controlled two pulp factories, Indorayon and Riau Andalan Pulp & Paper (RAPP), through its Singapore-based holding company, **APRIL** (Asia Pacific Resources International Limited). Both companies were problematic: Indorayon for its dreadful pollution record; RAPP for land rights disputes and illegal logging. RGM listed APRIL on the New York Stock Exchange in 1994 to generate equity capital and facilitate loans. The group borrowed over US\$2 billion in offshore financing through APRIL (compared with total assets of US\$3 billion in 1998). The plan was to expand RAPP's pulp production capacity to 2 million tonnes per year (despite the over capacity of Indonesia's pulp industry). APRIL spun off Indorayon in order to make itself more attractive. The economic crisis struck just as some of APRIL's longer-term dollar loans were coming due. Nevertheless, creditors agreed to reschedule US\$ 800 million of RAPP's debts so the expansion could go ahead, partly in the hope that a larger mill would help to pay off the debts faster<sup>v</sup>. Oddly, IBRA did not insist that APRIL sell its assets in a pulp mill in Changsu, China to repay the group's debts. Instead, it allowed APRIL to delay payments on US\$1.3 billion in outstanding loans, effectively giving the group a US\$165 million capital subsidy. At the same time, APRIL sold off its shares in the Changsu mill and used the proceeds to pay off short-term debts to foreign creditors. In this way, as with other companies, APRIL's private debt has become

Indonesia's public debt<sup>vi</sup>.

The most spectacular case is the US\$13 billion debt of **Sinar Mas**, Indonesia's third largest conglomerate. Sinar Mas is Indonesia's largest pulp and paper producer through its Singapore-based holding company **Asia Pulp and Paper**. APP owns PT Indah Kiat, which has mills in Riau and West Java with a capacity of 1.7 million tonnes of pulp per year. Indah Kiat's pulp mill in Perawang, Riau is now supplied from plantations owned by subsidiaries of the Sinar Mas group (although these timber estates were created by clear felling rainforest). Sinar Mas diversified into oil palm as well as chemicals, real estate and financial services and owns factories in Indonesia, India and China. It was also a major shareholder in Bank Internasional Indonesia (BII). APP was floated on the New York Stock exchange in 1994 and issued 30 year bonds. The trouble came when the rupiah collapsed and investors lost confidence in Indonesian companies. The dollar loans had to be paid in rupiah, but BII could not cover all the debts. Foreign creditors clamoured for their money and several groups took out lawsuits in the USA. There were allegations of double pledging of assets and dubious accounting. The consequences to the fragile Indonesian economy of APP renegeing on its international debts were so alarming that IBRA is acting as a guarantor for BII credits to Sinar Mas<sup>vii</sup>. (For further details see *DTE* 52:14 or [www.gn.apc.org/dte/52plp.htm](http://www.gn.apc.org/dte/52plp.htm))

### Resistance to closure

Steps to shut the timber industry down are crucial to reduce an unsustainable level of demand for wood from Indonesia's depleted forests. Forestry Minister Marzuki Usman was known to be keen to proceed with closure. In March 2001, the economics minister, Rizal Ramli, announced that the government had decided to shut down half of the total 128 forestry companies under IBRA control and would use the closures to secure debt cancellation through 'debt for nature' deals with foreign banks (see box, p.34).

But the Ministry of Industry and Trade had other views. They argued that closure would significantly reduce foreign exchange revenues from the forestry sector.

Needless to say, the forestry industry was and remains strongly opposed to any moves to check its activities too. It has not come to terms with the need for a new paradigm of forest management in Indonesia. In August 2000, head of the timber manufacturers' association, **MPI**, Sudrajat claimed that it was unreasonable to shut down wood processing factories "just because companies are inefficient and debt-ridden". He blamed the industry's problems on an international conspiracy led by NGOs and said his industry was supporting government efforts to control illegal logging<sup>viii</sup>.

### Subsidy for timber tycoons

One way or the other, it is highly likely that millions of ordinary Indonesians public will bear the long-term costs of bailing out these conglomerates - through repayment of the IMF/World Bank loans which fund IBRA and the nationalisation of private debt. Despite the enormous debt load they carried when the financial crisis struck, none of Indonesia's major pulp and paper producers has been forced to halt its operations due to bankruptcy. On the contrary, international creditors are keen for pulp mills to continue operating at maximum production so that their investment can be paid off. Meanwhile, the companies' hidden reserves of capital remain intact.

IBRA is likely to use public funds to write off at least 70% of the pulp and paper industry's debts<sup>ix</sup>. In the long run, IBRA may - in effect - subsidise Bob Hasan, Salim and Sinar Mas to the tune of US\$4.4bn - \$6.5bn of public funds. This provides an incentive for further high-risk and socially/environmentally hazardous investments, and in doing so, lays the foundations for future financial collapse.

### Forest peoples, illegal logging

The government's failure to tackle the indebted forestry industries has a direct impact on the lives of forest peoples. By allowing these companies to continue to operate, Jakarta is sanctioning the continued theft of timber from *adat* lands. It also means that nothing is being done to reduce overcapacity in the processing industries - which far outstrips the sustainable supply from natural forests and the very limited amounts of wood coming from plantations. This is driving the boom in illegal wood supplies from Protection Forests and parks.

Indonesian NGOs and the indigenous peoples organisation, **AMAN**, are calling for the immediate closure of highly-indebted companies and those with shortages of raw materials. This should be done "through strict due diligence studies against ecological, social and economic standards developed through multi-stakeholder participation."<sup>x</sup>



iv. Brown et al, 2002

v. *Jakarta Post* 30/Sep/99

vi. Adapted from DTE article for *Inside Indonesia* Jan-Mar 2001

vii. *Asia Times* 4/Oct/01; Barr, 2000

viii. *Media Indonesia* 10/Aug/00

ix. Barr, 2002

x. Indonesian NGO/AMAN statement on Indonesian-UK MoU, April 2002 - see [www.gn.apc.org/dte/Cfst1.htm](http://www.gn.apc.org/dte/Cfst1.htm)

## Marzuki Usman (March - July 2001)

"The forestry department's slogan is not that money is a problem, but how to make money out of problems."

Marzuki Usman, *Gatra.com* 3/Jul/01

Marzuki Usman was only forestry minister for the last four months of Gus Dur's presidency. His appointment reflected Wahid's increasingly precarious balancing act: allocating important and lucrative posts to competing political factions in order to maintain their support. Mahmudi's dismissal was widely believed to result from the shift of the Justice Party, which he used to lead, from supporting Wahid to calling for his impeachment.

Marzuki's appointment surprised many. His name was not on the heavily leaked list of candidates, which included Indro Cahyono, director of the formerly radical forest NGO SKEPHI (see p.17). He had made little impression as an investment minister during Habibie's interim regime or as Minister for Tourism, Arts and Culture in the early days of Wahid's government. Marzuki had no background in forestry, although he owned significant interests in timber and oil palm plantations in his native province of Jambi. On the other hand, he was an economist by training and, as the president made clear at Marzuki's swearing in ceremony, the importance of Indonesia's forests to the national economy - rather than to forest communities - was the key issue<sup>35</sup>.

Marzuki Usman inherited all the problems his predecessors had faced, such as forest fires, rapid deforestation rates and overcapacity in the wood processing industry. But by this stage the situation in the forestry sector was even worse than when Wahid was elected. The prolonged effects of the economic crisis were biting harder, increasing pressure on the government to increase revenues from natural resources. At the same

### Debt for Nature

Given the size of Indonesia's foreign debt and the rate of forest destruction, 'debt for nature' swaps seem an obvious solution. In these schemes, a portion of a nation's public debt is bought by a third party at substantial discount. The debt is then cancelled. In return, the country promises to protect several million hectares of forests.

In early 2001 (then) economics minister, Rizal Ramli, announced that the government would withdraw logging concessions from companies with serious debt problems and turn the forest into conservation areas. In return, foreign creditors would reduce the debt burden of concession holders.

Germany has been the first

### The military and police post-Suharto

The separation of the military's political and security roles was one of the main demands of protestors in the last days of the Suharto regime. Habibie's interim government separated the police from the armed forces, and his successor Wahid dealt several blows to military control in the first months of his administration. But the military has strongly resisted efforts to reduce its political and commercial interests and regrouped to help oust Wahid in 2001. Levels of brutality in West Papua and Aceh have been increasing since Megawati became president (see p.22).

Part of the problem is structural: the military permeates the whole system of governance in Indonesia, right down to the tripartite councils (*Muspika* - civil, police and military authorities) which operate at village level. Furthermore, Indonesia's soldiers are massively underpaid and so rely on outside commercial interests - like logging - to supplement incomes. This has led to military-run ventures like logging companies PT ITCI and Yamaker in the past, but more recently it has prompted military/police involvement in the explosion of illegal logging and mining which is devastating the forests and destroying sustainable livelihoods in many regions. Given the high levels of corruption between security forces, government officials and local entrepreneurs, there appears to be little chance of success for efforts to stop illegal logging using the police, military and navy. The latest of these was an agreement to control log smuggling, signed with the police and the navy in December 2001<sup>i</sup>.

Although no longer under military control, the reputation of the police mobile

time, the huge implications of the regional autonomy legislation became evident as local authorities started to flex their muscles and defy Jakarta (see p.30). Co-ordinating Minister for the Economy, Rizal Ramli, as head of the Inter-Departmental Committee on Forests, was under considerable pressure from international donors for forest policy reform

brigades (*Brimob*) has not improved. *Brimob* units are routinely paid to guard timber, mining and plantation operations from actions by local people trying to defend their livelihoods. This is a situation that leads to more human rights abuse and conflict - as was witnessed last year in the Wasior area of West Papua. Here, when a timber company ignored demands for justice from local people, five *Brimob* officers ended up dead. A massive police and military response caused an estimated 10,000 villagers to flee their homes. Incidents of torture, killings and disappearances have been reported by Papuan human rights group, ELS-HAM.

Another recent case in Ladongi, Southeast Sulawesi, concerned an indigenous community leader who was also a peasant union activist. He was shot by police at close range when several hundred people peacefully occupied a plantation in order to reclaim their customary land rights<sup>ii</sup>.

These kind of abuses are set to continue, unless the Indonesian government makes a concerted effort to rein in the military and end the climate of impunity which means that it is almost impossible for forest peoples and other victims of abuse to seek justice through the courts.

For more information on military involvement in illegal logging and mining operations see: *Indonesia: Natural Resources and Law Enforcement*, ICG December 2001 ([www.crisisweb.org](http://www.crisisweb.org))

i. *Jakarta Post* 31/Dec/01

ii. Yayasan Suluh, email, 17/Apr/02

as a condition of further loans and possible debt relief.

### Log smuggling

Log smuggling had become rampant since the IMF had forced the removal of tariffs on log exports. Measures to control it were now high on the donors' agenda. Illegal exports of at least 10 million m<sup>3</sup> of timber were costing the country over US\$360 million per year in lost taxes<sup>36</sup>. Thousands of cubic metres of timber a day were being illegally transported across the Kalimantan border to Malaysia<sup>37</sup>. China had become another favoured destination for legal and illegal timber exports since it imposed a logging ban in 1998<sup>38</sup>. Marzuki made a lightning visit to Tanjung Puting National Park (C. Kalimantan), announced tougher measures to stop illegal exports and a complete ban on the rare hardwood *ramin* just before a crucial CGI meeting in April 2001 (see p.28), but

35. *Jakarta Post* 17/Mar/01

36. *Bisnis Indonesia* 20/Mar/01

37. *Asia Pulse* 1/Mar/01; Obidzinski, 2001

38. *New Scientist* 28/Feb/01

creditor country to express interest - in a debt cut of DM50 million (some \$22.9 million) to finance suitable forestry projects. At April 2002's Paris Club meeting of Indonesia's main creditors, Indonesia proposed that debt swap schemes could be used to fund education or social projects, not just forest projects. At the time of writing nothing had been finalised, but one of Indonesia's biggest creditors, Japan, was also reported to be interested in such schemes. Indonesian NGOs have broadly welcomed the idea of debt swaps. For a discussion on the potential disadvantages of debt-for-nature schemes see our web-page [www.gn.apc.org/dte/Cfdb.htm](http://www.gn.apc.org/dte/Cfdb.htm).

otherwise there was little sense of commitment to forestry reform.

The forest fires were a case in point. Marzuki had said stopping the fires was one of his first priorities<sup>39</sup>. By July, as the annual outbreak of forest burning in Sumatra and Kalimantan was causing the usual pollution problems for Indonesia's neighbours, the minister was forced to admit there was no plan to tackle the fires (see also p.40), blaming a lack of human resources and funds<sup>40</sup>. It was left to Environment Minister Sonny Keraf to take legal action against five companies for illegally burning forest the previous year<sup>41</sup>.

Reforestation damaged forests<sup>42</sup>, reduction of the size of logging concessions<sup>43</sup>, protection of National Parks<sup>44</sup> and the closure of 128 heavily indebted forestry related companies were all mentioned in ministerial speeches as targets for forthcoming measures, but Marzuki did not deliver.

The week before Wahid was forced to resign the presidency in late July 2001, he made a rare reference to forest policy calling on people "to have a sense of 'forest belonging' in an effort to conserve them"<sup>45</sup>. Marzuki was on the brink of introducing measures to force logging companies to pay all Reforestation Fund contributions and other levies three years in advance. In addition, loggers would be required to pay a performance bond to guarantee against over-extraction of timber. The industry's body, *MPI*, lobbied strongly against this on the grounds that they would bankrupt those of its members who were not already bankrupt. The forestry minister had already introduced measures to distribute 90% of reforestation fund payments (equivalent to over US\$4 million) direct to the provincial authorities to rehabilitate degraded forests in their areas<sup>46</sup>.

Even more controversially, Marzuki planned to devolve completely the authority

to issue or extend logging concession permits to regents or district heads<sup>47</sup> (see *HPH kecil* box p.31). NGOs led by WALHI responded by reiterating their call for a total ban on all logging in Indonesia to prevent further deforestation and allow time to agree on a new paradigm of forest management (see also box p.29)<sup>48</sup>.

39. *Jakarta Post* 19/Mar/02

40. *Jakarta Post* 11/Jul/01

41. *Jakarta Post* 5/May/01

42. *Antara* 12/May/01

43. *Tempo* 18/Apr/01

44. *IO* 11/May/01

45. *Antara* 16/Jul/01

46. *Jakarta Post* 25/May/01, *Kompas* 26/Jun/01

47. *Indonesian Observer* 28/May/01, *Bisnis Indonesia* 26/Feb/01

48. *Jakarta Post* 9/Jun/01



## Reforms under Megawati

### Mohammad Prakosa (August 2001 - present)

Megawati Sukarnoputri became Indonesia's fourth president in three years in July 2001, after Wahid was forced to step down. Her new forestry minister, Mohammad Prakosa, gained an MSc and PhD in forestry economics in the USA. He was a junior agriculture minister early in Wahid's presidency and had taught at the prestigious Bogor agricultural university, although his membership of the ruling *PDI-P* party may have been a more significant factor in his selection.

Prakosa's initial pronouncements provided some reassurance for the forestry industry which had not been able to keep pace with the plethora of new directives and regulations announced previous forestry ministers, but dashed the hopes of forest NGOs, academics and community groups advocating radical reform of forest policies. In the hand-over ceremony from Marzuki Usman, Prakosa announced that he would not introduce new programmes but build on the foundations laid down by his predecessors<sup>49</sup>.

Further disappointment for the community forestry lobby came with Megawati's instruction for Prakosa to focus on only five forestry priorities for the next 5-7 years: illegal logging; forest fires; reforestation; decentralisation; and restructuring the forestry industry<sup>50</sup>. At a stroke, the 12 point Action Plan agreed with the CGI had been reduced to five. Furthermore, tenure was not one of these. Donors were not impressed by Prakosa's

poor performance at the November 2001 CGI meeting where he showed little sign of having grasped the main issues or of having an overall vision for the future of the forestry sector. NGOs complained that the new forestry minister was not accessible to them and feared that forestry policy would remain the domain of a closed circle within a corrupt, bureaucratic Forestry Department.

Relations between Prakosa and civil society groups were not improved when members of the indigenous peoples' alliance, AMAN, forced him to return to the podium and face an hour of questions and criticism from participants at the third Indonesian Forestry Congress the previous month. That meeting - which is only held every 10 years and has formerly been a mouthpiece for government and the forestry industry - was remarkable in several other ways. Its recommendations, including support for a logging moratorium and the recognition of *adat* rights, showed how the wind of change had even reached 'the establishment' of the forestry sector<sup>51</sup>.

Prakosa supporters argued that the new forestry minister is a dark horse who prefers to listen and learn before speaking out or acting and, more recently, signs of a new direction in forest policy have indeed begun to emerge. His appointment of two respected pro-reform foresters to key positions within the department reassured

49 *Suara Pembaruan* 13/Aug/01

50. *Tempo* 31/Aug/01

51. See *DTE* 52:10

### MPR decree combines agrarian renewal & natural resources for first time

One positive step during 2001 was a decree passed in November by Indonesia's highest legislative body, MPR. This provides the legal framework for the reform of laws relating to natural resources management. Decree IX/MPR/2001 on Agrarian Renewal and Natural Resources Management acknowledges the weakness of existing laws and the resulting conflicts. It provides for the "optimal, just, sustainable and environmentally friendly" management of natural resources. The decree's principles and policy directives, include the acknowledgement, respect and protection of the rights of 'peoples following customary law' and cultural diversity in agrarian/natural resources use.

The decree was welcomed by many Indonesian NGOs involved in drafting and lobbying for it. They see the decree as a step forward - particularly because it brings land and natural resources together under one legislative framework for the first time. At the same time, there is uncertainty over how far the new decree will be able to dismantle the existing strict division between 'land' and 'forests' - a major obstacle to gaining legal recognition of indigenous peoples' customary rights in forest areas<sup>i</sup>

These NGOs are now pushing the government to set up an agency to ensure that the November decree is acted upon. They also want *ad hoc* courts to be established to help settle agrarian disputes.

i See also *DTE* 52:3

some critics: Untung Iskandar (Director-General, Forest Production) and Boen Mochtar Purnama (Head of Forest Planning)<sup>52</sup>. Prakosa has surprised many by his strong stance against the Department of Mining and Energy over the issue of mining in Protection Forests. The mining industry has lobbied fiercely for changes in the 1999 Forestry Act to allow open-pit mining concessions within these forests (see p.27) and have the mining minister's support<sup>53</sup>.

More commitment to action came in the form of a total ban on log exports from October 2001<sup>54</sup>. The moratorium, initially for 6 months, flouts IMF measures intended to generate foreign exchange through increased exports. The move met with approval from the forestry industry which had complained for months about the shortage of raw materials for the domestic wood processing industry and that log smuggling was flooding international markets with cheap timber<sup>55</sup>. The announcement of a crack-down on illegal logging was also welcomed by international donors.

Prakosa's emphasis so far has been to create a more efficient Indonesian forestry industry<sup>56</sup>. Department officials have made a number of statements about the need for forest rehabilitation, acknowledging the massive scale of destruction and degradation of the forest estate over the last 3 decades<sup>57</sup>. All existing *HPH* permits will be reviewed and logging operations will have to obtain a government-approved certificate of sustainable forest management by 2003<sup>58</sup>. Details of this scheme have not been officially announced, but an 'ecolabelling' system similar to that initially run by LEI is under consideration. Prakosa considers Indonesian plywood to be a sunset industry<sup>59</sup>. He has shifted his initial position that factories will not be closed down<sup>60</sup>, to threatening that wood processing industries with difficulty obtaining legal supplies would face automatic closure<sup>61</sup>. Most surprisingly, Prakosa recently stated that the future of Indonesian forestry must be based on small-scale community-based operations, not large-scale commercial logging<sup>62</sup>.

It is too early to say whether Prakosa is moving towards genuine forest reform and whether he has the power to implement much needed changes. There is resistance and even outright opposition from other sections of government, such as the Department of Trade & Industry, to restructuring the forestry industry; checking illegal log trading; prosecuting timber barons and clawing back their ill-gotten gains through IBRA. And the judicial system is notoriously weak.

An agreement between the Forestry Department, the Indonesian police and the navy to control log smuggling (see box, p.34) has, at best, been a limited

### Certification in trouble

Between 1998 and 2000, six Perhutani plantation units in East and Central Java had gained FSC certification. Most of these were teak plantations. A 10,000 ha plantation in South Sumatra (PT Xylo Indah Pratama) was also FSC-certified. From 1998 onwards, tensions between Perhutani and villagers erupted into open conflict. Most of the FSC certificates for Perhutani units were suspended by 2001 as a result<sup>1</sup>.

In 2001 the FSC took the highly controversial step of certifying timber from the first natural forests - PT Diamond Raya's 91,000 ha concession in Riau. The decision was met with severe criticism from Indonesian and international NGOs. Rainforest Foundation and WALHI subsequently initiated a review of FSC certification and *adat* rights in Indonesia.

### Certification for community operations

Large conservation NGOs based in the North, like WWF, and influential donor agencies, such as the Ford Foundation are promoting the idea of certification of community timber and non-timber forest products as a means of conserving forests and promoting sustainable livelihoods. The FSC is trying to develop mechanisms which make it easier for community operations to gain certification. The Indonesian NGOs LEI and LATIN (through its TROPIKA initiative) are also actively working on community forestry certification schemes.

However, certification is linked to international markets and it is far from certain that marketing timber and other forest products overseas is what forest communities want to or are able to do. These are also questions about the economic sustainability of community-based certification. Costs for small-scale, remote operations are high. Pilot schemes in other countries have mainly succeeded only for as long as they have been subsidised by support from donors.

For further information and a list of certification in Indonesia see DTE /Rainforest Foundation's Briefing *Certification in Indonesia*, June 2001 at [www.gn.apc.org/dte/Ccert.htm](http://www.gn.apc.org/dte/Ccert.htm)

i. See DTE 51:8



success<sup>63</sup>. Illegal log shipments continue to stream out of West Papua and Kalimantan<sup>65</sup>. The temporary log export ban is due to end soon. In May 2002, Megawati announced that there would be a logging moratorium but this turns out to be no more than proposed restrictions on logging in the most degraded forests.

Prakosa certainly speaks a language which the international donor community understands and approves. But the forestry minister does not appear to understand, let alone give priority to, indigenous communities' demands to address tenurial issues. The crucial question is whether Prakosa's 'more efficient' forestry industry will also be a more just, equitable and sustainable one.



52. Forest Liaison Bureau press release 5/Jan/2002

53. *Bisnis Indonesia* 12/Mar/02; *Reuters* 21/Mar/02; *Suara Pembaruan* 23/Mar/02

54. AP 8/Oct/01

55. *Jakarta Post* 11/Aug/01; *Bisnis Indonesia* 16/Aug/01, 21/Aug/01; *AFP* 13/Sept/01

56. *Surabaya Post* 21/Aug/01

57. *Antara* 1/Oct/01

58. *AFP* 3/Dec/01

59. Statement to UK NGOs on ministerial visit, London 18/April/02

60. *Tempo* 31/Aug/01

61. *Asia Times* 20/Nov/01

62. Statement to UK NGOs on ministerial visit, London 18/April/02

63. *Reuters* 28/Dec/01; *JP* 31/Dec/01

64. *Kompas* 1/Nov/01; FKKM email 13/Mar/02

## Continued pressure on the forests: overcapacity, illegal logging, oil palm and fires

Overcapacity in the forestry industries - especially plywood and pulp - has continued to cause forest destruction and the further marginalisation of forest communities in post-Suharto Indonesia.

### The plywood industry

Indonesia's plywood industry has been forced into decline in the post-Suharto period by the combined effects of reduced log supply, the economic crisis, the illegal logging boom and the resumption of log exports. As a result, many plywood companies are in serious financial difficulties and some have been forced to close. Nevertheless the industry is still consuming large volumes of natural forest timber. The development of timber plantations to supply the plymills, though on

concessions began to run out. Then, from 1997, the Asia-wide economic crash reduced demand in major markets like Japan and South Korea as well as cutting domestic demand. When the IMF insisted that prohibitively high export taxes on logs were phased out starting 1998, the plywood industry lost out again. Millions of cubic metres of logs from both legal and illegal supplies flooded out of the country. A lot of them ended up in China, Malaysia, Singapore and Japan, feeding a boom in the plywood industries of Indonesia's competitors. According to *APKINDO*, these competitors - especially China and Malaysia - have been able to undercut Indonesian plywood and force down international prices because they use cheap logs, illegally felled and smuggled out of

per year<sup>67</sup>. Last October's log export moratorium has yet to make its impact on this huge illegal trade.

### Pulp and paper

*"Indonesia's largest pulp producers - the Sinar Mas Group and the Raja Garuda Mas Group - rely heavily on unsustainable sources of fiber, much of which is obtained through the clear-cutting of natural forests."* (Chris Barr, 2002)

Despite massive debts, corrupt practices and huge social and environmental problems the Indonesian pulp & paper industry continues to expand (see box for example).

Pulp companies were among those worst hit by the economic crisis. World pulp and paper prices had slumped in 1996 and investors had started becoming concerned about Indonesia's political stability during the last years of the Suharto regime. Many of Indonesia's plants were new and still had to repay start-up loans when the 1997 financial crisis hit Southeast Asia<sup>68</sup>.

At first, the sharp depreciation of the Rupiah seemed to act in industry's favour. The major costs (wood and labour) were paid in local currency, while all income from export orders was in US dollars. But parent companies had borrowed heavily to finance pulp and paper manufacture and their debts also increased. Pulp developments funded by high interest offshore loans faced massively increased debt burdens (see p.32-33). Many pulp and paper mill projects approved by the government were never built.

According to Ministry of Industry and Trade data, pulp and paper production capacity now stands at 6.28 million tonnes per year, 5.9 million tonnes of which derives from the seven top pulp and paper companies. There are 25 companies operating pulp and paper plants with licences covering over 5.53 million ha to develop pulpwood plantations<sup>69</sup>. Exports of pulp and paper products continued to increase too, fetching US\$3 billion in 2000 up from US\$2.44bn in 1999, even though companies were only operating at around 50% capacity.

### Short supplies

The industry has continued to refuse to address the raw materials supply crisis. As pulp processing capacity has expanded so much faster than feeder plantations,



Illegal logs from Sikakap, Mentawai Islands, at Malaysian port

Pakis

the drawing board for years, has been almost non-existent. The basic problem of overcapacity has yet to be addressed. There are still 101 plymills in operation (down from 112 in 1998, just over half of them in East Kalimantan<sup>65</sup>).

The plywood tycoons, led by Bob Hasan, have suffered some setbacks. The plywood cartel run by 'Bob' Hasan through the plywood producers' association, *APKINDO*, was dismantled by IMF demand. Debt and corruption scandals followed, though none of the top players have been forced out of business. Only Hasan has been prosecuted for corruption and none have been held to account for devastating huge swathes of Indonesia's forests and destroying the livelihoods of forest-dwellers.

By the late 1990s Indonesia's plywood industry was already cutting production as the log supply from unsustainably managed natural forest

Indonesia. The industry has backed calls for a clamp-down on illegal logging and supported the log export moratorium introduced in October 2001.

In figures the industry's decline is fairly steep: Indonesia's export volumes and earnings fell from 8.5 million m<sup>3</sup> in 1997, earning US\$3.4 billion, to an estimated 6.6 million m<sup>3</sup> in 2001, earning US\$1.9 billion. International plywood prices have fallen sharply from \$400/m<sup>3</sup> in 1997 to US\$230 in 2001<sup>66</sup>.

At the same time, log exports have rocketed. Official figures put log exports at just under 300,000m<sup>3</sup> in 1999 earning US\$37.85 million then jumping to almost 450,000m<sup>3</sup> in 2000, earning \$66.67 million. But the official figures do not reflect the real story since so much of the Indonesia's log production is smuggled out of the country: one estimate puts the amount of wood smuggled to Malaysia alone at 10 million m<sup>3</sup>

65. *Surabaya Pos* 26/Apr/01, [www.castleasia.com/](http://www.castleasia.com/)

66. *Jakarta Post* 19/Nov/01

67. *Sinar Harapan* 9/Oct/01

68. *Financial Times* 8/Dec/97

69. *Weekly Sawit Watch News*, 13/May/02

## New pulp mill for South Kalimantan

A major new pulp plant development is to go ahead in South Kalimantan, despite concerns about impacts on forests. A 600,000 tonne/yr pulp mill will be located in the southeast of the province, at Sakupung Balaut, near Sungai Danau in Kotabaru district.

A number of foreign investors including the Singapore-listed construction company, Poh Lian Holdings Ltd, Swedish paper company Cellmark and Dutch-based Akzo Nobel were reported to be interested in investing in the new plant. China State Construction & Engineering Corp and Singapore Power International may also be involved. PT Marga Buana Bumi Mulia (MBBM) and its subsidiary PT Menara Hutan Buana (MHB) were owned by Probosutedjo, step-brother of former president Suharto, whose banking interests were hard hit after the 1997 Asian financial crash. Poh Lian bought MBBM in April 2002 and set up a new company, United Fiber Systems, to run the new project.

The provincial government is backing the initiative as part of a broader industrial development programme in the area. The scheme, which would cost an estimated US\$1.15 billion, would include a new pulp mill and supporting infrastructure such as a power plant, water and effluent treatment works and a township. A number of Scandinavian companies will probably supply the equipment and expert staff. Start-up is planned for 2005.

The plant will be fed from a 259,000 ha concession near Batulicin in South Kalimantan, part of which used to be owned by MHB. Planting of *Acacia mangium*, pine and *Paraserianthes falcataria* began in 1994 but only 82,000ha has been planted. According to one report, only 100,000ha of this concession can be planted since the rest comprises villages and farmed land.

Finnish forestry consultants, Jaakko Pöyry have recently assessed the mill plans and plantation for Poh Lian. As usual, the whole development is justified by promises of jobs and prosperity - not least, taxes for the local government. A local official is reported to have made the absurd claim that the plant will employ 20,000 people in the construction phase and 200,000 workers once operational. Indonesian and international environmental and social NGOs have joined forces in condemning the scheme and are campaigning for its cancellation<sup>i</sup>.

i. World Rainforest Movement newsletter No 43, February 2001; *Kompas* 3/Jan/01; [paperloop.com/singapore](http://paperloop.com/singapore) 8/Jan/01; [papercutsnewsletter](http://papercutsnewsletter.com) 6/June/01; *Antara* 27/May/01; *BanarmasinPos* 2/Dec/00

Indonesia's pulp plants face supply problems for many years to come. In 2000, mills run by the country's biggest pulp and paper producers APP and APRIL consumed 15 million m<sup>3</sup> of timber from natural forests in Sumatra. These companies are now pressing the government to allow more forest to be cleared in Riau, ostensibly for outgrower schemes where local communities are contracted to supply timber from plantations for the pulp mills<sup>70</sup>.

Recent research by the NGO Forest Watch Indonesia shows that pulp and paper companies' total pulpwood capacity is 25 million m<sup>3</sup> whereas timber estates can still only supply 3 million m<sup>3</sup> per year. FWI says that of the nearly 5 million ha allocated to HTI for pulp, just over a million ha was planted<sup>71</sup>.

Only 10% of the estimated 120 million m<sup>3</sup> of wood estimated to have been consumed by the pulp industry during 1998-2000 was harvested from HTI plantations<sup>72</sup>. Indonesia's biggest pulp conglomerates, Sinar Mas and Raja Garuda Mas, claim that by 2008 their wood will be sourced from sustainably managed plantations, but the study throws doubt on this, predicting that by then no more than 50% of the required wood will be supplied from plantations. Both these companies are also in severe financial difficulties (see p.32).



Indorayon pulp mill, North Sumatra

DTE

## Illegal logging

Overcapacity has fuelled the explosion of illegal logging in Indonesia. Weak law enforcement and unprecedented levels of corruption have resulted in a 'free-for-all' in the forests in which local businessmen have teamed up with military, police and government officials to exploit local labour and make a quick profit. UK-funded research suggest that as much as 70% of all wood products exported by Indonesia are

produced from illegal sources. Indonesia's Environment Ministry statistics show that that Indonesia is losing 56 million cubic metres of timber per year worth US\$8.4 billion billion due to illegal logging<sup>73</sup>.

Since 1999, alarm over the increasing rates of forest destruction has led Indonesia's creditors to prioritise illegal logging as the most pressing task in the forestry sector (see CGI box, p.28). The focus has prompted Indonesia to take some action against illegal loggers and timber smugglers - most recently the impounding of three Chinese-owned ships. The ships, carrying timber 31,800 m<sup>3</sup> of logs valued at US\$4.7 million without papers from Central Kalimantan, were held for five months pending prosecution in three highly publicised cases, but were then released after a major diplomatic row<sup>74</sup>. None of the politically powerful businessmen involved have been brought to trial.

Heightened concern from creditor countries has also produced an international commitment to tackling illegal logging - FLEG<sup>75</sup>. The conference on forest law enforcement and governance was supported by international donors: USAID, DFID and the World Bank. The September 2001 meeting resulted in a 13-point ministerial declaration signed by leaders of East Asian nations, including Japan, China, Korea and (eventually) Malaysia. Most recently, a joint Memorandum of Understanding on illegal logging between the British and Indonesian governments, signed in April 2002<sup>76</sup>.

While such agreements are welcome in that they address some of the symptoms of the forestry crisis, they do not tackle the underlying need for total reform in forest management.

There are also problems associated with the term 'illegal'. As Indonesian law now stands, any logging by indigenous peoples can be termed illegal, but only because those peoples' rights to own and manage their customary forests have not been legally recognised. Furthermore, many HPHs may technically be illegal since the Forestry Department has never gazetted all the land it claims as 'state forest'. More important still, sustainability is a more meaningful criterion than legal or illegal logging.

There is concern too that a narrowly focussed campaign to tackle illegal logging will divert attention away from the need for a total overhaul of forest policy and management in Indonesia. However, Indonesian and international NGOs involved

70. Barr, 2000

71. FWI/GFW, (draft), 2002, p.37

72. Barr, 2002

73. See DTE 52:10.

74. *Asia Times* 13/Nov/01; *AFP* 1/May/02

75. See DTE 51:7

76. *Jakarta Post* 25/Apr/02, see

[www.gn.apc.org/dte/camp.htm#for](http://www.gn.apc.org/dte/camp.htm#for) for details.

in pushing for agreements on illegal logging are hoping that the new MoU and any subsequent agreements will open up this debate and help raise awareness of the need to address the more fundamental issues of forest peoples' land and resource rights versus state control.



Mature oil palm

DTE

## Oil palm

Oil palm plantation development remains a major cause of conflict over land and resources. While *adat* rights continue to be sidelined by politics and laws, this situation looks set to continue.

### The economic crisis

Indonesia's economic crisis caused a boom in the palm oil industry followed by a period of stagnation. An 80% slump in the value of the rupiah in late 1997 created a huge difference between domestic and international prices for crude palm oil and its refined product olein. In a move that was criticised by environmental NGOs, the IMF then gave Indonesian palm oil exports another boost, insisting on the removal of "export quotas and punitive taxes" as a condition of its economic 'rescue package' (see Lol box, p.24). All formal and informal barriers to investment in palm oil plantation had to be removed within 3 months. The Indonesian government was forced to lift a temporary ban on palm oil exports designed to stabilise prices and dollar-hungry producers exported as much of their output as possible triggering a domestic shortage. Raising export taxes of crude palm oil (CPO) from 40 to 60% did little to slow down exports and flew in the face of the IMF's 20% target for export taxes.

Illegal palm oil exporters also profited. Hundreds of thousands of tonnes of palm oil are thought to have been smuggled from Sumatra across the Malacca Strait<sup>77</sup>.

However, conglomerates like the Astra and Salim groups lost some of their political clout after Suharto fell and were soon struggling to pay their banking debts. Many companies were taken under the control of IBRA (see p.32) and forced to sell their assets.

Regional autonomy, introduced in 2001, provided a further stimulus for oil palm

### Green and social criteria

The forest fires of 1997/1998 triggered international concern over the damaging impacts of oil palm development. Four years later, some European investors have responded. An international campaign by the Indonesian NGO Sawit Watch, FoE Netherlands and Greenpeace NL has resulted in four major Dutch banks restricting investments in oil palm development against environmental and social criteria. (see DTE 52:12) and [www.milieudefensie.nl](http://www.milieudefensie.nl))

Migros, Switzerland's largest supermarket chain, together with the Worldwide Fund For Nature (WWF) in Switzerland, has drawn up a set of minimum environmental and social criteria for its palm oil products aimed at reducing the devastation of tropical forests. WWF Switzerland has produced a set of reports on European Banks involvement in Indonesia's oil palm and pulp and paper projects. Contact [Bella.Roscher@wwf.ch](mailto:Bella.Roscher@wwf.ch)

expansion with local authorities desperate to increase their revenues from export revenues and taxes on plantation companies. Applications for plantation permits cover a huge area - as high as 32 million ha<sup>78</sup>. In 2001 the governor of Jambi in Sumatra announced that one million ha would be developed in the province by 2005<sup>79</sup>.

Investors are now lobbying hard to streamline the system for licensing plantations - a measure which will also speed up deforestation. Under the existing system, potential investors have to get a document from the Forestry Department to prove the change of status from forest to agricultural land use; a land use rights permit from the National Land Agency; planning permission from the local government; and investment approval from the Investment Co-ordinating Board. The whole process can take up to two

### Conflicts and campaigns

Sawit Watch is the main NGO network working on oil palm issues in Indonesia: [info@sawitwatch.org](mailto:info@sawitwatch.org)

For studies on how oil palm plantations have affected communities see joint cases studies on CDC's UK-funded plantations in Kalimantan

[www.gn.apc.org/dte/camp.htm#CDC](http://www.gn.apc.org/dte/camp.htm#CDC). See also DTE 51:12; violence against villagers in Sosa, Sumatra (DTE 47:14) and Telapak/Puti Jaji/Madanika study *Planting Disaster* (2000) for case studies on the confrontation between Benuaq Dayaks and plantation company London Sumatra International in Kalimantan and state plantation company PTPN XIII in West Kalimantan. [www.telapak.org](http://www.telapak.org).

years unless 'facilitating fees' are paid to the relevant officials. The Investment Co-ordinating Board wants to set up a 'one-step service' to cut down the bureaucracy faced by the palm oil industry.

### Production boom

Low international palm oil prices and massive debts owed by Indonesian plantation companies slowed the initial oil palm boom of the late 1990s. But development is expected to take off again once prices pick up and investors overcome doubts about security and political instability in Indonesia. Production has rocketed from 5.4 million tonnes in 1997 to 8.3 million tonnes in 2001<sup>80</sup>. The target for 2002 is over 9 million tonnes. However, as Indonesia rushes to rival Malaysian palm oil production, there is a real risk of overproduction and a collapse of world prices.

By the year 2000, oil palm plantations already covered an estimated 3 million ha of land in Indonesia<sup>81</sup>. Around 60% were located in Sumatra and Kalimantan, but the islands of Eastern Indonesia (primarily Sulawesi and West Papua) were slated to be the new growth centres targeted by the government<sup>82</sup>.

Much of the land allocated to companies has not yet even been developed. 8.7 million ha of land had been allocated for oil palm plantations by 2000, but just over a third - 3 million ha had been planted. In some cases this has been due to the lengthy bureaucratic procedure required to change the status of the land from forest to agricultural land<sup>83</sup>. In others, companies were under-capitalised or hard hit by the economic crisis. But there is little doubt that many investors hold onto plantation permits purely for speculation or to get access to valuable timber on forest lands.

### Producers and consumers

Indonesia and Malaysia now produce over 80% of the world's palm oil, with Indonesia's share standing at 30%<sup>84</sup>. Production in Indonesia is set to double as the government seeks to overtake Malaysia as the top producer and to increase much needed foreign revenues. Global consumption of palm oil increased sharply during the 1990s and demand was expected to increase in the long term.

77. See *Jakarta Post* 6/8/98, 21/8/98; sawit-watch 22/9/98; *Suara Pembaruan* 26/7/98, 14/8/98; *SiaR* 14/8/98, 19/8/98, 20/8/98; EDF letter to World Bank 7/8/98

78. Wakker, 2000

79. DTE 49:17

80. *Jakarta Post* 11/Apr/02

81. Wakker, 2000

82. KMAN, 1999

83. *Jakarta Post* 23/Jun/99

84. *Jakarta Post* 27/Feb/01

85. J. Hewitt, pers com

China, India and Pakistan are the world's largest importers of palm oil. Following those countries, Netherlands, United Kingdom and Germany are Europe's main palm oil importers. Germany is the fourth largest importer of Indonesian palm oil and the largest inside the EU<sup>85</sup>.

Indonesia is itself one of the world's largest markets for palm oil, with use at 20% of total global consumption.

## Forest fires

*"While neighbouring countries have been complaining about the choking haze caused by Indonesia's forest fires and have called on Indonesia to take action to deal with the problem, the Ministry of Forestry said on Tuesday it had yet to formulate a program to swiftly remedy the situation. "So far, we don't have a clear blueprint of how to cope with the problem. We will start to prepare it," minister Marzuki Usman told reporters, following a meeting of all the ministry's senior officials from across the country." (Jakarta Post 11/Jul/01)*

Forest fires remain the most dramatic and visible symptom of the crisis affecting Indonesia's forests and forest peoples. It is also these forest communities that will bear the long term costs of the fires, which include loss of livelihood and health impacts. The fires are a direct effect of Indonesia's political ecology: the allocation of logging and plantation concessions to a powerful elite; the corruption which prevents effective forest monitoring in the field; and, most recently, the power vacuum left after Suharto's rule. The fires are also directly and indirectly influenced by international and bilateral aid and loans.

While the devastating fires of 1997-1998 fires have not yet returned to Indonesia, the annual round of burning, smoke and occasional haze has continued. These do not grab international headlines but they continue to do substantial amounts of damage - both in terms of forest cover as well as costs to health and livelihoods.

Nowadays, most fires are started

for private financial gain. The figures vary, but all sources agree that big oil palm and pulp timber plantations are mostly to blame. The companies and their contractors are not afraid to flout the law in the current unsettled political climate. A recent World Bank study shows that large-scale land clearing contributes to 34% of cases of forest fires, slash-and-burn farming 25%, permanent farming 17%, conflict between locals and concessionaires 14% and transmigration 8%<sup>86</sup>.

Other researchers estimate that large-scale operations like oil palm and logging concerns start about two-thirds of the fires<sup>87</sup>. A study by the EU-funded Forest Fire Prevention and Control Project, based in Palembang, states that all important fires in Sumatra in non-El Niño years are caused by plantations<sup>88</sup>.

The forest fires are also a symptom of social conflict in Indonesia, in particular the conflict over land ownership and use. Arson is a weapon used by both sides. Plantation companies stake their claims to indigenous communities' lands by burning it and embittered local people take their revenge by destroying plantations established without their consent in their ancestral domains. It is impossible to tell how widespread such incidents are. Some of the fires that were put out in 1997/98 were immediately re-lit<sup>89</sup>. The picture is complicated by transmigrants and opportunists from urban areas who also burn to clear land for farming or for land speculation. Unlike indigenous forest communities, these people are not governed by traditional practices which limit burning to specific areas and conditions. They are also inexperienced and so fires easily get out of control in dry, windy conditions.

Since the 1997/8 fires little in practice has changed. Successive forestry ministers have used Indonesia's parlous economic condition as an excuse for their lack of effective action over the last five years. Each year Jakarta called for more money and technology - such as planes capable of water bombing the fires. Previous governments have failed to recognise that fundamental change in

the logging and plantation system are necessary. Malaysia is restrained in its official protests about smoke pollution from neighbouring Sumatra and Kalimantan knowing that Malaysian investors and oil palm companies have invested heavily in the plantations which are illegally using fire to clear land.

International financial institutions are pressurising Indonesia to increase exports, including timber, paper pulp and palm oil. These are the very industries which fuel Indonesia's forest fires.

Law enforcement could make a much more significant contribution to the prevention and control of forest fires. The use of burning to clear land for plantations has been illegal in Indonesia since 1995. This ban was strengthened under the 1999 Forestry Act. Company staff found guilty of clearing land with fire can be now sentenced to a maximum 15-year jail term and a fine of up to five billion Rupiah (approx US\$500,000). If fires are found on concession land, regardless of how they started, company officials can be fined for negligence up to Rp1.5bn or imprisoned for five years.

Successive forestry ministers have threatened to impose severe penalties on companies which burn to clear land, but there have been few prosecutions. Even where the satellite data has been supported by field reports, some companies have been let off with a warning instead of being stripped of their concession licences. For example, no action has been taken against the oil palm plantation company PT Bumi Pratama Katulistiwa for clearing half its 12,000ha concession in West Kalimantan by burning in 2000. The company is apparently headed by the governor's son<sup>90</sup>.

Internationally-funded fire monitoring projects cover the island of Borneo and, until recently, Sumatra. They make public information available through their websites. Fires monitoring, including air

86. Jakarta Post 3/Sept/2001

87. CIFOR press release 30/Jul/01

88. Sargeant 2001

89. CIFOR press release 30/Jul/01

90. WALHInews 29/Jul/00

## Fires sites

DTE dual language website:

Global Fire Monitoring Centre,

ASEAN Haze Action Online

Singapore pollution index

CRISP - Centre for Remote Imaging, Sensing, and Processing

Forest Fire Prevention and Control Project (EU-funded, Sumatra)

Forest Fire Prevention Management Project in Indonesia

Indonesian National Remote Sensing Centre

Gol Fires & Haze information

[www.gn.apc.org/dte/camp.htm#for](http://www.gn.apc.org/dte/camp.htm#for)

<http://www2.ruf.uni-freiburg.de/fireglobe/>

<http://www.haze-online.or.id>

<http://www.gov.sg/env/psi/index.html> or <http://www.gov.sg/metsin/>

<http://www.crisp.nus.edu.sg>

<http://www.mdp.co.id/ffpcp.htm>

<http://mofrinet.cbn.net.id/informasi/kebakaran/hotspot.htm>

<http://www.lapan.go.id>

<http://www.bapedal.go.id/kebakaran/> (Bahasa Indonesia only)

For a list of recent legal cases see [www.gn.apc.org/dte/cflg.htm](http://www.gn.apc.org/dte/cflg.htm), and information on annual fires January March 2002, see [www.gn.apc.org/dte/Cfcr2.htm](http://www.gn.apc.org/dte/Cfcr2.htm)

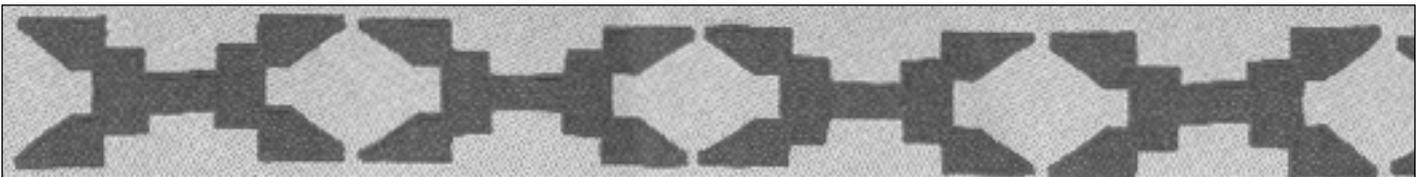
pollution levels is also carried out by the CRISP programme in Singapore (see box,p.40). No similar data collection exists for other forested areas of Indonesia such as Sulawesi, the Moluccas, the drier islands of the Lesser Sundas and West Papua.

Indonesia has come under mounting international criticism for not doing enough to control forest fires. Efforts to address the issue by the Association of South East Asian Nations (ASEAN), the region's main diplomatic grouping, have so far proved ineffective. For Indonesia's ASEAN neighbours, the problem is the smoke rather

than the fires themselves. Regional governments and environmental from Indonesia, Malaysia, Singapore, Thailand and Brunei have been discussing common ways of dealing with the 'haze problem' since the early 1990s. There has been a series of international conferences, seminars and workshops on transboundary pollution since 1997 partly funded by ADB loans. The major outcome has been a book titled *Fire, Smoke, and Haze - the ASEAN Response Strategy*, which outlines the global and regional context of forest fires, ASEAN's response to the problem and guidelines on fire and haze management

in the region, plus a Regional Haze Action Plan. There have been protracted negotiations on an ASEAN agreement on the haze.

Current efforts are focussing on public awareness programmes and the development of guidelines and techniques for controlled burning methods. In the absence of any effective action at government level, ASEAN members have recently focused their attention on local initiatives to fight the fires. For example, a conference on community-based fire management in Balikpapan, East Kalimantan, in Indonesia took place in late July 2001 with 200 participants from 25 countries.



## Fundamental reforms still needed

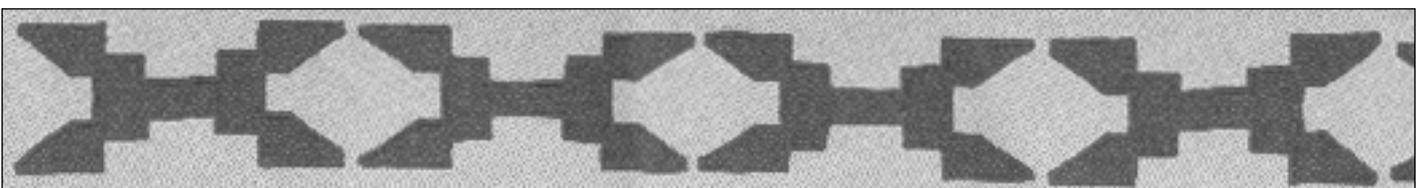
The reforms implemented during the past four years have not gone deep enough to make enough of a difference: they amount to token efforts to treat the symptoms of the forest crisis, while failing to tackle the underlying causes. There has been pressure from the IFIs to make the forests more efficient in generating revenues, plus resistance from those who profit from the current system. This has helped prevent the required shift from the short-term, unsustainable exploitation model to a longer-term, sustainable management model which recognises the multiple functions of forest eco-systems and the central role to be played by forest-dwellers in protecting them.

Despite the forces stacked up against them, forest peoples and the NGOs in Indonesia who support them are determined to continue pushing for fundamental reform. Part III considers this process in greater detail and highlights cases where communities have acted to protect and develop more sustainable forest management systems which provide alternatives to timber-mining.

### Continuing violations

All the talk in Jakarta of democracy and reform, consultation with communities and 'good governance' has not stopped the abuses against forest communities from continuing. Recent cases include:

- w Uncontrolled logging blamed for floods killing tens of people on Nias Island, off North Sumatra, November 2001 (see DTE 51:7).
- w *Brimob* violence against local people at Aurora Gold's mine in Central Kalimantan, June 2001 and January 2002 (DTE 52:8).
- w Manipulation of small-scale logging concession permits on Siberut, West Sumatra to gain access to valuable forests (DTE 50:8).
- w The ongoing struggle by Dayaks in Meratus, South Kalimantan to defend *adat* forest lands from logging and mining by Canada's Placer Dome (DTE 50:7).
- w The massive violent response in Wasior, West Papua to the killing of five *Brimob* personnel guarding logging concession; at least ten people killed, tortured and disappeared, mid-2001 onward (see DTE 52:4).
- w Police and paramilitary forces attack on the village of Betung, Riau, following years of conflict over theft by PT Arara Abadi of community land (DTE 49:11).
- w The arrest by *Brimob*, forestry company staff and hired thugs of 47 farmers forcibly evicted from their land claimed by Perhutani, Banten, Java, November 2001(DTE 52:2)



# Part III: Community forest management, the way forward

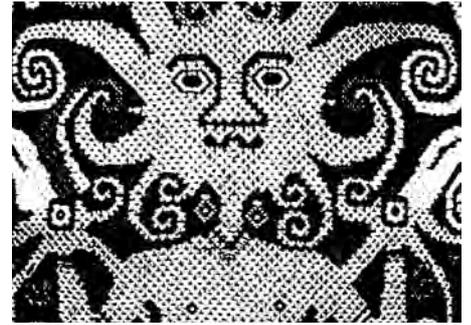
Forest peoples have been regarded by Indonesia's powerful wood industry and successive governments in Jakarta as a problem, an obstacle to the profitable exploitation of the forests. While the need to deal with forest communities has long been recognised by Jakarta, the measures designed to do this have failed. These include commitments to community development by logging companies, schemes for small-scale miners, social forestry schemes, shares for co-operatives - all of which have been designed without input from forest communities. They failed because they were cosmetic measures, which paid lip-service to public concerns, and did not affect company profits or government revenues. There was a complete lack of political will to carry out the fundamental

changes in forest management needed to effect real change. The escalation in protests by communities whose forests and livelihoods were being destroyed in the meantime provided damning evidence of this failure.

Community forest management provides a radical alternative approach which puts forest peoples at the centre of decision-making and sees them, not as a problem to be dealt with, but as a key part of the solution.

Part III of *Forests, People and Rights*, focuses on the positive role of community forest management. It explores what community forest management means, describes government responses to demands for reform and focuses on a number of officially-sanctioned programmes. It then outlines the

community forest movement in Indonesia and highlights six examples from different parts of the country. Finally, the section on challenges and recommendations put forward ideas - garnered from various organisations - for moving forward.



## What is community forest management?

*"Wherever local forest-dependent people's rights are ignored, whenever they are excluded from forest resources and their management or marginalised by external forestry managers or forced to interact 'illegally' with their natural ecosystem, the results are socially unacceptable, economically inequitable and ecologically devastating."* (Campbell & Raharjo, Feb 2000)

As so many people are talking about community forestry, it is important to be clear what the term means. For many years, forestry policy internationally was underpinned by an assumption that local forest users were ignorant and destructive. Indigenous peoples' skills and knowledge were unrecognised, until very recently, by decision-makers in capital cities who ignored the obvious incentive these communities have to manage forests sustainably. Indigenous practitioners of rotational forest management, land-hungry settlers and illegal loggers were bracketed together as 'shifting cultivators' and branded the prime agent of forest degradation.

Since the 1978 'Forests for People' World Forestry Congress was held, there has been a gradual shift in perspectives. The concept of community-based forest management has gained international acceptability. Decision-makers all over the world, not just in Indonesia, are realising that the people who know most about local forest management are those who live in and around their forests.

In Indonesia, the community forestry movement starts from the premise that the domination of the state, the centralised nature of forest management and

the state's refusal to recognise *adat* rights are the major causes of deforestation and forest degradation. Civil society groups and academics who support community forestry generally recognise that it is not a panacea to solve all the problems affecting Indonesia's forests - it must be accompanied by democracy and decentralisation of power and decision-making. Nevertheless it offers an alternative model to industrial forest management as a way of linking local forestry and local development.

The plethora of terms in English - community forestry, joint forest management, participatory forest management, social forestry - is mirrored by an equally confusing range of terms in Bahasa Indonesia. *Hutan kerakyatan*, *kehutanan sosial*, *hutan kemasyarakatan*, are phrases which have been adopted by various NGOs then gradually rejected as the government adopts the new terminology, but not the thinking, behind them. As a result, most civil society groups now use the English term 'community-based natural resource management' (CBNRM) to discuss sustainable control over natural resources - including forests - by local people.

### The features of community forest management

CBNRM seeks to guarantee access and control over forest resources for people living in and around forests who depend on them for their economic, social, cultural and spiritual well-being. Forests should be managed to provide inter-generational security and increase the likelihood of sustainability.

It is based on three principles:

- w the rights and responsibilities over forest resources must be clear, secure and permanent;
- w the forests must be properly managed so that there is a flow of benefits and added value;
- w forest resources must be transferred in good condition to ensure their future viability.

CBNRM incorporates the following features:

**World view** - holistic perspective encompassing ecological, social, political, moral and spiritual factors as well as, not instead of, economic aspects;

**Morality** - based on harmony not conflict;

**Ecology** - integrates people and their environment with economics at a local level by taking a multi-functional and multi-product approach;

**Economy** - promotes poverty reduction, equity and self sufficiency;

**Social integration** - promotes local development based on communities rather families splitting up to seek a living elsewhere;

**Democracy** - decisions about local resources are made by local people;

**Civil society** - co-operation and partnerships between community groups;

**Spirituality and culture** - many forest communities regard forests as the homes of their ancestors, sacred spirits and gods<sup>i</sup>.

i. Munggoro in Aliadi, 1999, p35-7

Meanwhile, forest communities who have been deluged by government and NGO vocabulary continue to refer to their practices by their own terms such as managing *tembawakng, wono, alas* etc.

In complete contrast to Indonesia's uniform state model of forest management through 'selective logging and replanting' (TPTI), no single pattern of community-based forest management can be promoted as an alternative model. Historical, forestry and anthropological research testify to the

existence of indigenous forest resource management systems from almost all parts of Indonesia. Each developed according to the local culture, ecology and climate and has its own special characteristics.

These *adat* systems are still evolving in response to economic and political changes within and outside the community. In some places *adat* practices are still alive; in most they have been eroded or even stamped out by government edicts, resettlement programmes and large-scale

commercial logging.

At the same time, forest-dependent communities have been taking action - setting up alliances at local, regional and national level with support from other civil society groups (see section on AMAN, p.46). They are openly pressing for their rights, in particular recognition of *adat* rights and re-classification of forest lands. Some are starting to engage in active dialogue with the government and forestry companies.



## Pressure for reform and the government's response

*States should "obtain the consent of (tribal and indigenous) peoples, as expressed through their own representative institutions, in decisions affecting their future".*

(ILO Convention 169, Article 6.1a)

Conflicts over forest resources continue to challenge the authority of the state at a time of political weakness and uncertainty. At the same time, logging and mining companies which are 'on the front line' are petitioning local and central government to resolve their confrontations with forest communities. The situation is a time bomb as Jakarta continues to prioritise national unity and ignore indigenous demands for rights. Meanwhile, poverty within and around Indonesia's rapidly diminishing forests gets worse as people are denied access to the land and resources on which sustainable livelihoods depend.

Forestry policy reform in Indonesia is an essential element of sustainable forest management. Even in government circles, it is now recognised that there is a need for change since existing forest policies and management practices have failed to protect forest areas and improve the welfare of communities living in and around forests.

There are essentially three stances to reform:

- Limited reform** - maintaining the status quo as far as possible, including state control of forests and natural resources and the role of central government. Pragmatic changes to reduce conflict between communities, companies and the state to ease pressure from civil society and international donors.
- Liberal reform** - making maximum use of existing legislation and regulations to protect forest peoples' rights and their autonomy in decision-making on land and natural resources.
- Radical reform** - changing the mainstream positions on forest tenure and management. Making local communities

the key decision-makers and key actors. Recognising the ecological, social and economic sustainability of traditional systems and using these as the basis for new models of natural resource ownership and use.

### The government approach

To date, there have been four main government initiatives to address forest communities' demands for ecological justice<sup>1</sup>:

- The community forestry programme - mainly for areas of degraded forest not within existing concessions (*hutan kemasyarakatan*);
- Recognising some *adat* forests where management practices are deemed sustainable (*hutan masyarakat adat*) (see box on KdTI p.18)
- Encouraging tree planting on private land (*hutan rakyat*);
- Granting logging concessions to local communities in addition to or instead of to large companies (*HPH Kecil* - see p.31)

The former state forestry company,

Perum Perhutani, has also introduced its own form of community forestry on Java through the Joint Forest Management scheme (see p.45).

These are only very limited reforms, despite their use of the term 'community forestry'. They only refer to management or access, not tenure. Some forestry officials at central and local government level do have a more progressive outlook but, to date, reforms have been constrained by the premise of state control of forests enshrined in the Constitution and the 1960 Basic Agrarian Law (see p.5). The recent decision by the Consultative Assembly, Indonesia's highest legislative body, to revise the legislation on land and natural resources opens up new opportunities for a new framework for forest management. (See box on MPR decree, p.35)

Even so, considerable obstacles remain. For example, for years the Indonesian government never officially recognised the existence of indigenous communities. Officials need to be able to 'locate' an issue

### Government-approved options for indigenous communities

A forest farmer or community leader seeking to secure forest access theoretically has a number of legal options:

- Under Forestry Act 41/1999 - legal recognition of *hutan adat* within state forest
- Request a temporary use permit (*IPHH*) under Law 41/1999
- Apply for a community forestry concession (*HP HKM*) under SK31/2001.
- Form a larger co-operative and apply for a *HPH kecil* and/or 20% of shares in a concession holding
- Seek special status (*KuTK*, formerly *KTI*)- as for Krui - also under Law 41/1999
- Use local autonomy legislation to redefine villages as *nagari, marga, Kampokng* and pass local regulations which recognise and protect traditional decision-making institutions and forest management systems
- Use *BPN* ministerial order 5/1999 on settlement of disputes over customary lands
- In Java only - push for more involvement in the Integrated Village Community Development (*PMDH-terpadu*) programme
- In Java only - apply to be a pilot project under the Joint Forest Management scheme (*Pengelolaan Hutan Bersama Masyarakat*) with PT Perhutani.

Alternatively, forest people have 'illegal' options such as occupying forest lands (see box.p.26).

Adapted from *SHK vs HKM:Haruskah Dipertentangkan?* Article in Galang SHK No.1, Jan 2001 p.12-16

1. This section draws heavily from Sirait et al, ICRAF, Oct 1999

conceptually and physically, yet the government has no definition of indigenous peoples and no map of where they are. Even now, it talks in terms of the forests of 'communities who live by customary law' (*hutan masyarakat hukum adat*) to avoid the phrase 'indigenous lands' or *adat* forests.

The situation is further complicated because previous governments have forced many *adat* communities to leave their homelands. These areas now appear empty and may even be claimed by more than one indigenous group. In addition, as the 1999 Forestry Act treats *adat* forest as a part of state forest, the government cannot see how to mark the boundaries between state forest and *adat* forest - an essential step in resolving conflict over resources. Indigenous peoples

and their NGO supporters argue that their prior rights to all customary land, including agroforestry plots and natural forest, must be recognised, not just certificated land. The long-awaited regulation on *adat* forests which complements the Forestry Act, is due to come out soon. However, there are no signs that Megawati's government is going to pay any attention to indigenous demands for *adat* tenure and management systems to be recognised on an equal footing with state legislation.

It is a bitter irony that, under current government community forestry regulations, indigenous communities have to submit management plans for the use of their *adat* lands to the Department of Forestry - an institution which has proved incapable of

managing Indonesia's forests. The only silvicultural model promoted by the forest bureaucracy for the past thirty years has been orientated towards the large-scale production of a single product - timber. This paradigm is hardly appropriate to evaluate the management of highly complex indigenous agroforestry systems with their diversity of forest products.

*"Between 14 and 20 million hectares of logged over concessions could be handed over to local communities. A further 15-20 million hectares of more seriously degraded forest would need rehabilitation through some form of co-operation between the state, private sector and local institutions."*

(*Business Indonesia*, citing FKKM, 1/Aug/2002)

## The HKM community forestry programme (*Hutan Kemasyarakatan*)

*"The low-cost community forest (Hutan Kemasyarakatan) program has provided heartening evidence of poverty alleviation, conflict resolution, reforestation and bottom-up collaboration among local people and government forestry agencies, notably in Sesaut in Lombok and Gunung Betung in Lampung"*

(Marzuki Usman in his address to the CGI, April 2001)

HKM was, until the introduction of small-scale logging concessions, the main thrust of the government's community forestry initiatives<sup>2</sup>. Its future is now uncertain. The programme has been the topic of intense public debate between foresters, academics, NGOs and indigenous groups. The argument is hard to follow because the HKM programme has been through several different incarnations, all under the same name, during an eight-year period.

HKM is essentially a lease scheme for forest use by local groups. It can operate in any type of forest - Production, Protection or Conversion - where no other logging or plantation concessions are currently valid. It allows local people to use these forests and plantations to harvest timber or non-timber products for their own use or on a commercial basis.

The drawbacks of HKM are that:

- w It does not meet the demands of *adat* communities living within 'state forest' lands for recognition of their own ownership and use rights;
- w It can only be implemented in very limited areas, where permits have been withdrawn or expired, since the vast majority of forest is still covered by concessions;
- w It is heavily regulated and not all communities or co-operatives can meet

the requirements of the scheme.

- w Each time the system has been changed, community management elements have been weakened in favour of conventional business operations.
- w Officials at district and provincial level rarely understand the principles of community-based forest management and have not always implemented the scheme properly.
- w Policy decisions at central government level have not been informed by evaluation of existing projects.

The earliest HKM scheme was an attempt by Perhutani to apply the Social Forestry Programme used on Java to its reforestation work on other islands. Previous attempts to establish timber plantations had been unsuccessful due to conflicts over tenure with local communities. Pilot projects in East and West Nusa Tenggara provinces and East Timor - set up in 1994 - involved replanting degraded land with a mixture of trees for timber (70%) and other uses (30%). Communities were allowed to grow their own crops between the young trees for the first few years. Some local governments applied the same approach to restoring forest cover in watersheds e.g. Tulang Bawang, Lampung.

The results of the pilot projects were mixed. In some places, plantations were successfully established and local incomes increased. However, settlers employed for tree planting tended to benefit more than indigenous communities. In others, the new plantations failed as local people preferred to nurture their own plantations. In Nusa Tenggara Barat province, farmers with livestock lost out as their grazing land was converted to plantations.

## Decree 677

Forestry Minister Muslimin also adopted the term HKM for a radically new community-based forest management scheme. He worked with forest researchers and NGO staff from Bina Swadaya, ICRAF, FKKM and Ford Foundation, plus progressive elements within the department, to draft a new decree. SK677/1998 was eventually introduced in October 1998. It was the first policy instrument to recognise the existence of forest communities and to make them - rather than individual families or companies - the key decision-makers and the beneficiaries of the scheme.

In theory, communities could decide what sort of management body to set up and use their own planting schemes, based on traditional forestry management practices, instead having to stick to a single government pattern. The emphasis was on biological and cultural diversity. People could harvest natural and planted timber, instead of just non-timber products, over a 30 year period.

In practice, the scheme had many flaws even though the list of principles which accompanied Decree 677 were welcomed by many in the community forestry movement. All management plans had to be approved by officials who tended to adopt more conventional, business-orientated approaches. They translated the ideals of community management as small-scale commercial logging operations. Only co-operatives were considered acceptable to manage these. The community's needs, indigenous knowledge and traditional skills were overlooked.



2. From Sirait, 1999 and pers com.  
See also Raharjo, 2001.

## Reverses

A subsequent decree brought a fundamental change. Under Muslimin Nasution's SK865/1999, the right to manage a community forest (*Hak Pengelolaan HKM*) became a permit to exploit one (*Ijin Pemanfaatan HKM*<sup>3</sup>). Applications from farmers groups, co-operatives, Islamic schools and other groups piled up at the Department of Forestry and some temporary permits were issued. With the introduction of regional autonomy, it became less clear who had the authority to issue *HKM* permits or which areas were eligible.

The government introduced yet another change in 2001 (SK31/2001) which superseded previous policy decisions. This tipped the balance even further towards business and forest exploitation and away from the original intention that *HKM* should be a mechanism for conflict resolution and a sustainable model of community-based forest management. This kind of community forestry permit can only be issued for areas of forest not covered by other licences - logging, plantation or mining permits. As so much of Indonesia's forest has been allocated for those purposes, it is hard to see where the many groups of dispossessed forest peoples will be able to apply for a *HPHKM*.

The situation is further complicated by *HKM* community forestry initiatives funded by loans from OECF (the Japanese government aid agency). This project, which involves the National Planning Board *BAPPENAS*, is operating in ten provinces: Riau, W. Sumatra, Jambi, Bengkulu, S. Sulawesi, SE Sulawesi, C. Sulawesi, East and West Nusa Tenggara and Maluku. The design of the programmes, seedling nurseries, planting schemes, maintenance and training are all conducted through consultants and contractors working with NGOs rather than being genuine community-led initiatives. This raises the question of whether the government is genuinely interested in the basic principles of community forestry or whether *HKM* is merely a means of accessing more foreign funds. As the OECF programme provides loans rather than grants it could be an expensive option for Indonesia in the long term.

The intense debates over the *HKM* have been highly emotive, yet there has been no proper monitoring and evaluation. Critics point out that *HKM* has only benefited a relatively small proportion of indigenous communities. They claim the beneficiaries to date have been local entrepreneurs, settlers and town dwellers who understand how to deal with the authorities and set up co-operatives. Certainly, hundreds of *HKM* applications have been made in some provinces (for example, Central Kalimantan), the majority by forest-grabbing opportunists who are nothing to do with indigenous communities.

Other local authorities, for example in Lampung, insist that *HKM* permits would only be issued to *bona fide* community groups and emphasise the responsibility to conservation as part of the right to profit from the forest<sup>4</sup>. At the same time, agencies such as the Ford Foundation, claim that there is much to be learnt from *HKM* schemes in Sesaot (Lombok), Nenggala (Toraja) and Gunung Betung (South Lampung) and that - while far from perfect - *HKM* was a step in the right direction. It remains to be seen what will happen to *HKM* projects once the forthcoming regulation on *adat* community forests is introduced.

## The People's Forest Programme (Program Hutan Rakyat)<sup>5</sup>

This government programme aims to encourage individual land owners to plant forest trees as small-scale private estates. There are a number of different models, from 'People's Forests' established by the community on their own initiative and from their own savings; to government-sponsored 'regreening' or job creation projects; to schemes promoted by private companies or co-operatives. They are all directed towards people who have certificated land which is not forested. (If a land owner chooses to plant mostly coffee and fruit trees, this is called a 'Peoples Plantation' - part of the agriculture authorities' domain). The government's input may be technical assistance, funding (from the Reforestation Fund) or assistance with credit facilities. Loans are sometimes available to growers, but this is not an obligatory part of the package.

Each farmer may only plant a fraction of a hectare with trees but, as villagers often form 'forest farmers groups', these plantations can be extensive. These now cover some 1.2 million ha and produce 2 million cubic metres of timber per year<sup>6,7</sup>. As natural forests dwindle, the government is promoting People's Forests as a source of firewood, timber for construction and materials for furniture makers and handicrafts as well as a means of supporting local economies and reducing soil erosion. Farmers will usually grow vegetables, fruits and gingers as intercrops between rows of young trees. Pulp mills and their plantation companies have encouraged local people to plant fast growing trees to increase their access to supplies of pulpwood. Head of the timber producers' association *MPI-Reformasi*, Sofjan Siambaton, estimates that if the government

set up a professional team, 10 million ha of 'Peoples' Forest' could be planted in ten years. If harvested on a ten-year cycle, he thinks this would yield 200 - 250 million m<sup>3</sup> timber a year - sufficient to meet all Indonesia's domestic and export needs<sup>8</sup>.

The timber produced from *hutan rakyat* can be sold, but only with the correct permits and a letter from the village head attesting to its origin. Until very recently, Perhutani had a monopoly on selling timber from Java, leading to low prices for local timber growers. Outside Java, illegal levies imposed by forestry authorities present a problem.

Nevertheless, many 'People's Forests' are success stories, particularly in Java. Gunung Kidul, near Yogya, was once renowned as a barren limestone area which was one of the poorest parts of Central Java. After hundreds of hectares of teak, acacia and mahogany trees were planted by villagers, the local rainfall has increased and local communities can make a reasonable living<sup>9</sup>. Wonosobo also has extensive areas of 'People's Forest' planted under regreening schemes (see p.49).

The PT Xylo Indah Pratama (XIP) is another example of a 'Peoples' Forest' promoted as a success story by the government. In partnership with forest farmers groups, PT XIP has planted 51,000ha of land in Musi Rawas, South Sumatra with *Alstonia scholaris*. The wood is made into pencils for export by Faber Castell of Germany. Farmers also grow vegetables, chillies and beans in the plantation<sup>10</sup>. The whole plantation is FSC certified (see p.36).

## PHBM in Kuningan, West Java

The Joint Forestry Management Approach (*PHBM*) owes much to pioneering work on community forestry by NGOs like Bina Swadaya, LATIN, Gita Pertiwi and ARuPA over the last ten years with Perhutani while it was a state-owned forestry company (see also box on Social Forestry p.17). Civil society groups have urged Perhutani to adopt a multi-stakeholder forest management programme based on the principles that forest resources

3. This is not the same as the policy decision on small-scale logging concession permits (*IPHH*) made by a director general within the Department of Forestry that year. Unlike *IPHH*, *HKM* permits are not limited to 100 hectares.

4. Antara 5/Oct/00

5. Sirait, 1999

6. Kompas 17/Apr/01

7. Kompas 4/Sept/00

8. *Bisnis Indonesia* 24/Jul/01

9. *Suara Pembaruan* 2/May/00; *Jakarta Post* 31/Jul/00

10. *Media Indonesia* 31/Oct/01

are assets which should be shared equitably and that forest villages are central to the management of forests. Increasingly, they press the case for management systems based on community practices and draw attention to the persistence of traditional respect for forests (*ngamumule leuweung*), even on Java.

Progress has been so slow, due to resistance within Perhutani and the Forestry Department to the concept of community forestry, that many NGOs doubt the extent of official commitment. For example, Perhutani's term for community forestry refers to 'joint management' not 'community-based management'. Conveniently, the Indonesian acronym PHBM<sup>11</sup> can stand for either. Yet, there is a world of difference - conceptually and practically - between a forest management scheme devised by industry and government which allows the community to play some minor role and one in which local people are the primary actors and beneficiaries. More radical NGOs and academics are critical that joint forest management does not address tenurial issues and question whether a Perhutani-style scheme could work outside Java.

A pilot PHBM project was set up by Perhutani and Kuningan district government with the consent of the local community. Around one third of this part of West Java (35,000ha) is classified as state forest but, in the last 3 years, some 8,000ha have been stripped of trees. In the government's eyes this is illegal logging and has caused serious confrontations with forest dwellers. There are also concerns about increased sedimentation in local rivers. The Indonesian forest NGO LATIN mediated an agreement which was officially sanctioned by a district head's decree in July 2000.

The next step is for the district assembly to pass a local regulation (*Perda*) to strengthen the legal basis of the new model of joint forest management. LATIN is pressing for this legislation to give the local community an equal say in planning and managing forest resources and sharing in the profits. Villagers see this as a means to reclaim their forests from Perhutani, whereas the local government considers it as another step towards genuine regional autonomy.

PT Perhutani signed an agreement with a local forest farmer group in December

2001<sup>12</sup>. This lays down rights and responsibilities and commits both parties (and the village head) to stick to the principles and rules of joint forest management agreed by Cileuya village forum; to draw up all plans for monitoring, evaluation, supervision and security together; and to share the inputs and outputs of the scheme. Meanwhile, West Java provincial administration assumed full control of the region's forests from PT Perhutani by passing a local regulation in late 2001. Frustrated by the lack of progress with Perhutani over community forestry plans, Kuningan council has plans to take over that particular unit of forest and form a local authority company (*BUMD*). The Kuningan *Bupati* has urged West Java's governor to ask President Megawati to allow the district to assume control<sup>13</sup>.

11. PHBM can be taken to mean *Pengelolaan Hutan Bersama Masyarakat* or *Pengelolaan Hutan Berbasis Masyarakat*, depending on the speaker and the audience.

12. *Kompas* 28/Dec/01

13. *Pikiran Rakyat* 25/Feb/02

## The community forestry movement

The community forestry movement is a loose alliance of NGOs, indigenous peoples organisations and academics concerned with promoting forest communities at the centre of forest management in Indonesia. The organisations highlighted here are some of the major groups working towards this broad goal, although they may have differences in aims and approaches. There is insufficient space to provide detailed information on all groups, but the contacts box (p.48) should provide a good starting point for further information.

Through a variety of organisations and initiatives, community forestry advocates are going out to research and record indigenous practices, studying the *adat* law on which they are based and promoting examples of sustainable management practices as the basis of forestry policy reform. The intention is also to strengthen sustainable indigenous systems and to explore how they are adapting or can adapt in a changing world.

Meetings at local, national and international level have resulted in the publication of some papers, but more field studies need to be written up in Bahasa Indonesia and English in order to reach broader national and international audiences.

The international research centre, ICRAF, and the forest NGO, LATIN, have led the way in producing a number of publications explaining the principles of community forestry management and addressing the need for a new paradigm in forest management.

Together, they have championed the Krui's agroforestry system and played a crucial part in securing special status for their *adat* lands (see p.50).

To date, the various civil society groups which make up the community forestry movement have focused on fieldwork, research, problem analysis and practical assistance such as providing legal rights training, participatory community mapping and training for establishing and running credit unions. Some have provided advocacy training for key individuals, usually from within the community. Typically, this entails people attending workshops or short courses at the NGO's base and then returning to their villages as key workers or 'community organisers'.

*"Indonesian agroforests contribute significantly to the national economy. They provide approximately 70% of the total amount of rubber produced in the country, at least 80% of the damar resin, roughly 80-90% of the various marketed fruits; not yet estimated but rather important quantities of the main tree export crops such as cinnamon, clove, nutmeg, coffee and candlenut. In Sumatra alone, about 4 million hectares (of forest) have been converted by local people into various kinds of agroforests without any outside assistance. An estimated 7 million people in Sumatra and Kalimantan are living from rubber-based agroforests that are spread across approximately 2.5 million hectares."*

(Fay, Sirait & Kusworo, 2000)



AMAN's logo

## AMAN

Like many other sectors of civil society, indigenous peoples became more outspoken in their demands after Suharto stepped down in May 1998. The position of forest peoples of Indonesia is very weak. Many indigenous peoples, particularly those living a traditional way of life in forests, are completely unrecognised by the state. They have no vote as they have no national identity card.

A number of well-established Indonesian NGOs has supported indigenous people's struggles for some years through a network called JaPHaMa. In March 1999, it facilitated the first national indigenous congress<sup>14</sup>. Over 200 delegates representing indigenous communities throughout the archipelago attended the week-long meeting in Jakarta - many of them from forests. Participants strongly expressed their anger at the way they had been dispossessed of their

customary lands and blamed for the destruction and degradation of Indonesia's forests. They demanded recognition of their sovereignty over their resources and customary lands and of their skills and expertise as practitioners of sustainable forest management.

The result was the creation of the Alliance of Indigenous Peoples of the Archipelago, AMAN, an indigenous people's organisation set up to strengthen their bargaining power *vis-à-vis* the government and the private sector. There are an estimated 50-70 million indigenous people in Indonesia: 30-50 million of them directly dependent on *adat* forest<sup>15</sup>. At the national level AMAN increases pressure on the government to recognise *adat* rights and remove all legislation and supplementary regulations which violate *adat* law. At the local level, AMAN seeks to strengthen the local economies of indigenous communities by exploring initiatives to improve their production and marketing of forest products in sustainable, equitable ways.

AMAN is also a vehicle for developing awareness of policy issues - both government agendas, such as regional autonomy, and their own concerns, such as how *adat* institutions and laws can be revived or adapted to meet the challenges of a modernising society; what sort of legal framework is necessary to protect indigenous rights; the role of women in *adat* communities. The alliance is controlled by a council comprising two indigenous representatives (a man and a woman) from each province. West Papua has four representatives to take account of its size and the large number and diversity of indigenous peoples. A small secretariat is based in Jakarta.

It is still early days to gauge the long-term significance or achievements of AMAN. The organisation faces considerable communications problems in view of the huge size of Indonesia; the broad distribution of indigenous groups and their lack of access to technology; organisational problems to do with representation, democracy and delegation of decision-making; strategic problems relating to negotiating recognition of indigenous rights with the local and central authorities. On the other hand, these are problems common to indigenous peoples' organisations throughout the world.

Within a relatively short time, the creation of AMAN has already increased the confidence and solidarity of indigenous peoples in Indonesia. Communities in several 'outer islands' have set up associations at local and provincial level and have held meetings to work on their own local agendas. There have also been two island-wide indigenous gatherings, for Kalimantan and Sulawesi, and a conference for indigenous women.

Until the indigenous peoples' movement grows stronger in terms of alliances and experience, NGOs and other

non-government agencies have important roles to play in:

- w making forest communities more aware of the various legal options available to them;
- w helping forest communities to articulate their demands and to present them to the local and central authorities;
- w assisting communities to maintain or develop equitable decision-making mechanisms;
- w helping to lobby for changes in state and local legislation to replace legal instruments which disadvantage forest communities with ones which recognise their rights;
- w mapping community lands to help secure *adat* rights (see p.51 on the Behoa and p.54 on West Kalimantan);
- w strengthening the local economy through giving training in setting up credit unions;
- w increasing community awareness of other services and roles which outsiders may provide. For example, processing and marketing forest products;
- w facilitating the exchange of information between communities and civil society groups through networks and workshops;
- w providing a bridge between forest communities and other groups such as peasant farmers and the urban poor who are also demanding land rights;
- w helping to open up opportunities for dialogue, negotiation and co-operation between the community and government at local and national levels;
- w Enabling forest communities to make use of international legal instruments, bodies and gatherings to strengthen their position versus the state.

## FKKM

Another important network which emerged as an influential lobby for policy reform once Suharto was removed from power, is the Communication Forum for People's Forestry (*Forum Komunikasi Kehutanan Masyarakat*, FKKM). The group now consists of academics, NGOs, government officials and commercial foresters. Members of the forestry faculty of the prestigious Gajah Mada University in Yogyakarta have been particularly active.

FKKM has evolved since it was founded in September 1997 from being an independent 'think tank' promoting community forestry in Indonesia to become a pressure group lobbying central government on forest policy. It played a leading role in the opposition to the Forestry Act (41/1999) and subsequently lobbied the government intensively in an attempt to ensure that forest communities' rights are recognised and respected in the supporting regulations<sup>16</sup>. One consequence has been that some Forestry Department staff tend to see FKKM as 'the opposition' and are reluctant to engage in dialogue. A past criticism of the FKKM has been its tendency to operate in a

## The Santika Declaration

Around 50 representatives of indigenous communities, NGOs and individuals concerned to realise the ideals of community forestry held a workshop in Jakarta in July 2000. The meeting was organised by WALHI and funded by DFID. The outcomes were presented to government officials, including Minister for the Regions, Erna Witoelar and Secretary General of Forestry, Suropto, who attended the final day's session, gave their responses and discussed the way forward. This is part of the declaration on policy reform.

*" We consider that the process of constitutional reform is very important in renewing the social contract between the people and the state so that it includes human rights issues, regional autonomy and the role of adat/local communities in natural resource management. We also consider that it is necessary to review all sectoral legislation (forestry, mining, land and conservation)...*

*We demand that spatial planning/zoning is participatory, transparent and most importantly, based on local community land-use planning.*

*We are concerned about the tendency for regional autonomy implementation to be directed purely towards increasing local revenues through opening up opportunities to investments which will destroy local economies. In particular, we demand genuine community involvement in decision-making, primarily in drawing up policy decisions and regulations concerning natural resource management and the existence of indigenous/local peoples' rights."*

'top-down' fashion by not always including community representatives or indigenous organisations in stakeholder consultations.

FKKM responded by again changing its structure and activities to focus on two areas: decentralisation and conflict resolution. It now has a decentralised structure with local 'nodes' in the regions and a small, central secretariat. Its 2001-2 work programme included comparative studies on how regional autonomy is affecting community-based natural resource management in the 'outer islands' and the implications for conflict resolution; policy dialogue with local administrations and assemblies; regional workshop or conferences on community forestry and conflict resolution; working with other parties, including the timber producers association, on cases of conflict between local communities, the government and the private sector; developing curriculum materials on community forestry with higher education institutions<sup>17</sup>.

14. See DTE Special Issue Oct 1999

15. Nababan, 2002

16. FKKM profile (undated)

17. FKKM minutes email 11/Dec/2000

## KpSHK

KpSHK - the Consortium for Supporting Community-based Forest System Management - started up in 1997 as a small group of NGOs and individuals keen to support community based forestry. Since then it has expanded its activities from Lampung and East & West Kalimantan to almost all provinces in Indonesia with 43 members. The consortium pursues its overall aims - to act as an advocate for forest peoples' rights - through a small secretariat based in Bogor, West Java and local organisations carrying out research and community empowerment activities in the field. Its programmes, including institutional strengthening, have received funding from major donor agencies including Ford Foundation, DFID and HIVOS.

The KpSHK secretariat promotes community forestry at national and international level, through links with other networks such as civil society groups belonging to KUDETA (the Coalition for Democratisation of Natural Resources) and the multi-stakeholder forum FKKM. It also garners support from other NGOs,

researchers and academics.

The Consortium's name was chosen to emphasise two essential elements of its work. Firstly the phrase 'forest system' acts as a reminder that forests are not just a stand of trees, but the whole area used by forest peoples, including mature forest, secondary forest, fields, lakes, settlements, sacred groves and more which supports the

local community. Secondly, the word 'community' stresses that the key players in forest management are local people. Indeed, the main purpose of forest management is to support and benefit local communities<sup>18</sup>.

18. Taken from address to *Lokakarya dan Dialog Nasional Promosi Sistem Hutan Kerakyatan 3-7 July 2000* by Muayat Ali Mushi, KpSHK

### Main groups working on community forestry - national level

AMAN	rumahaman@cbn.net.id
ARuPA	www.arupa.or.id
BINA SWADAYA	www.binaswadaya.org/
CIFOR	www.cifor.cgiar.org
FKKM	fkkm.hypermart.net/
Ford Foundation	www.fordfound.org/
ICRAF	www.icraf.cgiar.org/
JaPHaMA	japhama@indo.net.id
JKPP	www.jkpp.or.id
KEMALA	www.bsp-kemala.or.id/
KpSHK	kpskh@indo.net.id
LATIN	www.latin.or.id
LP3ES	www.lp3es.or.id/
RECOFTC	www.recoftc.org/
WALHI	www.walhi.or.id

## Solidarity in South Sumatra

The province of South Sumatra can be divided into three roughly equal zones: the swampy coast with its many small islands; the lowlands where there are many large-scale plantations and associated industries and settlements; the rugged hills which form part of the Barisan range. Much of the natural lowland forest has been cleared including the coastal mangroves. What remains is a mosaic of mature forest, scrub, secondary forest, grassland and agricultural land. In the western highlands, illegal logging and commercial mining have caused serious deforestation and erosion.

While it is common to find environmental NGOs, peasant farmer associations, workers organisations, indigenous peoples' alliances, student groups or civil rights offices at provincial level, it is relatively uncommon to find a place like South Sumatra's provincial capital, Palembang, where there are strong links between all these different types of organisation<sup>19</sup>.

The legal aid foundation, LBH Palembang, has helped to foster many of these community groups and NGOs. Over the past decade it has taken up hundreds of land rights cases. Typically, indigenous land holdings in the lowlands are quite small, but local farmers can make a reasonable living by cultivating small plots of rubber and fruit trees, fishing in local rivers and growing rice and vegetables. Commercial logging operations, large-scale timber estates to feed the paper pulp industry and oil palm plantations, plus the transmigration schemes associated with these developments, have had a tremendous impact on this way of life. Some indigenous people

have joined resettlement schemes as local transmigrants and work on the plantations; others have drifted to the timber and food processing factories in Palembang and along the River Musi; a few have remained to fight for their rights.

LBH Palembang has encouraged regular local meetings between communities involved in land disputes where they discuss their problems and provide practical support for each other. The KSKP (*Solidaritas Kesejahteraan Petani*) support network has helped to strengthen the peasant farmers' association in South Sumatra. This, in turn, has played a leading role in the creation of a national federation of such groups (FPSI). At the preparatory stage for the first national indigenous peoples' congress, it was easy for Palembang NGOs to contact local communities who then organised their own meetings to select their representatives. After the congress, South Sumatra was one of the first provinces to set up a local indigenous peoples' organisation, IMASS (*Ikatan Masyarakat Adat Sumatera Selatan*).

The local branch of the environmental NGO, WALHI, works closely with LBH Palembang and with student organisations from Palembang's universities such as IMPALM - the student environmental group and MAPESRIPALA. These groups have held demonstrations and lobbied the provincial authorities on a number of local issues, including the PT TEL paper pulp plant, the PT WM shrimp farm, PT Tania Selatan's oil palm plantations and the Barisan Tropical Mining gold mine.

The strength of the movement has brought it into conflict with the authorities. In February 2000, dozens of representatives of worker, farmer and student organisations went to Jakarta to protest to parliament and the Peoples Consultative Assembly about 136 land cases in the province, workers' low wages and military intervention in disputes with companies<sup>20</sup>. Four months later, a march through Palembang by hundreds of students, workers and farmers was broken up by police. Demonstrators were attacked and beaten by police. Truckloads of security forces later raided LBH Palembang's office to flush out any supporters hiding there<sup>21</sup>.

Such repressive actions have not daunted civil society groups in South Sumatra. For example, they held a large public meeting to mark the end of 2001 at which journalists, lawyers, environmentalist and students representing a number of organisations called for a Freedom of Information Act in Indonesia. They also called on the media to make the local government more accountable to the public, especially over local budgets. The South Sumatra branch of WALHI explained the difficulties in getting reliable information about environmental destruction, including forest losses due to fires, caused by the activities of private and state-owned companies. There were then 75 active cases of conflict between companies and local communities over forests in South Sumatra<sup>22</sup>.

19. Information in this section comes from interviews with several Palembang activists

20. *Tempo Interaktif* 3/Feb/00

21. WALHInews 13/Jun/00

22. Email from AJI, 29/Dec/01

# Community-based forest management in Wonosobo, Central Java

The case of Wonosobo is unusual because it is an experiment in how policy change can bring about changes in the field<sup>23</sup>. Here local legislation (*Perda*) is being used as a tool to settle long-standing local disputes over forest management. It also shows how an alliance of local parties has tried to wrest power over resources from central control. This is only the first step - it only applies to one district and remains to be seen how it works in practice. If successful, the Wonosobo model could provide inspiration for other communities.

Wonosobo is a rural district in Central Java, close to the mountainous Dieng plateau. Much of its 18,896ha of state forest is designated Protection Forest as the hilly uplands are the watershed for several major rivers. Like all other state forest/plantations on Java, this land was controlled by the state-owned forestry company Perum Perhutani. Local people resented the fact that 'state forest' had provided little direct benefit to them over many decades, not least because of Perhutani's centralised bureaucratic structure and its tight restrictions on access to forest land.

The introduction of regional autonomy and the privatisation of state forestry in Java presented new opportunities. Supported by district authorities, local people argued that state forest represents a resource which could improve families' welfare and generate funding for development in Wonosobo, if only it were managed by communities and the local government. They have a point: the people of Wonosobo district already manage more tree-covered land than the local Perhutani unit - over 19,000 ha by 1997-8. This 'community forest' is mostly *Albezia sp* and *Paraserianthes falcataria* plantations. These trees are fast-growing, easy to grow and provide wood for fuel and household construction plus foliage which can be used to feed livestock or make compost. In contrast, the 'state forest' largely comprised older, semi-naturalised plantations of pine, teak and remnants of natural forest. Teak only reaches maturity after 30 years, but has a much higher commercial value.

Very little community forest in Wonosobo has been affected by timber raids, even though adjacent state forests have been hard hit by large-scale illegal logging since late 1998. Forestry office data states that nearly 3,500ha of Perhutani forest had been cleared by mid-2000, mostly in operations organised and carried out by outsiders. But field reports suggest that well over half the 'state forest' has been severely damaged or destroyed. Local people feel no responsibility to protect Perhutani plantations and may well participate in the timber raids. Even so, they recognise

the value of local forested areas for protecting watersheds and regulating water supplies for irrigated rice cultivation. Sedimentation of local reservoirs and - every rainy season - flooding and landslides are important local issues.

Elements of traditional forest management still persist in some parts of Java, despite centuries of colonial administration, the conversion of most lowland forest for agriculture and the establishment of plantations. The Javanese term *wono*, incorporated into the names of many villages and towns, can mean forest, paddy fields or orchards since the same land is used to grow trees, rice and other agricultural crops - sometimes in rotation; sometimes by intercropping.

## New Perda

Co-operation between local NGOs and district authorities has resulted in a new local regulation for Wonosobo<sup>24</sup>. *Perda* 22/2001 on Community-Based Forest Resource Management is the culmination of several years of consultations and negotiations between various stakeholders. Wonosobo officials insist that this is a genuine attempt to implement more democratic, equitable resource use and not simply a means of increasing revenues for a hard-pressed local government in a very poor part of Java.

The Yogya-based NGO, ARuPA, carried out an investigation into the raids on state forest land in the Wonosobo area. ARuPA (an acronym roughly translating as the Volunteers' Alliance for Saving Nature) was founded in 1998 as an action committee to promote reform of policy and practice in natural resource management and tenure. Many of its members are students from the forestry faculty of Gajah Mada University who gained some understanding of conflicts over local resources through the practical work in Perhutani forests and plantations as part of their courses. Consequently conflict resolution and sustainable, fair, democratic resource management are high on their agenda. ARuPA has been actively promoting community-based forestry management for the past three years, through publications in Javanese for local farmers and a joint forest management pilot project in Randublatung with Perhutani<sup>25</sup>.

The Wonosobo local assembly (*DPRD*), also concerned about escalating conflicts over state forests in its administrative area and protests from local communities about erosion problems, were impressed by ARuPA's report and invited them to discuss possible solutions. Early meetings proved so constructive that, by

August 2000, informal discussions had extended to become a multi-stakeholder forum involving Perhutani and local forestry officials, security forces, community representatives and other groups, including forest farmers. One major sticking point was that the state forestry company wanted to maintain its authority and clung onto the monopoly over commercial forestry operations on Java granted to it by Jakarta. Local assembly representatives (*Komisi B DPRD*) continued to explore other alternatives with ARuPA and Yayasan Koling, a local NGO, including joint visits to disputed forest areas within the district. Eventually, they decided to make the most of regional autonomy powers to pass new legislation on community-based forest management.

With expert staff from Gajah Mada University, ARuPA drafted a local regulation which was presented to Perhutani and local communities through a formal hearing of the local assembly in November 2000. This was followed by a series of open meetings chaired by the forest forum, FKMM, attended by forest farmers, local government, forestry officials, the press, NGOs and forestry academics. These provided information on how local autonomy was working in different sectors, opinions on the legal basis of forest management and evidence on community-based forest management from other countries, thus providing legitimacy and strengthening support for the proposed legislation. At the same time, members of the group revisited the villages they had studied to discuss the draft regulation. Such meetings generated broad-based discussion and greater understanding of actual conditions and the potential for change within the Wonosobo district.

An initiative to set up a local government-controlled forestry company

23. This section draws on information provided in interviews with ARuPA, C. Krustanto (Head of Komisi B, DPRD Wonosobo) and *Jurnal Studi Kebijakan PSDA* Vol 2/No.1/Oct-Dec 2001.

Wonosobo: *Facing decentralised forest management*, a paper in English by Irfan Bachtiar, is available at <http://www.arupa.or.id/papers/01.htm>

24. The full text of this local regulation is available in English on <http://www.arupa.or.id/papers/33.htm> and in Bahasa Indonesia on <http://www.arupa.or.id/papers/34.htm>

25. The farmers news bulletin and comic *Wasis* (in Bahasa Jawa) and *Negosiasi Tanpa Henti* (Endless Negotiations) a video on the Randublatung pilot project (in Bahasa Indonesia & Bahasa Jawa with notes in English) are available from ARuPA sekretariat, Karangwuni H-5A, Jl Kaliurang Km 5, Yogyakarta 55281, Central Java, Indonesia; website [www.arupa.or.id](http://www.arupa.or.id).

was rejected in favour of a second attempt to create a community-based system. A new drafting team representing all parties was chosen and set about further consultations. Unfortunately, local communities were more prepared to participate than Perhutani, which only sent low-ranking officials to meetings.

By early 2001, the multi-party Wonosobo Forest Forum (FKPPH) was up and running. Its first move was urge Perhutani and forest farmers alike to observe a six-month moratorium on all logging and forest farming from March to September 2001 so that dialogue could take place. Once again, Perhutani opted out, but other Forum members proceeded to go from village to village encouraging communities to support this initiative and discuss other ways to protect local forests. The final version of the regulation was drawn up by the team and, after consultations, was passed in October 2001. The next stage is participatory mapping

to identify suitable pilot areas. To date the system has only been tested on private land, not state or communal forest.

The central element of *Perda* 22/2001 is that forest land formerly controlled by Perhutani will become 'district forest' under a community-based forest management system. The local regulation covers the roles and responsibilities of the local government, farmers' groups, NGOs and district administrator. It lays down what is meant by community-based forest management and the practicalities of how it will operate, including how the extent of the 'district forest' will be agreed; how forest farmers groups are to be set up; how the management system will be monitored and evaluated. Participation and partnership are important elements in all stages of this process. Agreements between forest farmers and the local government (here represented by the local forestry office) are for an initial 6

year period, renewable to a maximum of 30 years.

Will *Perda* Wonosobo 22/2001 prove workable or will it need to be revised in the light of experience? Will the newly privatised Perhutani hand over what remains of state forests in the Wonosobo area to become a 'district forest'? Will all parties in Wonosobo be able to work together to draw up forest management plans which are genuinely community-based? Will communities in all parts of Wonosobo - mountains and lowlands - participate? Will there be any tangible results within the initial trial period? Will corrupt local officials seize this opportunity to sell off land formerly classified as 'state forest'? It is far too early to speculate, but some civil society groups and academics are optimistic and many parties will be following developments in Wonosobo.

## Agroforestry in Krui, Lampung, Sumatra

The Krui agroforests in West Lampung, Sumatra, are a landmark in the recognition of indigenous (*adat*) rights by the Indonesian government. This was the first forest land in Indonesia to be designated a Special Purposes Area (*Kawasan dengan Tujuan Istimewa*, KdTI, later renamed *Kawasan untuk Tujuan Khusus*, KuTK)<sup>26</sup>.

The Pesisir Krui have lived in the hilly coastal region of West Lampung since at least the 14th century. Their livelihood is largely dependent on the commercially valuable fragrant resin (*damar*) and timber of meranti trees (*Shorea javanica*). The indigenous inhabitants of fifty or so villages plant and tend these trees - along with rattan, coffee, cloves and fruit trees - to form a traditionally managed mixed forest ecosystem, known as *wanatani repong damar*. This agroforest supports the community in many ways: it is a source of fuelwood, fish, bushmeat and traditional medicines - for their own use and occasional sale. Some areas are set aside as permanent rice fields. This ecosystem extends over 50,000 ha along a long, narrow strip of land between Bukit Barisan National Park (established during the Dutch colonial period) and the coastal plain.

Most of the Pesisir Krui's *adat* land was designated 'state forest' and had been allocated for logging in the early 1970s. The forestry minister granted the timber company Bina Lestari a logging concession covering 52,000 ha along the western edge of the National Park in 1981. Bina Lestari limited its operations mainly to the southern part of its concession to avoid conflict with local communities and the Park authorities. The

following decade, the forestry authorities divided the Krui forests into three categories: most became Limited Production Forest, since the terrain is too steep for normal logging; some of the steepest slopes and summits were designated Protection Forest; and part could be clear felled and used for agriculture.

Until the local government approved the new land use zoning in 1991 and demarcation began, these areas were only lines on a map. The amount of forest which could be logged was later reduced from 44,120ha to 33,000ha. The 7,800ha of Conversion Forest, located in the most southerly part of the Pesisir Krui's lands, was allocated to an oil palm plantation (PT Karya Canggih Mandiri Utama) and another private company in 1994. The state forestry company Inhutani V was made responsible for forest rehabilitation in parts of the former logging concession.

Logging and plantations threatened to destroy the *damar* forests and the Pesisir Krui's whole way of life. The local community pressed the authorities to recognise their customary rights and the value of their traditional management system in maintaining forest cover. In this, they had the support of local and national NGOs and national and international forest researchers. Advocacy became more urgent during the 1990s, when companies used the oil palm boom as a pretext to apply for plantation land as a means of getting their hands on Krui's valuable timber.

One of the tactics of civil society groups and reform-minded individuals within

the forestry establishment to protect the Pesisir Krui's agroforests was to nominate the indigenous community for the Kalpataru prize. This prestigious national award is presented annually by the environment minister to individuals for outstanding contributions to upholding or improving the quality of Indonesia's environment. In 1997, Jadri Junaidi, a customary leader and head of a Krui clan, was awarded the Kalpataru on behalf of the whole community.

The Kalpataru award helped to convince forestry officials and the local authorities that the Krui's lands were agroforests, not natural forest; that these were economically productive forests and local incomes would suffer if the area became oil palm plantations; and that local communities could manage their own forest resources. But the dilemma for the forestry minister was that recognition of the Pesisir Krui's customary rights would open the floodgates and demands would pour in from other indigenous communities whose lands were classified as 'state forest'. Land reform was not on the Suharto regime's agenda. Djamiluddin's solution (one of his last acts as forestry minister) was to issue a draft decree (which later became SK49/1988) giving special status to 29,000ha of the Krui agroforest (see p.18).

26. Information in this section is taken from LATIN, 2000, *Menyelamatkan Wilayah Kelola Rakyat*; LATIN, 2000, *Perambah Hutan atau Kambing Hitam*; Fay & Sirait, 1999, supplemented by brief interviews with Suwito & Cholis Yung (LATIN & local community, Mar 1999) and Buyung (WATALA, Oct 2001)

The Krui case has been widely promoted within Indonesia and internationally as a positive example of both community-based forest management and civil society groups' efforts to effect policy change. Yet it is unique in several ways and is arguably of limited value more generally in Indonesia as a model for sustainable forest management and community activism.

- w There is good evidence from the community, backed by scientific research, that the Krui planted their tree crops long before the state forest was gazetted. So there could be no dispute that this was 'virgin' forest, subject to shifting cultivation;
- w Land is owned individually and managed by families belonging to certain clans, unlike many indigenous communities where traditional tenure is a complex mosaic including communal land;
- w Lampung is close to Java. The Krui agroforests are accessible to forest researchers (and forestry ministers) and community leaders can easily travel to Jakarta to lobby politicians and officials or to gain support from national NGOs.

The Krui story is not all good news. Initially, many of the indigenous community were delighted that their agroforest had been recognised and some of it given protective status, even though it was still classified as state forest. But, before long, the majority rejected the 'special status' compromise and - like many other indigenous groups in Indonesia - demanded recognition of their customary tenure rights over the whole of their lands. In practice, the *KaTI/KuTK* status means little because none of the rules needed for full implementation have ever been issued. Few other forest peoples have even attempted to gain Special Purposes Area status for their *adat* land.

Clearing forests for plantations was banned in Lampung even before the national moratorium on forest conversion came into force and the immediate threat of oil palm plantation encroachment on Krui land has been reduced. But the abolition of the Conversion Forest category has brought a new problem. The majority of that forest has now been reallocated to Limited Production (i.e. commercial logging). Meanwhile, local people cannot re-establish agroforest in the

remainder: that has become Protection Forest, although it includes a former village. The Pesisir Krui propose a radical change in the way the government has classified their forest lands. The Limited Production, Protection and Special Status forest categories would be replaced by two types of forest: *hutan marga* or clan forest, where people can live and work; and *hutan suaka* or protection forest i.e. Bukit Barisan National Park.

Certainly change is needed. In the Post-Suharto era, internal disputes within the Pesisir Krui community have become more evident. Pressure on forest land for *repong damar* has given rise to inter-clan rivalries. These could, ultimately, be as great a threat to the traditional forest management system as appropriation of their lands by the state or private sector. Staff from national and local NGOs, researchers from the International Centre for Agroforestry and the University of Lampung and local government representatives are currently investigating these problems and attempting to establish some means of resolving conflicts.

## The Behoa people of Central Sulawesi

The Behoa (also known as Besoa or Katu) are one of the many indigenous forest peoples who still follow a largely traditional lifestyle in Central Sulawesi<sup>27</sup>. However, in the 1970s, their customary lands and those of the To Bada, To Lindu, To Pekureha and To Kulawi were designated Protected Areas by the government in the shape of the Department of Forestry. Plans to create Lore Lindu National Park were announced in 1982, but were only realised in 1993. The forest-covered rugged hills and fertile valleys were treated as if they were empty land. There was no consultation with local communities. At the same time, the government gave licences to plantation companies to clear *adat* forest belonging to these peoples outside the Park.

Lore Lindu National Park covers 229,000ha of the Donggala and Poso districts of Central Sulawesi. The area has a high biodiversity with many endemic species, such as the anoa (*Bubulus sp.*), cuscus (*Phalanger celebensis*), *Tarsius sp.*, Celebes macaque (*Macaca tonkeana*) and Celebes civet. It contains lowland and highland rainforest and some 60,000 people live within its boundaries. The majority are indigenous. They make a living by rice farming in the valleys and the rotational use of forests for maize, coffee, timber, *damar* resin, rattan, bamboo and medicinal plants. The Behoa use a wide range of local varieties of food crops: 33 types of rice; 8 of yam; 8 of maize and 6 of the vegetable root crop *talas*<sup>28</sup>.

Ceremonies and rituals must be

held for each part of the forest clearance and cultivation cycle. The tenure and land use system is quite complex to outsiders. Primary forest (called *pandulu* by the Behoa) is held communally and usually kept intact. It is used for hunting and collection of medicinal plants and rattans. *Lopo* is land which was once farmed (*hinoe*) but has been allowed to return to forest. Secondary forest which is more than two years old (*lopo ntua*) is considered communal land which anyone can use for farming. Young secondary forest (*lopo lehe*) is held by individuals. *Holu*, land which was recently farmed but has not yet started to return to forest, belongs to the person who originally cleared it, but may be loaned to other families to grow crops.

Local communities are prohibited by law from practising their traditional land-use systems within National Parks. These regulations have been the cause of conflict in various parts of the country (most recently Rawa Aopa Watumohai National Park in neighbouring SE Sulawesi) due to rigid enforcement by nature conservation authorities. Local authorities blamed indigenous people for deforestation within the National Park and sought to resettle them outside its boundaries. This became part of the Central Sulawesi Integrated Development and Conservation Plan, funded by the ADB, in the mid-1990s. The head of the local planning board announced in late 1997 that 24,000 families from 60 villages in the park would be moved and resettled elsewhere in the

province. He described this as necessary "to promote the welfare of the indigenous people and ensure that they do not pose any more threat to the Park's natural resources"<sup>29</sup>.

According to local NGOs, indigenous villagers in Lore Lindu have been subjected to intimidation by the park authorities, including interrogation and detention. Their crops have been destroyed and the rattan and timber confiscated. 'Shifting cultivators', 'national park vandals' and 'forest squatters' are some of the terms used in the recent past by government officials to describe the indigenous population. In the eyes of the authorities, the Behoa were newcomers to the area. However, this indigenous community had been forced to leave its *adat* lands by the Dutch authorities early last century and again by the newly independent Indonesian government during the turbulent political period in the early 1950s<sup>30</sup>. Each time they came back to reclaim their ancestral lands.

The Behoa have been helped in their struggle to hold onto their customary lands through the support of local NGOs. This relationship developed from a campaign in the early 1990s to prevent the construction of a

27. Much of this section draws on a WALHI Sulteng factsheet on Lore Lindu (Sept 2001) and interviews with Pak Banjar and Tanah Merdeka staff in Nov 2000.

28. *Kompas* 7Mar/01

29. *Jakarta Post* 27/Dec/97

30. *Kompas* 14/Jun/99

hydro-electric power station and dam on the edge of the National Park. Student groups from the university in the provincial capital, Palu, with Behoa community leaders held numerous protests about the resettlement plans outside government offices and the provincial assembly. Posters read "Do not destroy the peace of the Katu", "Free us from intimidation from Park patrols", "Don't torture us with your National Park"<sup>31</sup>. The Palu-based group Tanah Merdeka pioneered participatory community mapping in Central Sulawesi of Behoa lands at Katu and Doda and used this information to set up negotiations with the National Park authorities.

Head of Lore Lindu National Park, Banjar Yulianto Laban, is one of a new breed of

park official who publicly acknowledges indigenous peoples' traditional knowledge and management skills. In a ground-breaking decision in late 1999, he agreed with local government officials and community leaders that the 227 people of Katu could stay on their land and manage it according to *adat* law. Initially the agreement was for only for 1,178ha, but it now covers a total of 6,659ha of the Park. This means that people of Katu and Doda can continue to make a living from selling timber, rattan and damar resin plus farming forest land to meet their needs.

The Behoa case is a success story, but it is only a limited success. This is only one of several indigenous communities threatened with resettlement from Lore Lindu. Only part

of their lands have been acknowledged and only with an agreement over use rights, not a recognition of *adat* tenure. Moreover, in late 2000, the local planning office appeared to be reneging on the agreement since the ADB was withholding Rp7.5 trillion (US\$750 million) in case its project needs 'redesigning' as a result of the National Park head's stand<sup>32</sup>.



31. Surya 23/Dec/97

32. *Republika Online* 17/Jan/00; *Suara Pembaruan* 16/Nov/00

## Revitalising customary laws to protect forests, Bentek, North Lombok

The village of Bentek, in North Lombok, is an example of 'Adat in Action'. The indigenous Sasak community has seized opportunities presented by political changes and regional autonomy legislation to revive customary institutions and laws as a means of protecting their forest<sup>33</sup>.

Bentek lies on the edge of the Monggal forest, part of the 125,000ha of forest covering the northern slopes of Mount Rinjani, the volcano which dominates the island of Lombok. Traditionally, Sasak communities make a living by a combination of agroforestry and rice farming, cultivating coffee, cocoa, cloves, bananas and other fruit trees and crops.

Like most Sasaks, the majority of people in Bentek practise a form of Islam strongly influenced by Hindu and animist elements. They depend on the forests to regulate the water supply for these crops and as a source of materials for building their homes and household goods. Under customary law, forest cannot be bought or sold and must be managed collectively. Villagers are allowed to cut timber as long as it is for their own consumption rather than for sale. They are also allowed to collect forest products, such as firewood and rattan, by agreement with the village's customary council.

The Bentek village council comprises three kinds of authority: the administrative leader (*pemusungan*); customary guardians (*pemangku*) and religious leaders (*penghulu*). This is far more than substituting customary terms for bureaucratic positions such as village head. The Bentek community had, in 1999, rejected the standard model of village governance imposed by Jakarta in the 1970s and is returning to traditional institutions. They now have a customary court (*Majelis Krama Adat*

*Desa*) to settle violations of *adat* law and teams of people responsible for protecting forests, pest control and maintaining water quality.

Despite their successes in controlling illegal logging and maintaining forest cover, the community has no formal legal recognition yet of its *adat* land, institutions and practices and local government forestry staff still do not fully acknowledge the authority of its leaders. The Monggal forest is officially classified as state forest zoned for logging.

The impact of commercial logging has reinforced the community's belief in the importance of forest conservation. PT Angkawijaya Raya Timber (ART) was granted a 10,000ha concession in the Monggal forest in 1990. Within five years, the villagers started to experience water shortages in the dry season. Springs and streams dried up; rice and coffee production dropped. In the rainy season, logging trails created by heavy equipment turned into streams; paddy fields and plantations flooded. The worst floods occurred in February 1999 when hundreds of hectares of land in Bentek and Jenggala were flooded. Three traditional burial grounds were damaged. People feared their homes would be swept away and crops worth billions of rupiah were ruined. They carried out their own investigation and came to the conclusion that the logging company was to blame.

Some 700 local people attacked PT ART's base camp in May 1999, ransacking and burning offices, transport and equipment causing an estimated Rp1.5 bn (US\$150,000) damage. They then demanded that the local government officially close the logging operations down. Jakarta has still not acted on local officials' recommendation to withdraw the logging permit (a source of local concern and resentment), but PT Angkawijaya has never returned.

However, illegal logging replaced commercial operations. These were well-organised raids: more than five trucks per day carried stolen timber to the provincial capital Mataram 60 km away. Bribery and corruption were suspected since these roads passed police and military posts, as well as local administration and forestry offices in several sub-districts. Village heads and community leaders from 25 villages in five sub-districts around Mount Rinjani took matters into their own hands. In 2000, they gathered to discuss the issue and to see how customary controls and sanctions could be used to prevent forest destruction by outsiders and members of their own communities. Officials from the local forestry offices implicated in the illegal logging also attended.

This meeting agreed to revive a system of customary laws which protect the local environment. These *awiq-awiq* not only cover illegal logging, but burning to clear forests and using poison to fish. Violations of *adat* law incur progressively severe sanctions. Someone guilty of illegal logging must provide 10 seedlings for every tree felled and pay a symbolic fine of Rp100,000 (US\$10). For a second offence, the law breaker must take part in a ritual known as *menyowok* in addition to paying a fine. This ceremony to appease nature is carried out by customary leader (*pemangku*) in the forest in front of the whole community. A goat or chicken is killed and the offender is marked on the forehead with sacrificial blood (*sembek*). Fruits, other food and betel leaves are given as offerings. The severity of the penalty depends on the nature of the crime - whether the forest was logged

33. Information in this section is drawn from an article by A. Rulianto & Mo. S. Khafid in *Tempo* July 31 - August 6, 2001, supplemented with short interviews with Putrawadi and R. Agus Bakrie from the Bentek community (pers com Nov 2001).

for someone's own use or for profit. Each hamlet within the village has its own forest protection team who ensure that everyone knows and keeps to the rules.

The Bentek principles of forest management are:

- w There is no ownership of forests;
- w Collective (not individual) management;
- w Planting species which have conservation value;
- w Fruits and flowers can be collected, but not timber;
- w No digging, burning or clearing is allowed (except of shrubs);
- w Each group must have its own management rules (*awiq-awiq*);
- w Priority should be given to the poor.

This application of *adat* has proved remarkably effective. Apparently it is fear of public humiliation rather than the fines which is the major deterrent. So far, the *menyowok* ceremony has been used on only two occasions - one involving a group of eleven

people caught clearing Protection Forest to make fields. The people of Bentek have formed their own *adat* security agency, *Lang Lang Jagat Titik Guna (LLJTG)*. A recent success has been the seizure of 18 cubic meters of illegal timber, sawn into blocks and awaiting collection to be smuggled out of the village.

Although powerful, *adat* controls are not perfect. People who offend more than twice are dealt with through conventional courts. Illegal logging still takes place in forests well away from Bentek village and is rampant in neighbouring areas where villages have not returned to *adat* social controls. However, Bentek representatives are convinced that other people will learn from their example.

The Bentek example is attracting attention and support from local civil society groups and international donors. For example, USAID and AusAid funded training for 40 local people in participatory mapping in July 2000. It also feeds into the growing

indigenous peoples' movement in Lombok and further afield. Bentek community representatives work with YLKMP, a Mataram-based rural development NGO and a forum of people from local villages, NGOs, government and enterprises meets monthly in an initiative instigated by the North Lombok association of indigenous communities (*Perkat Ombara*). All of this contributes to increased recognition of the value of community-based forest management.



## Logging to save the forest: Pejangki, Riau

The forests in the buffer zone of Bukit Tiga Puluh National Park, on the Riau - Jambi border in Sumatra are threatened by logging concessions, oil palm plantations, illegal logging and a possible coal mine. Indigenous communities are in a critical position. Some people want to keep their *adat* land; others are pro-investor<sup>34</sup>.

The village of Pejangki in Riau is a case in point. This is one of nine villages (locally called *kebatinan*) in the Siberida area which share the same history and culture. The 64 families live in simple houses mainly near the R. Tanaku. Their *adat* lands cover 7,014 ha extending south towards the National Park. The area around the settlement is used for agroforestry - with extensive native rubber plantations and some mixed fruit plots - and a small amount of farming. The hilly southern half is largely rainforest.

The Pejangki community faces two main threats. Firstly, a substantial swathe of *adat* forest has been allocated to PT Arvena Sepakat - an oil palm plantation. So far, the company has only planted the core zone, but it wants extend the plantation by setting up a smallholder scheme. This would take over all the village's agroforest and its rice fields. Representatives of PT Arvena, accompanied by government officials, have come to Pejangki with promises of '*plasma*' (oil palm plots) to convince them to sign over their land. Meanwhile, some villagers are trying to reclaim parts of the oil palm plantation by planting rubber and fruit trees or clearing the land for cultivation. The second threat is illegal

logging. The extreme southern part of Pejangki's *adat* forest is almost pristine as the terrain is too steep for heavy logging equipment. The more accessible parts were being logged by outsiders.

The community was divided about what to do. For many generations, they had been largely self-sufficient - selling rubber and other non-timber forest products to buy goods which they could not produce themselves. But, with the encroaching pressures of modern life, people needed more money to pay for clothing, schooling and transport. Rubber prices had hit a low. The only options seemed to be to give up their agroforests and farmland to the plantation company in return for a stake in its outgrower scheme or to join the loggers and strip their own forests.

The NGO community only found out about the dilemma facing the people of Pejangki when a representative attended the national indigenous peoples' congress in Jakarta in March 1999 (see p.46). One of the very few natural resource NGOs in Riau - a relatively new group called Hakiki, went to investigate. The situation was more urgent than it had appeared. There had been extensive logging within Bukit Tiga Puluh National Park and its surrounding forests and illegal sawmills had sprung up all over the place<sup>35</sup>. The village head had set up a logging co-operative, PT Makmur Jaya, but this was only a front for a much bigger logging company. Villagers were paid the ridiculously low sum of Rp4,000/m<sup>3</sup> (less than US\$0.5) for

valuable tropical hardwoods such as *Shorea* sp (*meranti*). Some villagers were already involved in legal and illegal logging of the *adat* forest. A solution was needed quickly.

Hakiki started by helping the Pejangki community to document the extent of their customary land and natural resources through participatory community mapping followed by a complete inventory. Once they had produced the map, the villagers had a much better idea of their position and were more determined to hold on to their *adat* forest.

Together with Hakiki, they came up with a radical proposal. They would set up a community logging co-operative and their own sawmill. This would allow them - rather than outsiders - to decide how much timber was felled and to get a much better price for it. They would start by using trees already felled and bought, for a bargain price, the 800 tree trunks cut by PT Makmur Jaya. Hakiki used their field evidence of deforestation within the National Park to convince the World Bank to provide a grant of Rp50 million (approx US\$5,000) to buy a community sawmill and chainsaws. If this approach works, Hakiki hopes to spread the initiative to neighbouring areas.

34. Information from interview with staff and board member of Hakiki, plus local map.

35. Only one third of the forest in Bukit Tiga Puluh National Park remains intact, according to WWF (*Media Indonesia* 16/Aug/00)

# Forests and communities

## in West Kalimantan

Most of West Kalimantan<sup>36</sup> was originally covered in tropical forest, but extensive areas - especially in the lowlands - have been cleared by irresponsible commercial logging operations, plantation companies and transmigration sites over the last thirty years<sup>37</sup>. West Kalimantan was hit hard by forest fires in 1982 and 1997, but annual cycles of burning to clear land can further reduce or degrade forest cover. Illegal logging and the illegal log trade across the Malaysian border have accelerated in recent years. At current rates of forest exploitation, most of the forest in West Kalimantan outside protected areas could have gone within ten years. This deforestation not only represents the loss of biodiversity, but the destruction of local people's sustainable livelihoods and the loss of their cultural identities.

This gloomy picture provides the background for a thriving assemblage of civil society organisations which has genuinely empowered the indigenous Dayak community. At the heart of this social movement lies Pancur Kasih, a local NGO established twenty years ago by a small group of young, idealistic Dayaks. The founder, A. R. Mecer, believed that the way to a better future for Dayaks lay in solidarity, self-help and critical awareness. They started by setting up a church-based school in Pontianak to provide a basic education for local children. Income from school fees was ploughed back into the foundation, which expanded into a cluster of schools and a series of social projects in Dayak villages in the interior on health, food production and income generation. PK then established what has become one of Indonesia's most successful Credit Unions with hundreds of local branches providing cheap, easy loans to tens

of thousands of members.

As the organisation became more experienced and financially secure, (through its own operations and support from international donors including churches, and environmental NGOs), Pancur Kasih spawned a number of separate organisations. Around 20 groups employing some 250 staff now come under Pancur Kasih's umbrella (more correctly known as KPMD, the Consortium for the Empowerment of Dayak Peoples). It includes the publishing company which produces the monthly news magazine *Kalimantan Review*; a co-operative of Dayak rubber farmers which promotes economic independence, local control of natural resources and sustainable development; the legal empowerment group LBBT (Lembaga Bela Banua Talino) and SHK-Kalbar which researches and promotes sustainable Dayak resource management systems. Each organisation operates autonomously in its own specific field on a day-to-day basis, but members of the consortium share the same vision and work together synergistically as the account below shows. Many of these groups also provide training for other organisations, so their effect is multiplied far beyond Pontianak.

The Institute of Dayakology (originally IDR, now ID) originated as an informal study group within Pancur Kasih to discuss political and cultural issues. It has now systematically recorded and researched the cultures of thousands of Dayak communities throughout West Kalimantan. This is far more than an academic survey of belief systems, rituals, customary laws and community practices that were doomed to extinction. The aim has always been to increase indigenous communities' own awareness of

and pride in their rich cultural heritage; to gain recognition and respect for their knowledge and skills from outsiders (including the Indonesian government); to strengthen their sense of identity so that these elements can be passed on to future generations. However, the political aspect of ID's work could only be carried out under the heading of 'research' until the downfall of Suharto.

One measure of the success of this tactic has been the revival, since 1998, of large customary gatherings where different branches of clans meet to carry out important rituals and to celebrate. Sharing music, stories, food and dancing are central to Dayak cultures. Such events also facilitate discussions about common problems and initiatives to tackle them, further strengthening the Dayak social movement. ID has also permeated the formal education system in West Kalimantan, by making the most of the statutory obligation to include some 'local content' within teaching of the primary school national curriculum. It arranges for clan elders and customary leaders to come into classrooms as 'living libraries' of their oral tradition. ID has also publishes a range of story books for primary school children based on local legends.

It is hardly surprising that the West Kalimantan *adat* peoples' alliance, AMA, was one of the first coalitions of indigenous groups in Indonesia to spring up after Suharto was forced to resign the presidency. It grew out of a meeting of several hundred Dayak representatives from all over Kalimantan who gathered in Pontianak, through the facilitation of PK and the community mapping group PPSDAK, to discuss how to protect their traditional systems of land and resource management. West Kalimantan delegates then went on to present their views to the local government and to insist these were included in development planning. AMA, PPSDAK and other PK groups, together with JaPHaMA, were leading players in initiating the first national indigenous congress, which gave rise to AMAN (see p.46). AMA continues to be one of the strongest members of AMAN and is now reaching out to non-Dayak indigenous groups including the Melayu, Chinese and even the Madurese communities. It is also pioneering indigenous women's groups.

### Land classifications of the Simpangk Dayak

<i>Rima magokng</i>	Distant forest only used for hunting and collection of certain forest products
<i>Rima</i>	Reserve forest nearer villages, used for timber for construction and rattan collection
<i>Jamih</i>	Agricultural land
<i>Jamih mongut</i>	Recently harvested fields (1-5yrs)
<i>Jamih malakng</i>	Fertile fields (up to 7 yrs)
<i>Jamih muntuh</i>	Old fields (7-25 years)
<i>Muh</i>	Rice fields
<i>Kambokng</i>	Fruit gardens (trees producing coconuts, guavas, jackfruit, betel nut)
<i>Kebotn gotah</i>	Agroforests dominated by native rubber trees
<i>Tamawakng</i>	Forest which was once village gardens
<i>Kebun tanam</i>	Plantations e.g. rubber, coffee or rattan
<i>Tonah colop torun pusaka</i>	Sacred land/forest which must be left untouched
<i>Kambokng pasar</i>	Burial ground/cemetery
<i>Kambokng loboh</i>	Current village or settlement
<i>Are Sunge</i>	Water source, river bank or lake margin

Source: Pilin M, 1999, *Hutan; Darah dan Jiwa Dayak*, SHK WKal & interviews with other staff, Nov 2001

36. This section is compiled from interviews with A. R. Mercer, Paulus Florus, Jon Bamba, Stefanus Djuweng, Stefanus Masiun, Mateus Pilin, Mina, Ita Natalia, Pak Nazarius and others in West Kalimantan between 1999 and 2001. For a detailed account see Alcorn J & Royo N (eds), 2000, *Indigenous Social Movements and Ecological Resilience*, a PeFoR Discussion Paper, BSP-Kemala.

37. Holmes, 2000

The Pancur Kasih consortium has played a leading role in the spread of the participatory mapping as a tool for indigenous communities to demand recognition of their land rights. It invited expert trainers to give training to a group of young Dayaks who, as the PPSDAK mapping unit, went on not only to help communities in West Kalimantan to map their lands, but to train people from other areas in this techniques and, eventually, to train more trainers. In this way, it created the national network of participatory mapping groups known as JKPP.

In addition to providing a visual representation of their *adat* lands and resources, the process of participatory mapping strengthens communities and can revitalise *adat*. Too often, mapping revealed that communities' *adat* lands were much smaller than the local people realised (due to encroachment by companies or land sales). What forest remained was often fragmented. This made them aware that they had to protect what remained if they were to give their children and grandchildren any inheritance.

Mapping can also help communities to negotiate with outsiders, including

companies. One activist told what happened when an oil palm company wanted to take over his village lands for a plantation. The community was strongly against this plan, but the governor and local police came to persuade them to give up their land. After the visitors had showed the villagers a map of the proposed plantation and described the benefits they would gain from an oil palm outgrower scheme, the villagers responded by showing the officials their own community map. They explained that the company was welcome to use any spare land but, as they could see, all the land was being used in ways which already provided them with a good living. They politely suggested the company sought land in some neighbouring villages - knowing that they too had mapped their lands. The oil palm plantation was never established!

Throughout Pancur Kasih's expansion, its overall aim remains that Dayak people should determine their own futures by taking control of social, economic and political factors and by reclaiming their rights to their own property. It does not describe itself as a political organisation, but its influence in the political arena has become

even more apparent since regional autonomy. Years of cumulative work by Dayaks at grass-roots level on legal empowerment, sustainable resource management, income generation, legal rights and revitalising *adat* is paying dividends in terms of local democracy. Well before the legislation came into effect, members of the Consortium embarked on a programme of several months of field visits to villages throughout the province. They explained what the new legislation contained and discussed the potential opportunities and challenges which laws 22 and 25/1999 presented. Based on this input, the NGOs and community representatives could present their views to local government. More than that, they have provided training for members of local assemblies on good governance and financial accountability and, in two districts, drafted local regulations which acknowledge and protect indigenous land and natural resource rights.

*Work is in progress on an updated English version of a book on West Kalimantan community forest management systems by Piliin M & Petebang E, 1999, Hutan; Darah dan Jiwa Dayak, SHK Kalbar.*

## Challenges to community forest management

There is a growing consensus among NGOs, academics, development agencies and forward-looking governments that forest communities hold the key to the future of the forests. This comes from research into cases like those outlined in this section, and applies not just to Indonesia or tropical countries, but in forested regions across the globe. Research into community forestry systems has found that secure rights to well-managed forest resources can contribute significantly to rural livelihoods as well as conservation<sup>38</sup>.

Secure rights for forest communities to manage their lands and resources could prove to be the single most effective means of countering the variety of threats facing Indonesia's forests. Indeed, community-managed agro-forests may be the forests of the future.

*"...swidden agriculture and rubber cultivation are mutually supportive. This enrichment planting leads, supported by natural succession, to complex agroforestry systems, providing not only harvests from the planted crops but also timber and minor forest products from wild species. While natural forests disappear, agroforestry systems will remain as the only forest-like structures".*

(F. Momberg, *Resource Management of Land Dayaks in West Kalimantan*, 1992)

The challenges faced by communities wanting to retain, construct or develop community-based management schemes are enormous. They include the wider political and

economic imperatives of international financial institutions which prioritise revenues from timber; central government policies entrenched in the past; rampant corruption; the threat of violence and intimidation arising from the weak judicial system coupled with a military and police force which continues to act with impunity. The problems are even greater in the disputed territories of Aceh and West Papua and in areas of conflict like Maluku and Poso.

Decentralisation has brought its own challenges: a new breed of logging entrepreneur has emerged to replace or work alongside the conglomerates owned by the 'old guard' timber barons. These have teamed up with military, police and corrupt government officials to get every last penny they can out of the forests.

Forest peoples face internal challenges too. Community-based forest management is not automatically more equitable than state-owned or private sector forestry operations. Decision-making within traditional indigenous communities may be hierarchical and undemocratic. Women, the poorest members of the community - particularly the landless or low status families - and seasonal forest users may not have a say in how resources are apportioned.

Indigenous societies are dynamic: changing as the societies around them change. People in traditional communities who practised subsistence forest farming and had little need for cash even a generation ago now want money to pay for clothing, medical

care, outboard motors for canoes (and diesel for them), school uniforms and books. Transport and accommodation costs incurred during visits to lobby local and central government officials are becoming a common budget item for forest peoples.

Young people, educated in government, Muslim or Christian schools, may no longer share the traditional belief systems of their parents or grandparents or their views on development. Community elders of widely separated indigenous communities such as the Dayaks of Kalimantan and the Mentawai of Siberut tell similar stories of disaffected young men who return from schooling in provincial capitals with Reebok trainers and foreign cigarettes and no respect for their former way of life.

The forests on which these traditional lifestyles depend have also changed. Large tracts of forest formerly reserved intact as insurance for hard times or as a legacy for future generations have been at best logged over and at worst cleared for plantations. The valuable resins, rattans and forest fruits which used to be traded are becoming scarcer, as are the medicinal plants used by shamans for traditional healing. As the forests disappear, so do the skills and knowledge of indigenous communities.

Indigenous communities are not the only ones living in and around what remains of Indonesia's forests. Migrants from other areas - even other islands - peasant farmers dispossessed by plantations and

38. Nugroho, 1999

urbanisation, transmigrants and miners are all laying claim to these lands and resources. Some may have lived there for several generations. Negotiations between all these groups must take place to avoid conflict.

Indonesia's forest peoples are well aware of the need to adapt their institutions to a changing world and are discussing such issues as identity, sovereignty and legal representation both within their own communities and with others. They are using new opportunities provided by the regional and national indigenous peoples' alliances (AMA and AMAN) to move these debates forward.

Civil society organisations and a growing number of donor agencies in Indonesia and abroad recognise that consistent support for forest peoples to develop their own strong, dynamic, inclusive and democratic organisations is vital to gain wider support for community-based forest management and effect a shift away from 'the timber-mining' regime that has proven so disastrous until now.

*"...can indigenous peoples maintain the balance between their societies and environments when they have rising populations and increasing demands for cash and services? Many development planners are sceptical of the ability*

*of indigenous communities to manage their resources prudently under such changed circumstances, and use this as an excuse for maintaining control of their lands and institutions. The argument is a difficult one. If, on the one hand, there is unmistakable evidence of environmental decline in many forest peoples' areas where they are exerting increased pressure on their resources, this has often occurred where their social institutions and environments are simultaneously under heavy pressure from outside. On the other hand, the overall record of government agencies has been far worse and undermines the claim that forests are best entrusted to their care."*

(M. Colchester, *Sustaining the Forests*, 1992)

## Recommendations

The following recommendations for the international lending organisations, the Indonesian government, foreign investors and consumers have been compiled from various sources including Indonesian environmental NGOs, peasants organisations, the indigenous peoples' organisation, AMAN, and international NGOs and researchers. They are aimed at gaining recognition for the right of communities to own and manage and make decisions about their customary forest areas. This requires changing the whole nature and culture of the forest bureaucracy in Indonesia as well as fundamental transformation of the political and economic landscape.

Experience of community-based forestry in other Asian and Pacific countries, including India, Nepal, Thailand, PNG and the Philippines indicates the following necessary conditions for change:

- w a strong political commitment which prioritises the rural poor;
- w a move away from the custodial, policing approach of most forest bureaucracies;
- w community empowerment and a change in the balance of power;
- w openness to new ways of decision-making and forest management;
- w mutual respect and trust between local communities, government and other stakeholders;
- w networks between empowered communities;
- w multi-stakeholder dialogue and participation;
- w fundamental policy changes towards ownership by and access to forest resources by local communities.

### Local priorities and new skills

In Indonesia this means replacing the uniform centralised policy-making with a mosaic of different models of forest management, determined by local priorities. These must be negotiated with local communities, not imposed by officials at central or provincial

level. This will involve developing new skills, including training for local officials who have only ever been accustomed to accepting orders from Jakarta and imposing these on communities. A new generation of forestry officials need to be recruited and educated, including people from local forest-dwelling communities. It means that governments - local as well as central - will have to learn to listen to communities and NGOs and treat them as equal partners in decision-making.

### Forest classification

The existing classification of forests as state land needs to be changed. As well as legal reform this requires a systematic, nationwide re-mapping of *adat* and other lands. A conflict resolution mechanism acceptable to all stakeholders is needed for settling boundary disputes. A start could be made by establishing a conflict resolution agency under the terms of the November 2001 MPR decree on agrarian renewal and natural resource management.

### Logging Moratorium

Until these changes are made, the remaining forests need urgent protection, so that forest communities are not further marginalised. This means an immediate moratorium on industrial logging, a radical downsizing of the wood-based industries and a suspension of all timber concessions. It means a ban on mining or exploration in forests and a total ban on converting forests to other purposes, including industrial tree plantations. This may mean a short term cut in revenues for central and local governments, but it will prevent immediate and longer term losses for forest communities.

### Past injustices and corporate crimes

Past injustices need to be addressed too. The ill-treatment of countless communities deprived of forests and other lands without fair compensation, and without prior

informed consent, should be recognised and mutually agreed steps taken to rectify past wrongs. The authorities must act against companies who have committed environmental crimes like illegal logging and starting forest fires, but also those who have damaged the lands and livelihoods of local communities, or have used the security forces to silence opposition to their projects.

### Aid and debt

The international finance community should take immediate action to halt all activities that are destructive to forests and forest peoples. The IFIs should stop promoting exports of oil palm, timber and wood products and pulp and paper as the key to solving Indonesia's economic crisis. Instead they should prioritise the interests of forest peoples and work for socially and environmentally sustainable development in all aid programmes. The IFIs should also acknowledge the damaging role they have played in the past by financing the Suharto regime, especially since a large portion of loans were embezzled by members of the elite. They should take responsibility for this by cancelling this part of the debt, and in future work towards reducing debt-dependency. They should provide grants, not loans and ensure that all aid packages are subject to wide public consultation and agreement.

Forest aid should be aimed towards creating space for forest communities to develop and strengthen their organisations and alliances.

### Foreign governments and corporate damage

Foreign governments should take responsibility for the damaging effects of mines, plantations, pulp mills and other projects in forest areas, by imposing sanctions on companies and banks investing in such projects. This may mean new laws so that legal action can be taken against companies

damaging local peoples' livelihoods in the investors' home countries. They should also lobby for the drafting of international laws to curb the damaging practices of large corporations who take advantage of weak national laws to gain access to lands and resources belonging to forest peoples.

### Wider reforms

Forest policy reform will need legal reform - including changes to the Constitution and to existing laws which are used to deny forest peoples their rights and livelihoods. There must be genuine community involvement in this process and local decision-making about natural resources should be the cornerstone of good governance. Effective legal reform in turn requires a major effort to stamp out corrupt practices.

Electoral reform is also needed. Under the current system, governors and *Bupatis* owe most loyalty to their political parties who select them. There would be greater democracy and accountability to their local constituents if they were elected directly.

### Civilian rule

The powers of the police and military should be reined so they can be properly held to account for their actions. This means adequate funding for the security forces so that they no longer have the excuse of needing to earn extra income from 'protecting' mines, plantations and logging operations. It also includes ending the territorial system of the army structure: the *Kodim*, *Korem* and *Kodam* commands, which place soldiers in the regions. In a democratic system, there is no place for the territorial structure: instead security and law and order should be in the hands of the police.

The judiciary and the police must carve out a new position for themselves in society as enforcers of the law rather than supporting their political masters or whoever pays the most. The military's political role must be ended.

### Aceh and West Papua

Wider political reform includes adopting a change in approach towards the disputed territories of Aceh and West Papua, where there are strong demands for self-determination. In both areas the military-led approach of trying to silence opposition through force, while introducing 'special autonomy' laws has failed. The appalling level of human rights violations against the local populations must end and a genuine, open-ended dialogue restored. There can be no security for many of the forest peoples in these regions until there is a move away from violent repression towards peaceful negotiation and until past injustices are addressed.



## Specific steps

*To the international lending community: (multilateral and bilateral donors)*

- w Listen to and act upon the concerns of forest peoples and civil society organisations;
- w Support efforts which foster development of community forest management;
- w Provide grants, not loans;
- w Stop working with the Indonesian government and forestry businesses on programmes aimed at improving concession management - these programmes do not address the need to focus on community rights, address overcapacity etc.
- w Stop ECA funding for pulp, oil palm and other programmes which destroy forests and violate community rights;
- w Improve donor co-ordination and adopt a more participatory approach to identifying, monitoring and evaluating forest-related projects.
- w Commit to an international convention on corporate accountability;
- w Open talks on debt cancellation with all stakeholders;
- w Acknowledge past mistakes;
- w Direct grants to:
  - support programmes which promote legal reforms, wider political reforms, anti-corruption, curbing military and police actions, opening dialogue in West Papua and Aceh, to create favourable conditions for community forest management;
  - support programmes which strengthen or help develop CBFM projects;
  - support programmes which raise awareness of existing CBFM systems and promote local, national and international exchange;
  - support programmes which provide incentives for forest communities to manage their resources sustainably.
- w Stop promoting exports of oil palm, timber and wood products, paper & pulp and minerals as a means of solving Indonesia's economic crisis;
- w Apply policies on land rights, environmental protection and resettlement (IMF, World Bank, ADB and others) in all financial assistance to Indonesia, including structural adjustment loans;
- w Suspend investments in oil palm, paper and pulp plantations and mines which destroy forests and violate forest peoples' rights.

*To the Indonesian government*

- w Impose logging moratorium on industrial operations in natural forests;
- w Maintain total ban on log exports;
- w Close loopholes in forest conversion ban;
- w Follow up on commitment to act on illegal logging and illegal trade by drafting action points aimed at strengthening community rights;
- w Devise, with partner governments, credible, independently verified systems to prove the raw materials for Indonesian plywood, fibre board and pulp and paper come from legal sources.
- w Refocus on IDCF action points on *adat* rights, not just illegal logging and law enforcement;
- w Use illegal logging issue to open debate about need for wider reform to recognise *adat* rights and change forest classifications;
- w Enforce existing laws that regulate the use of fire for land clearing;
- w identify and prosecute companies responsible for illegal burning
- w Examine ways in which the 2001 *MPR* decree on agrarian renewal and natural resources can be applied in a positive way for local communities;
- w Shut down corrupt, unsustainable timber industries;
- w Resume investigations and prosecutions of timber barons, pursue compensation claims from affected communities (with international support)
- w Resume investigations and legal actions against Suharto family to secure compensation for loss of livelihoods for forests and other communities who lost livelihoods;
- w Draft and enact legislation requiring all public employees, including members of *MPR*, *DPR*, *DPRD*, *Pemda*, the military and police to make public details of their ownership of or involvement in any forestry operations, including wood processing and plantation companies, with a view to banning the military and police from holding interests in forestry businesses;
- w Use Reforestation Fund for reforestation/agroforestry schemes under community management;
- w Initiate revision of educational materials to include positive examples of CBFM
- w Remove terms which denigrate or discriminate against indigenous peoples;
- w Sign international agreements which uphold the rights of indigenous peoples: eg ILO Convention 169.

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