

Half-Hearted Rehabilitation

An Analysis of the Forestry Sector's Budget and Planning

Kabupaten Melawi – Province of West Kalimantan

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Background

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

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

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

Budget Policies Trigger Forest Conversion

Kabupaten Melawi has a total area of 10,640,80 km with 44.3 per cent of its citizen's livelihoods dependent on the agriculture sector. The region has developed a vision for their Local Government Mid-Term Development Plan (RPJMD) 2011 – 2015, which focuses on "realising an intelligent, dynamic, safe, just, prosperous and personable society".

Even though the total forest cover for the region is 819,654 ha, not one of Melawi's seven mission statements mentions the policies or development of the forestry sector. Notably, the sixth mission statement states that for the sake of increasing economic growth (which is expected to expand the workforce), Melawi has instead put emphasis on the mining and agricultural sectors.

Vision:

To realise an intelligent, dynamic, safe, just, prosperous and personable society.

Mission:

1. To increase the personality, character and piety of the community by including moral education in elementary and secondary education.
2. To increase the quality and equity of education and healthcare services by guaranteeing basic and primary provision of these services for all, particularly disadvantaged communities.
3. To develop good governance by reforming the bureaucracy, transparency and local financial management systems, to ensure prosperity for Melawi and its society.
4. To increase the quality of the public service quickly, adequately and cheaply.
5. To facilitate the mobility of goods and services, and reduce disparities between *kecamatan* by supporting both physical and non-physical infrastructure development.
6. To increase economic growth based on the agriculture and mining sector, and therefore guarantee an increase in employment opportunities and per capita income.
7. To decrease rates of poverty and unemployment through social and economic empowerment programs, and facilitate access to funding for the poor.

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Thus, local policies are more concerned with economic growth than strategies that would save their forests and protect the environment, which has already been influenced by the conversion of forest areas for agricultural, plantation, industrial forest and mining purposes.

Agriculture: 187,701 ha (22.9 per cent) of the total forest area has already been converted for agricultural purposes. These conversions could be avoided if the local government permitted the community to officially gain access to and manage forest resources through community-based forest management programs. In this way, forest cover could be

maintained and preserved, and the community would be able to earn enough income to sustain their livelihoods and welfare.

Palm Oil Plantations: Since 2010, a total of 10 palm oil plantation licenses have been issued in Melawi, encompassing an area of 136,878 ha. Two businesses received the Cultivation Rights Certificate (HGU) for an area of 44,600 ha, three businesses received the Plantation Business Permit for an area of 47,197 ha, and four businesses received the Location License to 39,913 ha whilst one other business received reserved land of a total 5,118 ha.

Industrial Forests: Based on the book "A Portrait of Kalimantan's Forests" (2011), there are still three forest concession companies that actively operate in Melawi on an area as large as 111,570 ha.

Mining: Data from the West Kalimantan Department of Mining in 2011 stated that Melawi has issued 69 Coal Mining Licenses, including licenses for uranium mining in Bukit Kalan, and kecamatan Ella Hilir. In kecamatan Menukung alone, seven Coal Mining Licenses have already obtained the Location License from the Bupati of Melawi, for a total area of 91,500 ha.

Other than forest conversion, one of the biggest issues faced by the region is the high rate of critical land growth, which now covers 534,224,26 ha or 65.2 per cent of the total forest area. Whilst critical land for other uses (APL) has already reached 216,247,62 ha, bringing the total critical land area (forest area and APL) to 750,471,88 ha.

Table 1. Forest Area and Critical Land

Type of Forest	2010	Critical Land ¹
Forest Area	819.654	534.224,26
PPA Forest/National Park	42.000	1.258,36
Protected Forest	219.500	128.713,59
Limited Production Forest	333.200	191.179,80
Production Forest	221.754	212.875,15
Production Forest that can be converted	3.200	197,36
Others	244.426	216.247,62
Total	1.064.080	750.471,88

¹ http://www.melawikab.go.id/index.php?option=com_content&view=article&id=65&Itemid=85

Forestry the Largest Contributor to the Natural Resource Management (SDA) Revenue Sharing Fund (DBH)

The forestry sector is the largest source of income for the DBH-SDA, based on its average contribution of 67.3 per cent over the last four years. Its income is sourced from the Forest Resource Rent Provision (PSDH) and Reforestation Fund (DR).

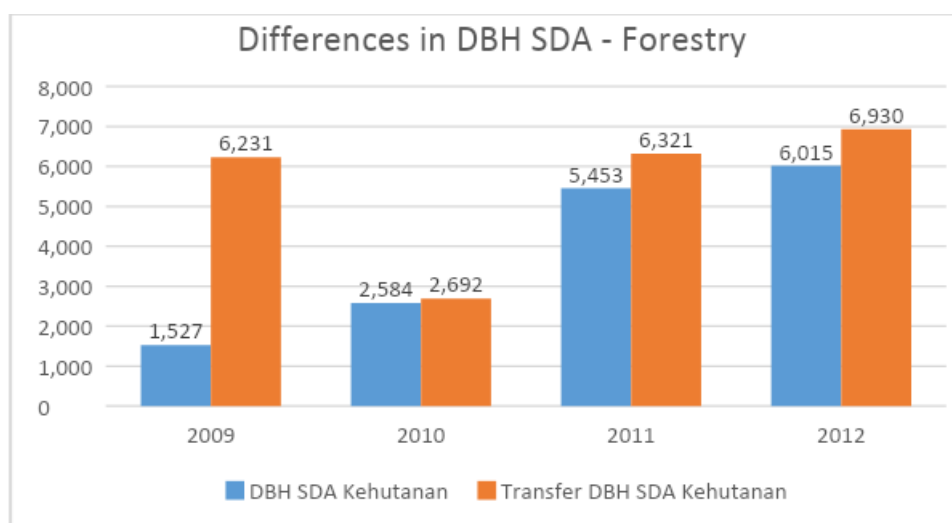
Forestry income is composed of 70 per cent DR and 30 per cent PSDH; figures which point to the high volume of logging and deforestation that occurs every year due to large-scale industrial forestry activities.

Table 2. Contributions of the Forestry Sector to DBH SDA

Components	2009R	2010R	2011R	2012R
Total DBH-SDA Forestry (Rp Million)	1.526	2.583	5.452	6.014
Total DBH SDA (Rp Million)	3.003	2.828	9.099	8.987
Contribution of DBH-SDA Forestry	50,8%	91,4%	59,9%	66,9%

As such, local revenue has a direct impact on rates of deforestation. Ironically, natural resource and forestry management in Melawi is also characterised by a difference between realised transfers from the Ministry of Finance and data in the Local Government Financial Report (LKPD).

Graph 1. Differences in DBH SDA – Forestry



Essentially, the difference isn't in accordance with Government Regulation No. 71/2010 on Government Accounting, especially in relation to PSAP II in the Consolidated Financial Statement.

Accelerating Critical Land Rehabilitation

Of all the significant issues, critical land is the one that needs most attention, given that it's already reached 750,471,88 ha or 70.5 per cent of Melawi's total forest area (both in terms of forest cover and APL). Indeed, it will require special treatment from local governments if it is to be resolved.

In the macro context, however, the local development policies listed in RPJMD 2011-2015 don't reflect any priority towards resolving forestry issues. If reviewed in a more micro context, budget allocations for the forestry sector from 2010-2013 only averaged 1.23 per cent. Even then, the allocations were mostly used to

finance plantations since the two sectors have been incorporated into one Regional Working Unit (SKPD) called The Forestry and Plantation Department.

In fact, the largest form of expenditure was found to be personnel expenditure. In Melawi, the burden of personnel expenditure in the forestry sector reached an average of 40 per cent over four years, meaning that the remaining budget allocation for forestry development only amounted to 0.7 per cent of total local expenditure.

These findings reveal how basic forestry issues cannot be adequately addressed nor resolved if this suboptimal approach continues. As a result, strategic issues such as critical land, deforestation, institutional forest management and the ability of the communities to access forest resources are under threat of being 'neglected'.

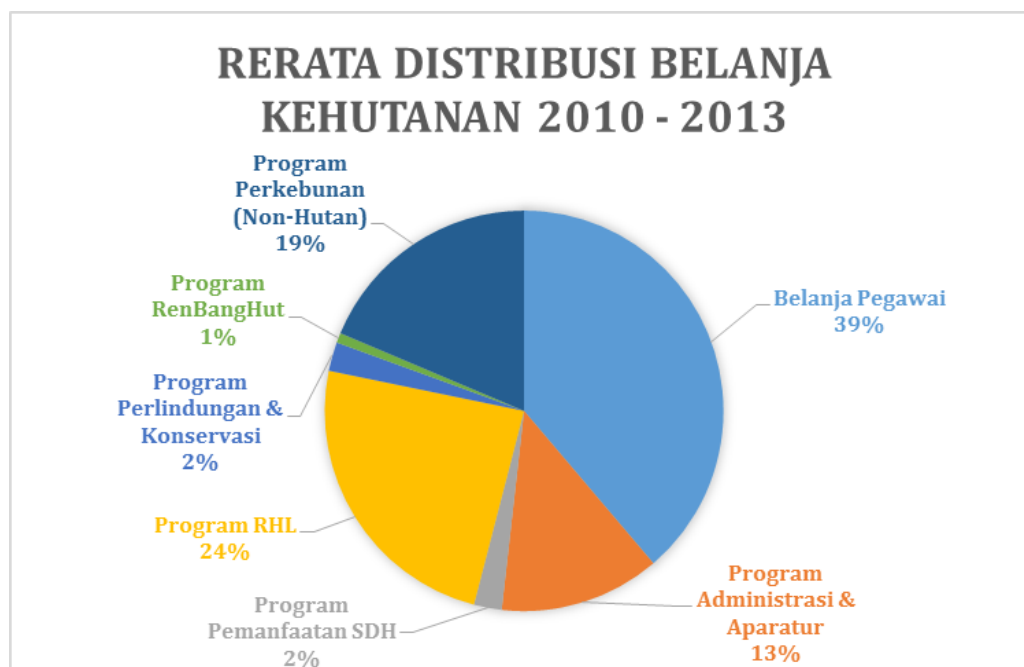
The detailed findings on Melawi's forestry sector's budget policies from 2010-2013 are as follows:

Personnel expenditure absorbed 39 per cent of the forestry sector's budget. The amalgamation of the forestry and plantation sectors into one unit instigated the huge spend on personnel expenses. As a result, automatic budget allocations for forestry and plantation programs don't have sufficient carrying capacity.

Programs and activities specifically related to forestry development only received an allocation of 42 per cent. The figure was sourced from the accumulated budget outlined in the Forest and Plantations SKPD, but subsequently, the budget was reduced for the purposes of the plantation sector (19 per cent) and personnel expenditure (39 per cent). By only allocating an accumulated budget of 42 per cent, the budget itself has become an obstacle in efforts to resolve the forestry sector's issues.

The average unit cost of the critical land rehabilitation program was Rp 2,499 per hectare/year from 2010-2013. Critical land covers 70.5 per cent of Melawi's total forest area, representing what will most likely be the biggest problem of the region's forestry sector. However, the rehabilitation program's unit costs don't reflect the need to address critical land issues, with only an average of Rp2,499 per hectare/year allocated. However, even though the unit cost in 2013 increased to Rp 5,043 per hectare/year compared to the previous three years, the base value still isn't enough, demonstrating only a 'half-hearted' effort to accelerate the rehabilitation of critical land in Melawai.

Graph 3. Average Distribution of Forestry Expenditure 2010-2013



In short, local governments don't prioritise programs that guarantee community access to forest resources, the prevention of deforestation or the development of forest management institutions. The forestry development program hasn't been appropriately designed, with only small funding allocations for the RHL program, protection and conservation, as well as the utilisation of forest resources.

Recommendations

In response to the above findings, we would like to encourage the local government to improve the substance of its forestry policies by taking the following steps:

1. The Department of Forestry and Plantations needs to prepare a more comprehensive forestry development plan, and include it within the RKA SKPD by realising the following programs; RHL, prevention of deforestation, strengthening forest management institutions and securing access to forest resources through PHBM and sustainable management.
2. The *Bupati* as the Regional Head together with the DPRD need to endorse additional budget allocations for forestry development programs and harness the potential of SILPA, to achieve an average of 237 per cent of total forestry expenditure.
3. To set aside at least 40 per cent of the budget for the forestry sector, and through a multi-year expenditure approach, ensure the planned, measured, systematic and achievable rehabilitation of critical land.