

Low Budget Commitment for Degraded Land Rehabilitation

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

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Introduction

The Reform Initiatives (TRI) has developed a series of analytical instruments for examining budget and planning policies in forest and land governance. These instruments will assess the extent to which local governments orientate public finances towards forestry development, and how beneficial it is for society in terms of environmental sustainability.

As for the 'grand design' for forestry development, in the context of budget policies it aims 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. Results from Muara Enim are outlined in this budget brief **“Low Budget Commitment for Degraded Land Rehabilitation”**.

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

Economic Growth Triggers Forest Conversion

Muara Enim's economic growth rates are high and increasing every year. According to the RPJMD 2014-18, economic growth rates (excluding oil/gas) in 2008 were at 6.27 per cent and increased to 8.69 per cent in 2012. Mining and agriculture were the primary sectors and contributed more than 70 per cent towards Gross Regional Domestic Product (PDRB). Plantations in Muara Enim cover roughly 311,218 ha or 34 per cent of the district's total area. Whilst based on Minister of Forestry Decree No. 70/KPTS-II/2011 on 15 March 2001, Muara Enim has a forest area of 382,960 ha or 42 per cent of the district's total area of 914,050 ha.¹

¹ Minister of Forestry Decree No. 76/KPTS-II/2011 on 15 March 2011 on the Designation of Forest and Water Areas in Muara Enim, South Sumatra. However, based on boundaries established in the *Bupati* of Muara Enim Decree No. 849/KPTS/Hut/2006 on 9 August 2006 on the Establishment of a Forest Area Boundary Committee, the total forest area in Muara Enim is 306.071 ha according to land-use agreements.

In Muara Enim, 64 Mining Business Licenses (IUP) are in operation over 526,957 ha or 58 per cent of the district's total area. With forest areas covering just less than half of Muara Enim's total area, it's almost certain that IUPs are located both within and outside forest areas. In the context of the local budget, income from the Natural Resource Revenue-Sharing Funds (DBH SDA) in 2012 amounted to Rp428.9 billion or 18 per cent of total local revenue. However, high economic growth and high revenue from these primary sectors has caused an even higher rate of forest conversion for the purpose of both mining and non-mining activities.

Forest Type	Forest Area	
	Area (Ha)	Percentage (%)
- Reserve Forest	9.440	2,5%
- Protected Forest	84.410	22,0%
- Limited Production Forest (HPT)	24.495	6,4%
- Production Forest	182.015	47,5%
- Convertible Production Forest (HPK)	82.600	21,6%
Total:	382.960	100%

Of Muara Enim's total forest area, more than 70 per cent is Production Forest. The remainder is Protected Forest and Reserve Forest. But high rates of forest conversion have led to high amounts of critical land. In Muara Enim's 2013 Government Agency Performance Accountability Report (LAKIP), total critical land was recorded at 172.686,35 ha or 45 per cent of the district's forest area.²

Low Budget Commitment

In actuality, the local government's policies are already oriented towards improving environmental conservation, as noted in the fifth mission of its RPJMD 2014-2018. Unfortunately though, critical land is high and thus should be a performance indicator in Muara Enim's sustainable development priority programs. Despite this, critical land hasn't been made an indicator of development success nor included in strategies designed to achieve the fifth mission.

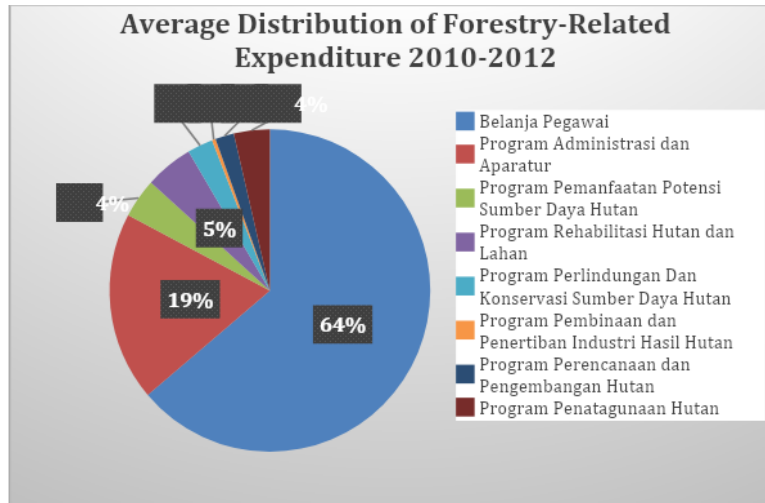
Furthermore, local government policies haven't allocated an adequate budget. With such a low budget commitment, it will be very difficult to decrease the amount of critical land which is continuing to grow every year. In fact, from 2010-2013, expenditure for forestry affairs didn't exceed 0.5 per cent of local expenditure.

Muara Enim	2010	2011	2012	2013
Local Expenditure (Rp Million)	952.305	1.212.448	1.566.203	1.653.570
Forestry Expenditure (Rp Million)	3.270	4.324	4.494	7.106
Ratio Of Forestry Expenditure Against Local Expenditure (%)	0,3%	0,4%	0,3%	0,4%

Source: APBD Muara Enim; 2010-2012 (realised) and 2013 (pure)

Moreover, the distribution of local expenditure for forestry affairs isn't in proportion. As much as 83 per cent was spent on personnel expenditure and program administration. Remaining expenditure is scattered amongst the following programs; utilisation of forest resources (4 per cent), forest and land rehabilitation (5 per cent),

² LAKIP, Muara Enim, 2012.



conservation and preservation of forest resources (2 per cent), development and control of the forest products industry (0.4 per cent), forest planning and development (2 per cent) and forest stewardship (4 per cent).

Furthermore, critical land in Muara Enim isn't supported by forest and land rehabilitation efforts. Budget allocations for forest and land rehabilitation programs are very small. Moreover, the absorption of rehabilitation programs is always lower than the allocation provided. In 2012, Rp292 million/year was allocated for the forest and land rehabilitation program, but only

Rp269.5 million/year was realised. When compared to the amount of critical land in Muara Enim, the unit cost of forest and land rehabilitation only amounts to Rp1,561 ha/year. But with such a small budget, it'll be impossible to recover critical land within a short period of time.

Description	Year					
	2010 M	2010 R	2011 M	2011 R	2012 M	2012 R
Forest and Land Rehabilitation Program (Rp)	51.115.000	48.495.000	346.573.900	304.001.500	292.015.000	269.565.000
Unit Cost ³ of Critical Land Rehabilitation (Rp)/Ha	296	281	2.007	1.760	1.691	1.561

Source: APBD Muara Enim; 2010-2012

Although, local revenue from forestry revenue-sharing funds (DBH) is sizeable. In 2010, forestry revenue-sharing funds amounted to Rp1.06 billion and increased to Rp2.55 billion in 2012. Overall, however, the local government's weak commitment to rehabilitate forests and land that have been degraded as a result of natural resource exploitation is evidence of a lack of respect towards the principles of sustainable development.

In the case of Kutai Kartanegara - the region with the largest coal mining area in Indonesia – for example, its cities appear 'dead' and abandoned as a result of the environmental destruction caused by mining. The local government needs to learn a lesson from this example. Forests are God's gift and as a form of capital development, have tangible ecological, social, cultural and economic benefits for human life, as stated in Law No. 41/1999 on Forestry. Forests, therefore, must be taken care of and managed, protected and utilised sustainably for society's welfare, and for the current and future generations.

³ Based on an estimated critical land area of 172.686,35 ha/year.



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. Conducting a study on the benefits of investing in the mining, plantation and forestry industries in terms of public welfare, as well as the socio-ecological impacts incurred.
2. Supporting the Department of Forestry to formulate a comprehensive 'grand design' for forestry development, then internalise it within the RKA SKPD by implementing the following programs; RHL, prevention of deforestation, strengthening forest management institutions, and securing access to forest resources through PHBM, and sustainable management.
3. Setting aside at least 40 per cent of the forestry sector's budget for the planned, measured and systematic achievement of critical land rehabilitation through a multi-year expenditure approach.