

A Desk Evaluation of the Implementation of the WB's 2002 Forest Strategy in Indonesia (scope 2002-2007)¹

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1. Introduction

1.1 Public opinion concerning Indonesian forestry today almost can not be separated from issues of illegal logging, conversion of natural forest, forest fire, high cost economy, land use conflict, and poverty. It has been acknowledged that those issues emerge due to weaknesses in forestry governance, so that without a commitment from the government and capacity improvement of forestry institutions it is very difficult to expect that forestry sector improvement can be done (DKN, 2007a).

1.2 In WB's 2002 Forest Strategy (World Bank, 2006b), three pillars are mentioned as WB's approach, e.g. : (1) Poverty alleviation issue (through social forestry, customary forest etc.), (2) Improvement of government's capacity, legal aspect, SFM, and forest investment, and (3) Protection of conservation area, market and finance, as well as inter-sector supports for environment. Midterm Review/MIR on the WB's 2002 Forest Strategy concludes that WB's programs in many countries have weaknesses (Hermosilfa, 2007). The following statement, for instance:

"although the World Bank Forest Strategy has advanced implementation of sustainable forest management in many countries, the scale of implementation is far smaller than envisioned or required. It acknowledges that Bank engagement in the forest sector 'has not met expectations', although in some countries the strategy has contributed to the improvement of forest governance, development of innovative instruments (carbon financing, forest certification, etc.) poverty reduction, and stimulation of private sector investment in sustainable forest*"

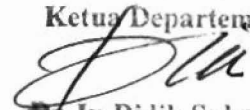
In the proposal of Global Forest Alliance² it is also mentioned concerning the weakness of interactions among PROFOR, FLEG, and WWF Alliance at program implementation level in a country.

1.3 Relation and cooperation pattern between WB and the government, as well as other parties in a country will determine whether or not policy change will be made or technical action in the field will be effective. In this paper I review implementations of the WB's 2002 Forest Strategy in relation to fundamental problems of forestry development in Indonesia as well as direction of forestry policies. This review is based on the studies of various documents, interviews with numerous relevant parties, and my opinion as a person who has been active in taking parts in various efforts of changing forestry policies in Indonesia.

¹ Paper for WB's Workshop at Jakarta, September 27, 2007.

² Global Forest Alliance, Comprehensive Partnership in Conservation and Sustainable Use of the World's Forests, 2007. Draft.

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2. Role of WB during 2002-2007

- 2.1 The Operations Evaluation Department (OED, 2001)'s comprehensive study stated that WB's strategy in forest sector had limited impacts on forestry policies in member countries because the WB did not focus enough in promoting constituency within the government and among non-governmental institutions. It was stated also that the WB did not have sufficient strong long term commitment and involvement in the sector. In addition, others have observed that the WB did not adequately allocate its own resources to non-forestry sectors that have strong effects on the forest management performance, such as finance, mining, and efforts in improving bureaucracy's performance as well as control on corruption³.
- 2.2 From 2000 to 2005, the WB helped to construct analytical documents and facilitate dialogue among stakeholders to promote constituency for forestry development. The dialogue conducted in the framework of Donor Forum on Forestry (DFF) supported Consultative Group on Indonesia (CGI) held formal meetings between donor institutions and the government to evaluate the progress of forestry policy renewal. During that period, the WB was successful in revealing the issues of forestry companies' debt controlled by Indonesian Bank Restructuring Agency (IBRA) to the national and international levels through CGI, and it also was successful in its attempts to build communications with NGO, IMF, and the government to make improvements⁴. In addition, in regard to support anti money laundering linked to illegal logging, the WB provided its experts to help Financial Transaction Analysis Reporting Center (PPATK) and to support CIFOR to campaign money laundering approach to the Asia Pacific money laundering forum⁵.
- 2.3 In 2004, the WB helped CIFOR to arrange the documents consisting of important issues in the forest sector that needed to be fixed and required improved coordination among donor institutions. The documents that had been sharpened through consultations with stakeholders were then crafted in the report published in 2006 with the title Sustaining Economic Growth, Rural Livelihoods and Environmental Benefits: Strategic Options for Indonesia's Forest Lands.
- 2.4 The WB also has played a role in bridging stakeholders' interests at the operational level, for instance the government's plan of developing oil palm plantation along conservation areas on the Kalimantan and Malaysia border. It has worked with the government and NGOs to discuss technical elements of such a development plan. Prior to this role, the WB had bridged the dispute among several parties ignited by the road development plan passing through Leuser Ecosystem in North Sumatra and Aceh. In June 2005, the WB performed evaluation on the fundamental forestry issues for interventions and at the same time captured opinions from various groups concerning the role that could or could not be played by the WB.

³ Bambang Setiono (researcher of Cifor) based on his experiences in implementing anti money laundering policies and in resolving debt problems of forestry companies has emphasized this point. Information was provided by email dated August 23, 2007.

⁴ Interview with Bambang Setiono (a researcher in Cifor) through email dated August 23, 2007.

⁵ Interview with Bambang Setiono (a researcher in Cifor) through email dated August 23, 2007.

- 2.5 In collaboration with AusAID, CSIRO, and National Development Planning Agency (BAPPENAS), since 2005 until recently (2007) the WB has been conducting a study entitled "Government Policies, Natural Resources and the Environment: Analyzing Paths to Sustainability in Indonesia". The purpose of the study, among other things, is to develop an approach that can be used to understand effects of macro policy intervention on triple bottom lines (poverty, social, economy, as well as natural and environmental capitals.) in society. The Center for Social Forestry (CSF), University of Mulawarman, Samarinda, East Kalimantan has participated in this study⁶
- 2.6 In May 2007, the WB facilitated the meeting held by the National Forestry Council (DKN) to synchronize various activities, including the ones conducted by the MoF, other sectors, as well as various Working Groups. In addition, the WB also continues its support to facilitate processes of policy formulation and policy implementation on industrial restructuring, to accelerate the development of people plantation forest (hutan tanaman rakyat/HTR), to help Indonesia in making various preparation steps for the 12th meeting in the UN Forum on the Global Climate Change (UNFCCC) COP in Bali, upcoming December.

3. Forest Policy Development during 2002-2007

- 3.1. Influenced by many parties outside the government – donors and local stakeholders, and despite numerous political declaration, however, the forest sector has experienced tremendous social conflicts, as well as central local authority conflicts. The result is continued illegal logging and huge confusion in the utilization of forest resources. The declared revitalization of forestry has not produced any positive results.
- 3.2. Implementation of Law 41/1999, regarding forestry, has been operationalized since 2002 but forestry businesses in general have not yet recovered for numerous conflicts in the field, high transaction costs, as well as rampant illegal logging. Because of this reality, various parties have tried to establish a social forestry policy – by establishing new regulation and preparation for implementation in the field – on the one hand and on the other hand to arrange licensing and timber trade through Forest Industry Revitalization Agency (BRIK), but the high transaction costs – mainly because of bribing on forestry businesses – have not yet been addressed. In 2003, President Megawati Sukarnoputri, in Central Kalimantan, declared social forestry as an initial realization of addressing social issues in the field, but until recently specific permits in the form of social forestry devoted to community is not run well. The main obstacle is absence of activity in Kabupaten (district) to locate the place of social forestry that will be established by the Minister of Forestry⁷.
- 3.3. In this period, the Law 41/1999 was revised through enacting Perpu 1/2004 (the

See also Spink, Melinda (2007) "Analyzing Paths to Sustainability in Indonesia – Project Progress Report, CSIRO". This report indicated that the second phase of the study is still on going.
Based on Ministerial Decree No. 31/2003. Kabupaten governments should determine the place of social forestry in the state forest, but actually they have not enough information about suitable forest land to locate the program.

government regulation as replacement for the law) for providing legal protection for mining companies that have had permits prior to 1999, so that those companies could be operational by the presidential decree. Before the Perpu was accepted by the House of Representative (DPR) to become Law, the president had launched the Presidential Decree 41/2004 stating that 13 mining companies are allowed to run their business in protection forests. Through voting in the House, the Perpu was accepted to become a law and the Law 41/1999 was revised by enactment of the Law 19/2004. In 2004, a new law was born to replace the law regarding Local Government and Finance. At the end of 2004 the President Susilo Bambang Yudoyono (SBY) was elected and further the position of Forestry Minister was handed over from M. Prakosa to Mr. M.S. Kaban.

3.4. In 2005, President SBY expressed his commitment to forestry development partly through the enactment of Presidential Instruction Inpres 4 2005 regarding Combating Illegal Logging in order to coordinate 18 central and local governmental institutions in combating illegal logging. In the same year, as the response to "Infrastructure Summit" the President also declared the major program named Revitalization Program on Agriculture, Animal husbandry, and Forestry (RPPK).

3.5. In early 2006, several parties -- mainly academicians and local NGOs -- agreed to replace a number of government regulations (PP) that were viewed to hamper investment acceleration, social forestry implementation, and to cause weaknesses of forest management in the field. A year later the government regulation PP 6/2007 was born to replace the former government regulation PP 34/2002. The new government regulation contains significant changes regarding empowering forest management through establishment of forest management unit (KPH), empowering social forestry, village and customary forests. This PP also regulate on opening people access to forest state resources utilization through community based forest plantation (HTR). Auction system that was initially employed in forest utilization was replaced by request based system. Complexity of forestry problems is realized by the Minister. For that reason in early 2005 the Minister met various parties to come to an agreement to form National Forestry Council (DKN) through the 4th Indonesian Forestry Congress (KKI) in September in Jakarta.

3.6. Implementations of several opportunities and instruments for forestry development revitalization that were developed in 2000 have not clearly materialized in 2007. This year the implementation of forest revitalization was shaken by "Riau case" (see point 1.3). Significant interpretation gap between the Minister's and Riau Local Police Head's regarding presumption of environmental destruction done by plantation forest companies is not only to cause the stop of plantation forest development in Riau but also to worsen countrywide investment climate partly as this case has involved two major pulp and paper companies absorbing a huge both direct and indirect workers.

Table 1. Progress of forest regulations and institutions, 2002 - 2007

Year	Regulation/Institution	Note
2002		
• June	Regulation 34/2002 on Forest Administration and the Formulation of Plans for Forest Management, Forest Utilization and the Uses of the Forest and Regulation 35/2002 on Reforestation Fund	Judicial review for regulation 34/2002 was done by NGOs and academicians
• Dec	Establishment of Forest Industry Revitalization Agency (BRIK) by joint decree between MoF and Ministry Industry and Trade	Weak role on the revitalization
2003		
• July	Declaration of <i>Social Forestry</i> Development by President Megawati Soekarnoputri in Palangkaraya, Central Kalimantan	There was no follow up after the declaration
• Oct	Declaration of Kapuas Hulu as Conservation District through District Regulation 144/2003	Followed by 7 districts during 2005 – 2007 periode
2004		
• May	Presidential decree 11/2004 Releasing 13 mining companies in protected forest	
• Oct	Law 32/2004 on Regional Governance dan Law 33/2004 on Fiscal Balance	Many parties are revising the two Law
• Oct	Susilo Bambang Yudoyono as President of Republic of Indonesia MS Kaban as Ministry of Forestry	
•	Regulation 44/2004 Forestry Planning and Regulation 45/2004 on Forest Protection	
2005		
• March	Presidential Decree 4/2005 on Combating Illegal Logging in Forest Area and Log Trading in Indonesia	Weak coordination among related institutions
• Juni	Declaration of Revitalization of Agriculture, Livestock and Forestry by President Susilo Bambang Yudoyono at Jatiluhur, West Jawa	There was no follow up after the declaration
2006		
• Sept	Establishment of National Forestry Council (DKN) through Indonesia Forestry Congress IV	
2007		
• Jan	Regulation No 34/2002 was replaced by Regulation 6/2007	Needs Ministerial Decree to follow up
• April	Law 26/2007 on Land Use	Needs regulations to follow up
• July	Government Decree No 38/2007 on Distribution of Authority among Central Government, Province Government, and District/City Government	Needs Ministerial Decree to follow up
• July	Ministry of Forestry agreed implementation of Legality Standard (VPA) established by multi-stakeholders	Needs establishment of institution
• August	Ministry of coordination of Politic and Defence establish a team (NGOs, Bussines Assosiation and DKN) to monitoring implementation of Presidential Decree 4/2005	

4. Forestry Problems and Policy Intervention

4.1. In its report the WB states that during the last 20 years around one billion USD has been used from more than 40 donors who are concerned with fixing/solving Indonesian forestry problems. Forestry governance, however, is still weak and forests keep being harmed (World Bank, 2006b). In what follows this forestry problematics is reviewed from various perspective regarding operational and practical problems in forestry in order to see the depth of forestry problems and the relevance of various interventions that have been taken.

4.2. Institutions: Problems of Sustainable Forest Management

4.2.1. Forest damage that is seemingly caused by illegal logging, forest fires, and forest

encroachment is essentially caused by a deeper problem, which is mainly weak institutions, in this case weak in forest management. The three cases described below show that forestry governance is the main issue in forest management in Indonesia. Currently, there are 21 million hectares of production forest without the presence of a management entity⁸. In addition, management capacities of conservation areas and protection areas are also weak. This institutional problem is the most fundamental problem that has been tried to be addressed through formation of forest management unit (KPH) in the government regulation PP 6/2007⁹. With sponsorships from GIZ, MoF team have conducted comparative study in Germany to assemble the development policy on forest management unit¹⁰.

- 4.2.2. Uncertainty in forest businesses, both plantation and natural forests, run by large or small companies is worsened by an overlapping permit issuance by the central and local governments¹¹. Resolution for such a problem has not ever been done through a particular program, instead through litigation on the cases that emerged to the surface¹².
- 4.2.3. The coherence level of the MoF's programs in solving forestry problems is still weak. Each working unit of the MoF tends to achieve output partially according to its own tasks and job description. Likewise, output result from interaction between MoF and Working Groups¹³ and local governments is also weak (DKN, 2007a).

4.3. Riau Case: Industrial Restructuring Problem

- 4.3.1. Recently, there are 8 plantation forest companies that are being accused of causing the environment damage. The 8 companies are being charged with violations of rules concerning environmental management, such as peat protected areas that have been converted into plantation forest. In addition, the 8 are also being charged with conducting land clearing in productive natural forests.
- 4.3.2. Based on existing studies (DKN, 2007b), there is a serious gap between MoF and

⁸ According to Head of Forest Area Development Center, Forestry Planning Agency, MoF, the absence of management entity in the field is mainly caused by inactivity of numerous concession companies. This issue emerged in stakeholders debates during the construction of PP 6/2007 draft. Academicians supported by key persons in MoF who agreed on the need of empowering forest management were considered to be successful in altering PP 34/2002 to become PP 6/2007 that includes the establishment of forest management unit (KPH) inside.

Interview with Irijoko Mulyono, Forestry Planning Agency of MoF dated August 6, 2007. It was stated that MoF team consisting of 9 persons would be in Germany from September 2 to September 9, 2007. It is proved by PI Ayamaru and PI Sarbi that are working for Directorate General Forest Production Development, MoF, to locate new areas that can be offered to investors. Interview was held on August 11, 2007.

¹² In the discussion on forestry program focuses between Team of School of Forestry IPB and Planning Bureau of MoF dated August 7, 2007 this problem was discussed. The Planning Bureau agreed on the establishment a separate program concerning empowering local forestry institutions.

¹³ Currently there are several Working Groups, they are WG on Tenurial, WG on Institution, and WG on Industrial Restructuring, as well as People Empowerment WG.

Indonesian National Police in selecting and judging regulations as references¹¹. Additionally, there is also gap in interpreting the criteria for unproductive natural forests that can be converted to plantation forests¹². Therefore, the problem is more about political interpretation by different government agencies, rather than implementation of the policies by permit holders¹³.

These issues have been parts of political elite's interests in the House of Representative¹⁴, halting on going plantation activities in Riau¹⁵, and withdrawal of several plantation forest investors¹⁶. Meanwhile, there is no sign indicating parts of efforts for resolving forestry cases in Riau. For example, problem of land and forest fire control¹⁷, problem of securing rights of customary and other local communities from being claimed by plantation investor¹⁸, problem of maintaining sustainability of production forest¹⁹, as well as problem of executing forest and land rehabilitation program.

4.4. Land and Forest Rehabilitation: Enabling Condition Problem

4.4.1. MoF (2007) states that realization of National Action of Land and Forest Rehabilitation (GERHAN) during 2004-2006 spent 2.8 trillion rupiahs (316.1 million USD, 1 USD = 9000 rupiahs) of state revenue and expenditure budget coming from Forestry Fund (DR). It is about 54% from the planned budget of 5.3 trillion rupiahs (587.4 million USD). Meanwhile for 2007 fiscal year, 3.4 trillion rupiahs (377.8 million USD) have been approved. So far, 651,200 hectares out of 909,500 hectares planned (71%) have been planted, while realization of plant

For instance in designation of peat protected area, MoF considered local regulation (Perda) on Province Area Space Arrangement Planning (RTRWP) as a reference due to the absence of the harmony between this RTRWP and Agreed Forest Use Arrangement (GUK). While, the reference of MoF decree No. 10.1/2000 used by the police has been declared to be no longer valid through MoF decree No. 32/2003. The designation of unproductive production forest that can be converted into forest plantation is already regulated under PP 6/1999, MoF Decree No. 10.1/2000 and PP 34/2004. Whilst, MoF also imposed a policy on accelerating forest plantation development, where each unit management through the MoF decree No. 101/2004 can make conversion to the natural forest, but those under particular criteria (10 criteria as IKVP) has to persistently be protected by the company.

¹⁶ This was clarified by two staffs of the Police Headquarter in the discussion on 9 August 2007

¹⁷ The discussion on Riau case in Commission III of the House Representative (legal aspect) was conducted without MoF because it was prohibited by Commission IV (forestry aspects). These two commissions could be representation for the current controversy between police (Commission III) and MoF (Commission IV).

¹⁸ Interview with Nanang Rofandi, Day2day Head of Association of the Indonesian Forest Concession Holders, in Jakarta on August 6, 2007.

¹⁹ Interview with Hadi S Pasaribu a Director General of Forest Production Development, MoF on August 6, 2007. According to him, South Korea which will invest in developing of about 500,000 ha forest plantation in Indonesia start hesitating to proceed the investment due to the Riau case.

Prof Emil Salim in his capacity as Presidential Advisory Council in the meeting on July 13, 2007 explained that the case will merely debating on the truth under law, but no connection with the efforts to reduce the timbers in the Riau forests which potentially be a trigger for forest fire.

²¹ Based on results from some DKN meetings with community groups in Siak District, Riau, mentioning that various conflicts experienced by the community with the plantation company.

²² Interview with a worker at PT Diamond Raya Timber, a forest concession holding eco-labelling certificate in Riau, but their location has now been passed with a road developed by local government.

tending is around 365,800 out of 870,200 hectares (42%). It is not yet known on how much of the 651,200 hectares and the 365,800 hectares still survive.

- 4.4.2. In addition to forest and land rehabilitation funded by state budget, local governments also perform the same activity funded by specific allocated fund (DAK-DR)²³. Report from Provincial Forestry Agency of Riau (2006) states that during 2001-2005 11 districts/cities in Riau Province received forestry fund of 431.5 billion rupiahs. Of that amount, 204.3 billion rupiahs or 47% was spent for forest and land rehabilitation covering 38,599 hectares of forest and non forest areas. It constitutes 1.78% of degraded lands in Riau Province. Under this situation 5 out of 11 districts/cities in Riau might unintentionally violate the law
- 4.4.3. Experiences occurring in Riau show that problem of forest and land rehabilitation execution includes various aspects such as planning, nurturing, establishing forest management unit (KPII) as a prerequisite, and financing. In all those aspects, all districts/cities suffer from lack of data and information, lack of time available for design construction, weak supervising and controlling team, weak socialization, difficulties in finding free conflict forest areas, unsuitable price unit, and insufficient local counter budget (Disflut Riau, 2006).
- 4.5. The issue of forestry governance needs to be investigated in detail and vigilant in order to recognize its causes, related authorities, and route of correction required. Experiences show that processes of multi-stakeholders meeting although they are able to materialize democratic process and common concerns on the result achieved are not sufficient to reach detail investigation on the issues (Insist and Mitra, 2003). Various multi-stakeholders meetings done so far including the ones sponsored by the WB tend to produce only shopping list of problems and recommendation of actions²⁴, but its validity evaluation according to the level of intervention is still weak. Agreements at levels of President, Ministers, and Echelon often fail to work at lower levels. On the contrary, good ideas of revitalization coming from lower echelons are not appreciated by higher authorities. The WB and other donors often did not pay attention to this kind of situation including those of recognizing key actors as innovator²⁵ in more detail as implementation basis of their programs.
- 4.6. Output of governance correction described above (point 4.5) is expected to deliver suitable conditions in the field, such as: 1) capability to defend and/or establish well-defined forest management areas allocated in detail and free of conflicts in the long term, 2) managers have adequate capacities required, 3) efficient regulation execution to control forest utilization that is within carrying capacity of the forest. Requirements of law as basis and resources mobilization to materialize the three outputs tend to be ignored; conversely, more resources are devoted to combating

²³ It is forestry fund sent back to local governments specifically for supporting forest development

²⁴ This was stated partly by Agus Setyarso, Operational Head of DKN via email on August 20, 2007.

²⁵ Via email on August 23, 2007, Bambang Setiono of CIFOR, on the basis of his experience working with FLEG program and money laundering policy, argued that the weakness of the WB is in determining the key actor of reformer.

illegal logging, land and forest fire, and so on, which are basically only symptoms²⁶. Regarding these matters, governance and management coverage as mentioned in the WB's document, i.e. as a central issue to be reviewed, is not sufficient to be addressed by touching only elements of the governance and management such as transparency, law enforcement, decentralization, and dialog processes prior to decision making. Instead, it must also be addressed by tying those elements to the substances of basic problems needed to be overcome. Ironically, both the WB as well as Gol do not yet seriously identify the substances of basic problems as the foundation of generating their programs²⁷.

5. Bureaucratic Obstacles and Opportunity of Policy Change

5.1. RELEVANCE – DONOR'S ROLE Experience show that policy intervention from outside the government can be effective when the real problem is correctly identified, the timing of intervention matches field cases emerging nationally, there exists pro-reformation public servants and their positions, and the process is in line with tasks that are being done by the public servants²⁸. Meanwhile ideas of forest policy change from the government usually is limited to replacing and/or completing rule and regulation, but the contents often do not answer the problem to be overcome²⁹, even often creates unanticipated new problems (Riau Case: point 1.3), do not provide for institutional strengthening as prerequisite of smooth execution of improved rule and regulation or new ones (Forest and Land Rehabilitation: point 4.4). For those reasons, donor institutions are still required³⁰, among others to provide a balance between policy intervention from outside government and readiness of the government to adopt the policies and bureaucratic reforms.

III WB INDEPENDENCE AND BUREAUCRACIES. Weaknesses of forestry governance as the root problem of forestry can be traced back from management perspective (Sutton, 1992). The weaknesses are caused by the imbalance of incentives to pro-change actors and to pro status quo actors. Whoever has until recently benefited from the confusing forestry realm will lose billions USD when Indonesian forestry governance is improved. On the other side, donor institutions are also run by

²⁶ The opinion of Sutrisno, Head of Forest Area Development Center, Forestry Planning Agency (interview on August 7, 2007): all directors (echelon 2) within MoF everyday busy for running the dispositions for coordination meetings in solving conflicts and administrative problems of license that all considered to be urgent (due to employer say so) but not essential (because of this only a symptom). So, the fundamental problems like to defend and/or to build the definite forest management area, improving its management capacity, and create efficient regulation have never been thought.

²⁷ Agus Setyarso, Day2day Head of DKN, via email on August 20, 2007 argued that the WB projects indeed not always start from identifying the root of the problems. Very often problem statement posted in a project report more as assumed problem, and not real problem.

²⁸ Based on process experience that has been took place, i.e. policy changes for improving incentive for forest utilization (based on review done by TNC in 2005/2006 continued by DFID in 2006/2007), and on going process, i.e. the designation criteria and indicators as well as implementing institution of legality standard, the success very depended to the said factors.

²⁹ PP 34/2002 that is replaced by PP 6/2007

³⁰ In line with EU workshop results reported in World Bank (2006a).

bureaucrats whose income is not dependent on whether or not the change occurs. It seems there is no incentive on the part of donor institutions to exert a strong pressure in order to produce a change, because this move may create problems for themselves³¹. Among those donor institutions, the WB is considered as having better capacity mainly in bringing in resources from abroad, providing cooperation documents, as well as producing technical reports required. However, the WB is viewed as not yet having a framework enabling realization of interconnected activities so that the ultimate objective of the activities can be achieved³². Among those interviewed for this study the WB is believed not to have enough experts who understand Indonesian forestry and are able to identify persons who can run forestry policy change in Indonesia. The WB and other donor institutions generally focus more on specific activities and their administration, but less focus on thinking about achieving strategic objectives³³.

5.3. ACTIVITIES IMPLEMENTATION BY THE WB. Regardless of existing problems, the WB is considered as having strategic role in promoting forestry policy change as indicated in the WB's 2002 Forest Strategy, even though the strategies of implementation still need to be improved³⁴. Several following consultation results may be used as an input:

- 5.3.1. In handling the debt of forestry companies in the 11311A, the weakness encountered is the lack of coordination between the WB's division that helped the IBRA and the WB's division that helped forestry, so that the WB's division that helped the IBRA supported the government to sell forestry companies' debts without tying to the government's commitment in forestry: while the WB's division that helped forestry put a condition that sale of forestry debts could be done after a reduction in industry capacity. In addition, the WB did not provide enough resources needed by NGO to answer the demand of the IBRA to perform an analysis of forestry debt recovery that took into account the capacity reduction of forestry industries³⁵.
- 5.3.2. In relation to program on forest law enforcement and governance (FLEG), the WB tends to not willing to integrate FLEG activities into anti money laundering activities formally. In addition, the WB is not willing to be a "leader" in building international cooperation to combat illegal timber trade. There is no initiative on the part of the WB to help Indonesia, for instance by asking Malaysia and Singapore to come to the table for sharing information on preventing illegal timber trade. What was happening just to facilitate relevant countries to meet. Actually, the WB can do better³⁶. Meanwhile FLEG's 10 steps of combating

³¹ The way to see the problem of stagnate reform like this is in line with David Kaimowitz opinion - communication via email on August 21, 2007

³² The magnitude of the WB capacity is admitted by Yuyu Rahayu, Head of International Cooperation Bureau, MoF (interview on August 22, 2007). He argued on the absence of the WB project design enabling to achieve the ultimate goals. This was also stated by Agus Setyarso, Day2day Head of DKN.

³³ This was conveyed by Yuyu Rahayu, Agus Setyarso, Wandojo Siswanto and David Kaimowitz

³⁴ Yuyu Rahayu, Head of International Cooperation Bureau, MoF and Wandojo Siswanto Head of Planning Bureau, MoF through separate interview on August 22, 2007.

³⁵ Interview with Bambang Setiono, a researcher of CIFOR, via email on August 23, 2007.

³⁶ Interview with Bambang Setiono, a researcher of CIFOR, via email on August 23, 2007.

illegal logging are not strongly linked to Directorate General PIKA MoF whose duties and responsibilities include preventing illegal logging, so that there is no integration between the activities' outputs the WB achieved and MoF's programs³⁷.

5.3.3. In 2005, the Indonesian Working Group on Forest Finance (IWGFF) initiated a construction of a manual concerning System of Anti Money Laundering in Forestry. Second concept of the manual is the result of long discussions between the IWGFF and the PPATK. In addition, the IWGFF also designed a proposal to build Anti Money Laundering Task Force in forestry. All ideas were born from the IWGFF's strategies. In the middle of the processes, the WB's representative suddenly conducted a series of meeting, with the PPATK and then together with the PPATK and MoF held a seminar on November 16, 2005, and recommended to build a Forum or Task Force that is initially suggested by the IWGFF. Initially, the seminar was considered as a serious initial step taken by the government (PPATK, MoF, and Police) that was supported by the WB, but in fact recommendations derived from the seminar have never been implemented until today³⁸. Facing this situation, the WB's representative in Indonesia does not put further efforts in order to encourage that anti money laundering instruments are really implemented in forestry law enforcement processes in Indonesia, or at least the WB should be able to monitor its recommendations from the seminars jointly done with MoF and PPATK³⁹.

5.4. MINISTRY OF FORESTRY (MOF) PROBLEMS OF BUREAUCRACY. In line with the efforts to materialize business certainty and to increase forest business performance, MoF is revising criteria of allocating production forest areas to be used in managing both natural and plantation forests, and in restoring production forests. This activity, which is mainly triggered by Riau Case (point 4.3), is taken by Sub Directorate of Production Forest Utilization Plan⁴⁰ by inviting involvements of all Echelon I, academicians, consultants, and business community⁴¹. There is no synchronization among working units in MoF to produce output that is operationally useful as basis of decision making⁴². Execution of forest monitoring and assessment system (FOMAS), which is expected to support the activities, is not yet followed by a coordination in data and information processing between Forestry Planning Agency (Baplan) and Directorate General of Forest Product Development (BPK)⁴³, so that FOMAS has not

³⁷ Interview with Wandojo Siswanto Head of Planning Bureau, MoF on August 22, 2007.

³⁸ MoF never played active role in pushing legal officers to use the anti money laundering instrument for each illegal logging case; whilst, the PPATK always excused by saying that MoF has actually to play active role on this matter (there is an MOU between MoF and PPATK)

³⁹ Interview with Willem Pattinasarany, IWGFF Coordinator, via email on August 25, 2007.

⁴⁰ Interview with Agus Sarsito, Director of Forest Production Utilization Plan, MoF on August 6, 2007. According to him, the implementation of the collaboration between WWF-Indonesia and PT RAPP in conserving HCVF in Riau is in line with this activity.

⁴¹ The license holder whose review was asked, including that of Bird Life, as the one and the only restoration manager of production forest.

⁴² This problem was admitted by Yuyu Rahayu, Head of International Cooperation Bureau, MoF, and Wandojo Siswanto Head of Planning Bureau, MoF through separate interview on August 22, 2007.

⁴³ Interview with Bob Purba, Executive Director of Forest Watch Indonesia (FWI) on August 19, 2007. It was stated that the Forestry Planning Agency, MoF, only provide the figure of forest cover in its map.

yet produced output that is operationally useful as decision making basis. Because of being not operational, inflexible funding from donors, and culture of bureaucracy that is busy with administrative affair instead of outcome, FOMAS is hampered⁴¹.

Currently, in order to get information on places for investment in plantation forest or natural forest and restoration of production forests, Directorate General of Forest Production Development employs a consultant to locate⁴⁵. Because of this situation, the objective of FOMAS as transparency instrument (World Bank, 2006a; World Bank, 2006b) in implementing policies is not yet achieved.

5.5. SUPPORT OF MINISTER OF FORESTRY IN IMPLEMENTING LEGALITY STANDARD. In relation to the WB's strategy to develop economy, restructure industry, and enforce law, MoF recently attempted to improve natural forest management by evaluating implementation of sanction and incentive. According to Director of Natural Forest Development of MoF⁴⁶, self approval of Annual Working Plan for natural and plantation forest business and heavy equipment acquisition – other factors are fixed seems meaningless. Implementation of legality standard (Voluntary Partnership Agreement (VPA) Initiative, funded by the EU) must be in line with MoF's efforts in implementing the sanction and incentive. Businesses express their objection to the implementation of legality standard, because according to them the standard has bad impacts on the performance of natural and plantation forest businesses. The objection of businesses has been declined by the Minister of Forestry⁴⁷. According to the Minister of Forestry:

"It is no **need** to worry for not achieving the performance of forest utilization **due** to Legality Standard implementation. It is time to identify which HPH/HTI that meets the requirements and which ones that **do** not, and then further steps **will** be taken"

This matter strengthens steps that are able to be conducted by the **M'IE** and other donor institutions to execute reinforcement program of production forest area management capacities and/or to provide the infrastructure for monitoring the performance of HPH/HTI monitoring in the field.

5.6. WHAT IS EXPECTED FROM THE WB AND DONOR INSTITUTIONS? In general, MoF

while the Directorate General of Forest Production Development, MoF, determined concessions area (HPH/HTI) with its progress. This both information could not be united (harmonized) because each institution doing the job based on each main task and function (tupoksi) and not oriented into mutual output needed in making decision.

⁴⁴ Interview with Belinda, a staff at the Forestry Planning Agency, MoF, being now seconded in the WB for help running FOMAS. FOMAS related activity considered to be not operational by far was also regretted by Bob Purba of FWI.

⁴⁵ There are some consultants working for the DG of Forest Production Development, MoF, under state budget, in order to designate production forest area prepared for new investment in 11 provinces (North Sumatra, Riau, Bengkulu, Jambi, West Kalimantan, East Kalimantan, Central Kalimantan, NAD, Gorontalo, North Sulawesi, South East Sulawesi, NTB, and Maluku). Interview with Agus Sarsito, Director of Forest Production Utilization Plan, MoF on August 6, 2007.

⁴⁶ Interview with Ms Listya, Director of Natural Forest Development, MoF, on August 2, 2007.

⁴⁷ The meeting was held in the event of SC presentation on Legality Standard with the Minister of Forestry on July 31, 2007. In this event, the representative of the Association of the Indonesian Forest Concession Holders (APHI) argued on the objection to employ the legality standard for the reasons of the readiness of their members which 50% considered would not be ready.

appreciates more various initiatives of donor institutions when those initiatives are tied to rule and regulation instruments that are already available¹⁸. Elaboration of PP 6/2007 in the forms of forest management unit, HTR (People-based Forest Plantation), Community Forest, Customary Forest, and Village Forest is expected to be a bridge for overcoming conflict in forest resource utilization. In this regard, Director General of Forest Production Development MoF, has initiative to evaluate all rules and regulations so that besides in line with new scheme of forest management nationally, also can lessen the transaction cost in their execution. For that reason, National Forestry Council (DKN) has established collaboration with TNC, FLEGT, WWF, APH (Association of Indonesian Forest Business) and the WB to conduct evaluation of the rules and regulations and their renewal process. In September 2007 this program is expected to run. In relation to implementing policy related to a climate change, in general MoF is not yet ready¹⁹. Hence, it is expected that role of the WB and other donor institutions is able to provide technical studies needed, to facilitate international negotiation, and together to design pilot project that has high probability of success²⁰.

6. Conclusions

- 6.1. From brief evaluation above, it can be indicated that the fundamental problem of Indonesia's forestry is problem of forestry governance. Therefore, programs from outside government including those by the WB have to be oriented to the long-term, because short-term orientation with partial character proven, though it works, cannot reach final objective desired. Long term orientation means that it needs to recognize on going fundamental problem through circumstantial studies, consultation etc, employing experts who do understand real situation in the field and problem of bureaucracy, formulating and being able to implement transaction strategy with pro reformation civil servants in the government body. That means, in order for the WB's programs to work effectively, besides they must be able to specify the fundamental problem and also the relevant types of activities to be done, they need to perform actor analysis, to analyze relationship among actors, power, and resources which are available outside the WB to be mobilized.
- 6.2. Anti corruption climate continues to work, more transparent decision making processes in governance, existence of (political) commitment in high rank government officials, and also better awareness of importance of cooperation with various parties did not mean that the logical recommendations from outside to improve forestry policy can be directly adopted by policy maker. Impediment often resides in the rules and regulations which is not supportive, in the way of viewing problems or "simply" is caused by misunderstanding due to outside party attitude as

¹⁸ Interview with Ms Listya, Director of Natural Forest Development, MoF, on August 2, 2007. This view is in line with the view of Hadi S Pasarihu a Director General of Forest Production Development, MoF

¹⁹ This condition was admitted by Yuyu Rahayu, Head of International Cooperation Bureau, MoF, and Wandojo Siswanto Head of Planning Bureau, MoF through separate interview on August ??, 2007. Interview with Rizaldi Boer, a lecturer at IPB (August 25, 2007), being collaborated with various government agencies, including MoF, and NGO for preparation of Indonesia for upcoming COP 13 in Bali; interview also with Wandojo Siswanto, Head of Planning Bureau, MoF on August 22, 2007.

mentioned earlier. For the Indonesia case, these trivial things, including that of person to person relation, likely cannot be disregarded.

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