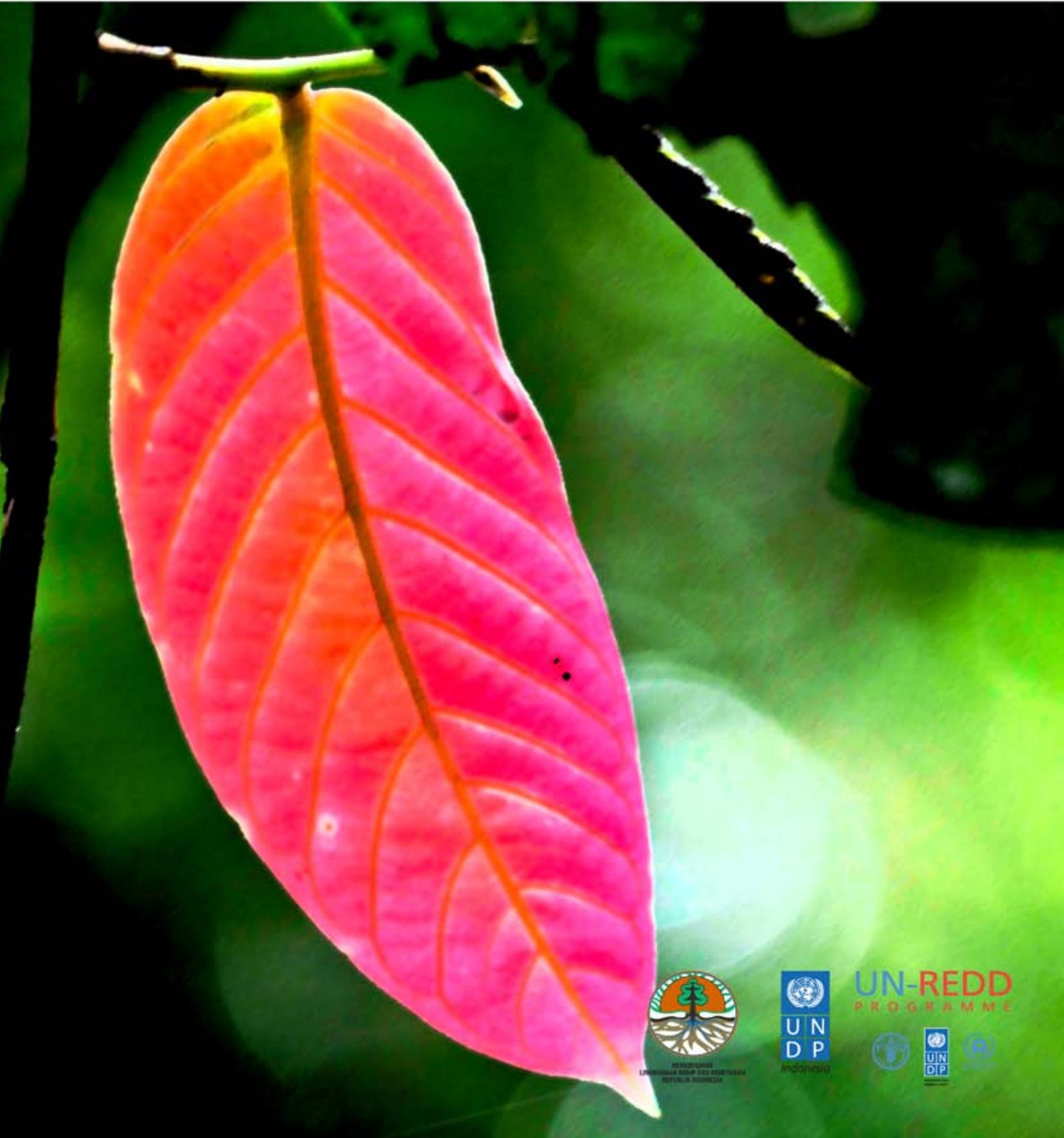


EXECUTIVE SUMMARY

THE 2014 INDONESIA FOREST GOVERNANCE INDEX



KEMENTERIAN
LINGKUNGAN HAYATI DAN PERTANYAIAN
REPUBLIK INDONESIA



UN-REDD
PROGRAMME



EXECUTIVE SUMMARY

THE 2014 INDONESIA FOREST GOVERNANCE INDEX

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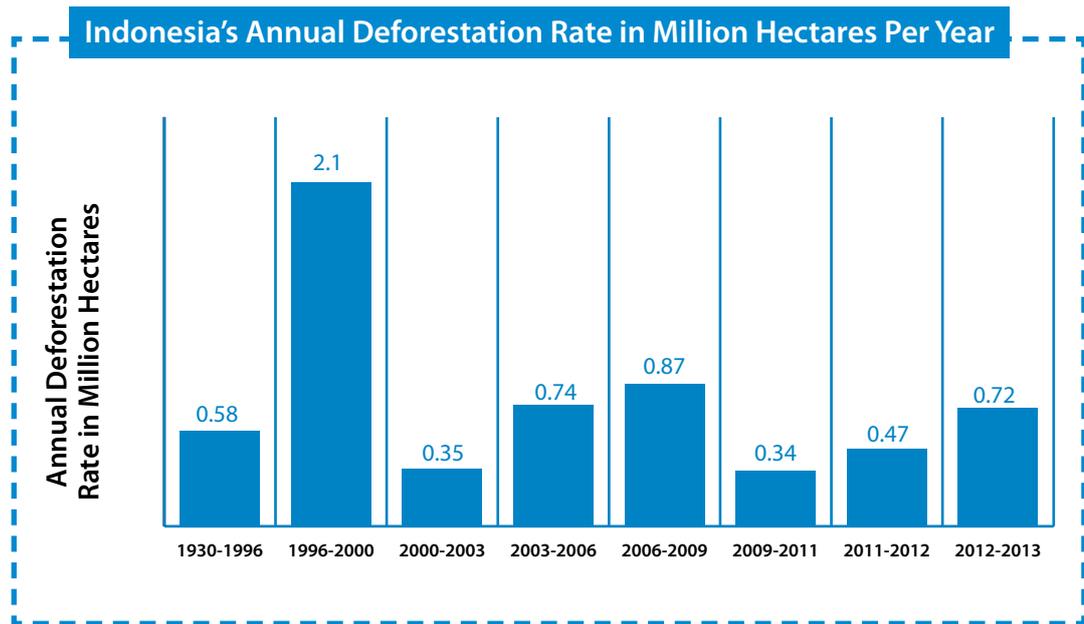
THE 2014 INDONESIA FOREST GOVERNANCE INDEX

NAWA CITA, the nine priority agenda of the Jokowi-Kalla Government, highlights “good, clean, effective and democratic governance” as one of the main agenda points to be included in the national development plan. This involves continuing bureaucratic reform, institutional strengthening, improving capacity and integrity of civil servants and ensuring public participation in decision-making process.

Strengthening governance is well reflected in the natural resources section of Indonesia’s 2015-2019 National Medium Term Development Plan (RPJMN). For the first time, RPJMN explicitly emphasizes a strengthening of governance of each natural resource sector. Considerable improvements of governance systems and structures are therefore found necessary to ensure natural resources management which is more sustainable and equitable, as well as less prone to corrupt practices.

Strengthening forest governance is no exception. In the 2015-2019 RPJMN, strengthening forest governance will focus on the establishment of forest management units (FMUs), acceleration of boundary delineation, gazettement of the entire forest area and larger forest allocation for local communities. Improved governance is perceived to be one of the enabling conditions for the rehabilitation of degraded land in the forest watershed improvement efforts, the increase in revenue from the forestry sector and for the overall success of combatting climate change.





1

A focus to strengthen and institutionalise forest governance systems and structures is a continuation of the previous government's efforts. This includes a moratorium on granting new licenses in primary forest, improvement of the forest licensing system; mechanisms to handle complaints and resolve conflicts; establishment and protection of Forest Management Units (FMUs); as well as recognition of indigenous peoples and local communities by government actors, in legal texts and documents, in addition to being reflected in policies and measures. The Indonesian Corruption Eradication Commission (KPK) has been active in this regard and has made a number of coordinated efforts involving many parties to save Indonesia's natural resources from the destructive activities contributing to deforestation and forest degradation and the loss of the state in the forestry sector.

The Jokowi-Kalla Government has reiterated Indonesia's commitment to reduce greenhouse gas emissions by 26 percent with its own capabilities and 41 percent with the support of international development partners. This commitment is embedded in the Government's Medium Term Development Plan (RPJMP) 2015-2019. More than 60 percent of the target for emissions reductions is planned to be achieved through the reduction of deforestation and forest degradation and sustainable forest management, conservation of carbon stocks and carbon stock enhancement through planting, also known as REDD+.²

¹ Data source for Figure 1: Indonesian Ministry of Forestry's regular monitoring of forest cover

² Commitment to reduce greenhouse gas emissions from forestry and land sectors through REDD+ was reaffirmed by President Jokowi during a meeting with the Prime Minister of Norway, Erna Solberg, which resulted in an agreement between the two countries to resume cooperation on REDD+, which has been implemented since 2010. The official meeting between the two heads of state took place in Jakarta on Tuesday, April 14, 2014.



Therefore, drastic steps are still needed at all levels to properly address deforestation and forest degradation in Indonesia. The latest data from the Ministry of Forestry reveal that deforestation in Indonesia is still relatively high and on the increase, as this chart clearly demonstrates.

Deforestation and forest degradation have contributed to the increase in greenhouse gas emissions, one of the main causes of climate change. According to the Intergovernmental Panel on Climate Change (IPCC), the contribution of the forest and land sectors (including agriculture, forestry and other land use) to global greenhouse gas emissions reached 24 percent of the world's total in 2007.³ For Indonesia, with a total emission of 1.3 million tons of CO₂-e, 47 percent of its GHG emissions come in fact from the land and forest sectors.⁴

Deforestation and forest degradation have reduced the forest functions as a provider of environmental services, especially as a place to store carbon and absorb carbon dioxide from human and economic activities. As a result of increased GHG emissions, the average global temperature is increasing, triggering a variety of extreme natural phenomena. Some of these extreme natural phenomena include an increase in sea level, the emergence of new diseases, reduced availability of clean water in certain places, and reduced habitats for a wide variety of species.

Natural disasters such as drought, landslides, forest fires, and floods in some places are becoming more frequent. Analysis of the number of environmental disaster events reported by Indonesian media indicate that there were 733 environmental disasters in 2012 and 2013 alone.⁵ Based on information from the National Disaster Management Agency (BNPB), 6645 natural disasters such as landslides, floods, droughts, and tidal waves (abrasion) occurred in Indonesia in the period 2008 to 2013.⁶

These disasters caused huge economic and environmental losses for Indonesia. The National Development Planning Agency (Bappenas) estimated that the losses due to floods in Jakarta, Bogor, Tangerang and Bekasi in early 2007 reached Rp 4.16 trillion.⁷ In addition, the loss due to fires in Riau Province in 2014 reached Rp 10 trillion.⁸ Adding to this, there were immaterial losses such as impact to human health, flora and fauna, and strained relations with countries in Southeast Asia affected by forest fires in Indonesia among others. Indonesia is a "megadiverse" country, home to some of the world's greatest biodiversity, including 17 percent of the world's bird species, 16 percent of its reptiles, 12

³ IPCC Fourth Assessment Report: Climate Change 2007. IPCC Geneva, Switzerland, 104 pp.

⁴ See the Second National Communication report, Ministry of Environment 2009

⁵ Media reporting at national and local levels is part of 2014 forest governance assessment report

⁶ Data source: disaster event information compiled by National Disaster handling Agency, bnpb.go.id/data-bencana

⁷ Preliminary report of the economy impact of flood events in Jakarta, Bogor, Bekasi, Depok and Tangerang, Bappenas, 6 February 2007

⁸ Tempo.co, "The Loss of Forest Fire is IDR 10 Trillion in Riau," March 19, 2014



percent of its mammals and 10 percent of flowering species.⁹ Notably, the Bornean and Sumatran orangutans, primates endemic to the Indonesian archipelago, are seriously threatened by the loss or fractionalization of their forest habitats.¹⁰

From an economic standpoint, deforestation and forest degradation also threaten the incomes of communities who depend on forest ecosystem services. Forty-six percent of Indonesian people live in rural areas, and as many as 48.8 million people depend on the forest for their livelihood. Forest-dependent communities meet their daily needs – among others - by fishing in the river and using water for agriculture, plantations and livestock.¹¹

Deforestation and forest degradation negatively affects the private sector as well. A decline is seen in the number of businesses engaged in the forestry sector, both in upstream activities such as harvesting of forest or downstream industries such as wood processing industry for plywood, and various other derivative products.

Data from the Association of Indonesian Forest Concessionaires demonstrate that there is a decrease in the amount of timber production from natural forests. Such practices were considered sustainable, as they mandated the replanting or restoration of natural forest using selective cutting. Timber production from natural forests in 2011 reached 5.19 million cubic meters. In 2012 production fell to 3.8 million cubic meters. The decline resulted in decreased revenues from the forestry sector.¹²

The Indonesian forest governance index was initiated to provide reliable and robust governance data, building on a framework of indicators that can be used to measure the “condition” and practice of forest governance on a regular basis. All methodological aspects, ranging from how to articulate indicators; which data collections methods to use; to triangulation and validation of data have been discussed with and agreed by key stakeholders representing civil society, government, indigenous peoples, academia and private sector at national, provincial and district levels.

This instrument provides a basis for further analyzing critical aspects of forest governance which need to be addressed, and allows for arriving at relevant and realistic recommendations for improvements thought to have a positive impact in the short and long term. The forest governance index takes stock of forest governance not only at the central level, but across 12 provinces (10 in the 2012

⁹ Convention on Biological Diversity: <https://www.cbd.int/countries/profile/default.shtml?country=id#facts>. “Indonesia – Country Profile”.

¹⁰ Jakarta Post, <http://www.thejakartapost.com/news/2014/08/12/face-face-with-orangutans.html>

¹¹ The latest study facilitated by UNDP Indonesia shows that 76 percent of poor people income live inside and surrounding Forest depend on ecosystem service from forest. The study is conducted in Central Kalimantan in 2014.

¹² Republika Online, “APHI: The Production of Log from Forest Decreases,” Feb 7, 2013



What is the Forest Governance Index/ Participatory Governance Assessments (PGA)?

The Forest Governance Index in Indonesia builds on a truly inclusive process involving different stakeholders ranging from government, civil society, indigenous peoples and local communities, private sector and academia with a view to provide solid governance data which in turn are meant to inform policy- and decision-makers on how to realistically address the gaps, shortcomings and weaknesses found. Once data are validated and available, discussions with relevant stakeholders are facilitated to agree on a set of relevant recommendations, involving policies and measures in the broader management of forests, but also related to Indonesia's REDD+ process. When data are collected and made available at regular intervals, they also allow for tracking progress and point to areas in need of urgent attention and/ or reorientation, and as such may serve to monitor and adjust the implementation of policies and measures.

The Forest Governance Index is one of three so-called "Participatory Governance Assessment" (or "PGA") pilots supported by the UN-REDD Programme, which builds on the agencies' experience and knowledge in governance assessments and data collection through working directly and closely with relevant stakeholders to ensure their inputs throughout the entire process. Currently, the two other PGA pilots are being carried out in Vietnam and Nigeria, and the Indonesian pilot has to a large degree informed the two other pilots in terms of how to structure this work and how data can be applied in daily decision- and policy-making. *

Who has been involved in the Forest Governance Index in Indonesia?

Preparations for the Forest Governance Index in Indonesia were commenced as early as 2011, and Indonesia produced its first report on forest governance in 2013. As such, this work builds on a longstanding collaboration between REDD+ and forest stakeholders ranging from government, civil society, indigenous peoples and local communities, and academia to the private sector. To meaningfully capture relevant expertise and interests throughout, and to add to the legitimacy and accuracy of the data and accompanying recommendations on next steps and possible improvements, the work has been undertaken with stakeholders representing the central, provincial and district levels.

At the central level, an Expert Panel has consisted of Professor Dr. Hariadi Kartodihardjo (Bogor Agricultural Institute/ President of the National Forestry Council), Ir. Abdon Nababan (Secretary General of AMAN, Indigenous Peoples Alliance of the Archipelago), Dr. MAS Achmad Santosa (Deputy Head of UKP4), Professor Dr. Sofian Effendi (Senior Advisor to UNDP Indonesia), Dr. Sunaryo (Senior Advisor to the Minister of Forestry), Dr. Myrna Safitri (Director of Epistema), Ir. Purwadi Soeprihanto, ME (Executive Director of the Indonesian Association for Forest Concession Holders, APHI), Jossi Katharina SH, LL.M (ICEL Researcher) and Dr. Abdul Wahib Situmorang (PGA Project Manager, UNDP Indonesia/UN-REDD). This panel has been responsible for formulating the assessment framework, verification of data, analysis and processing, all with inputs from sub-national level actors and stakeholders.

At provincial and district level, work has been structured around the same set-up to ensure representation of all relevant stakeholders in Provincial Working Groups. The communication between the Expert Panel and the Provincial Working Groups has been carefully facilitated to ensure that different views are heard, respected and taken into account – both in determining the scope of the assessment, methodological choices, validation of data and recommendations on how to best follow up shortcomings identified and building on strengths found.

Scope of the Forest Governance Index

Acknowledging that not all governance challenges can be dealt with at once, the stakeholders involved in the Forest Governance Index agreed to concentrate on these four governance issues:

- Certainty over forest areas
- Equity in the management of forest resources
- Forest management transparency and integrity
- Law enforcement capacity

All four governance issues address, measure and take into account the following three cross-cutting governance dimensions: laws and policies; different actors' capacity to implement REDD+; and lastly forest governance performance (de facto conditions on the ground).

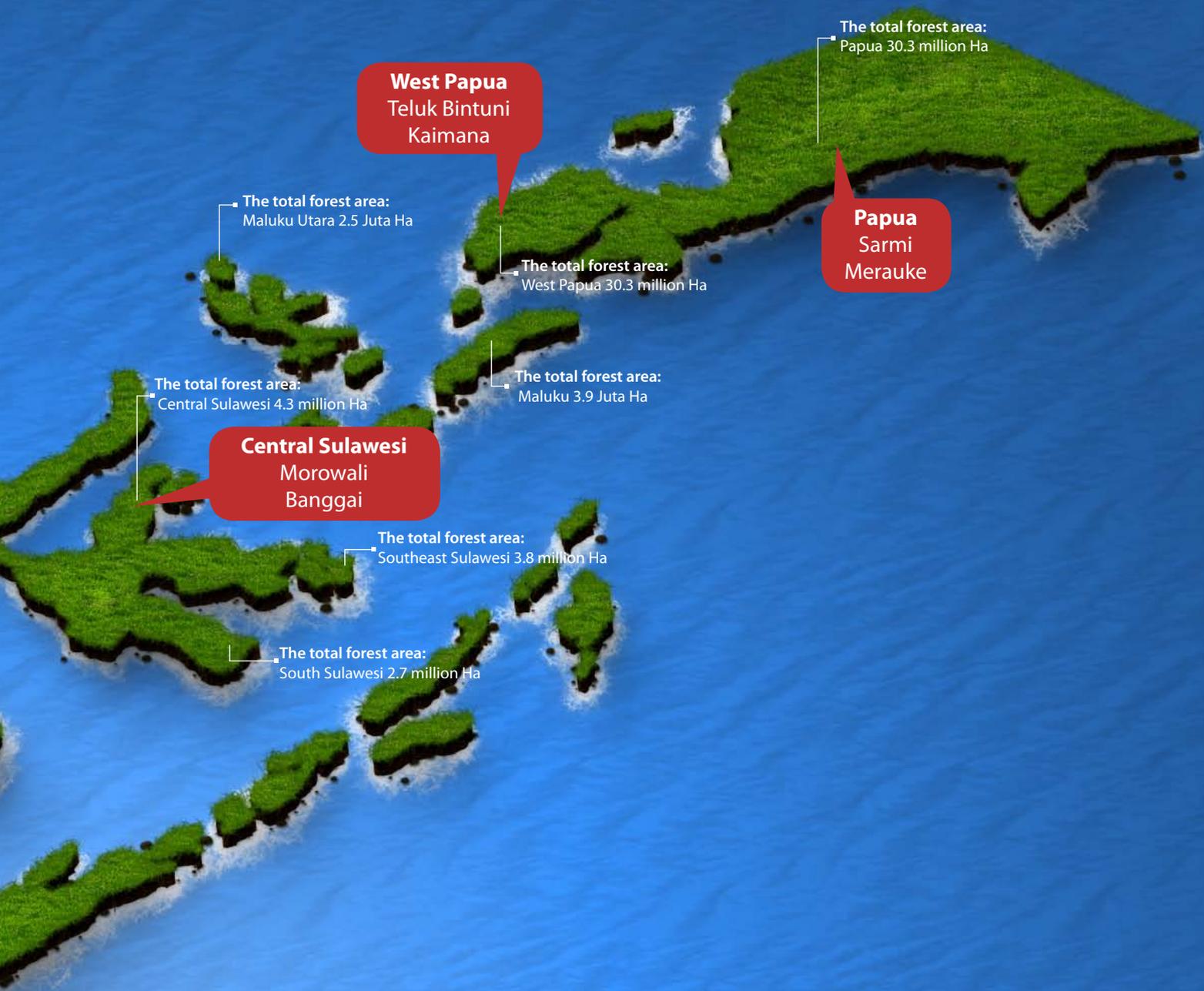
Forest Governance Index scoring methodology

Indicators for each of the forest governance issues are measured and scored for district, province and central level, using data collected and validated at each scale. District level scores are aggregated with the data collected at provincial level to determine provincial level scores, and provincial level scores are aggregated with central level data to determine the national forest governance index.

* See the UN-REDD Practical Guide to PGAs which has been developed through the experience and lessons learned from the three pilots – available here: <http://tinyurl.com/nctjfm>
For more information on the preliminary results and implemented policies in Indonesia since the first report was launched in 2013, see the updated overview here: <http://preview.tinyurl.com/PGAResults>

The Scope of The 2014 Forest Governance Index





Note:

The Total Forest Areas in 16 Provinces calculated based on Ministry of Forestry's Statistic Book 2013
*New locations of assessment

report) and 2 districts in each province. Each indicator is scored, and these scores are aggregated to determine the district's performance on the four identified aspects of forest governance, as well as the aggregate index score for the district. The district scores are then aggregated with the data collected at provincial level to determine the provincial index scores, and this methodology is repeated to calculate the national-level score. This report builds on the methodological framework used for the forest governance index in 2012 (launched in 2013) and is as such the second forest governance index to take stock of forest governance in Indonesia, assessing a set of agreed key forest governance issues:

- Certainty over forest areas;
- Equity in the management of forest resources;
- Forest management transparency and integrity; and
- Law enforcement capacity.

With robust governance data on the table, policy- and decision-makers have information on which to base their policies and measures, but also enjoy agreement and buy-in from key stakeholders on the recommended course of action. Further, contributing to efforts to improve governance systems and structures for ultimately a more sustainable and more inclusive and transparent management of forest resources, the regular availability of updated data also allows for a reorientation or adjustment of policies and measures that are not showing the intended effect, and as such can also be used as a feedback system into policy-making.

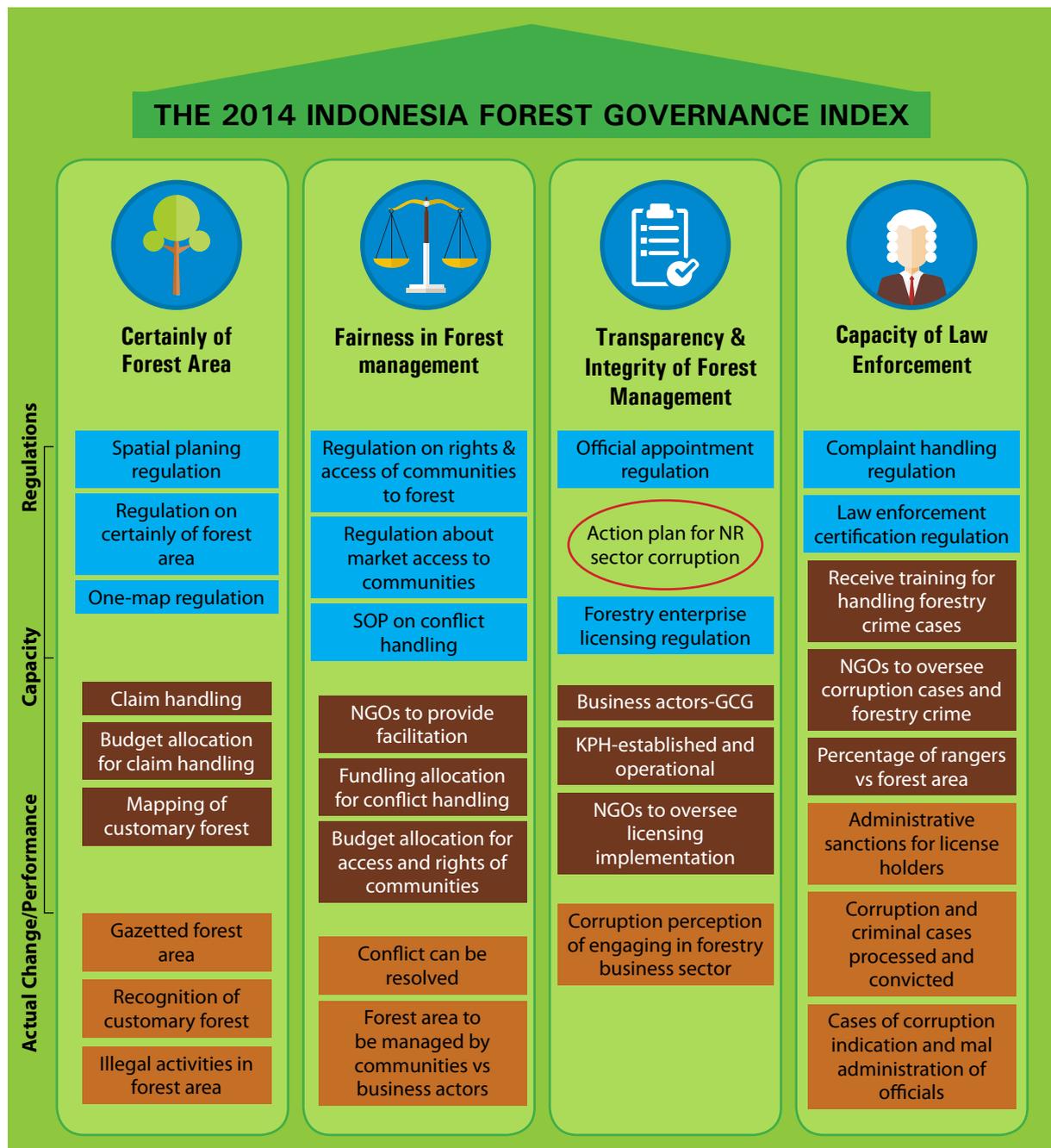
The 2012 Forest Governance Index in Indonesia has been used actively by different stakeholders in a variety of ways, ranging from informing government implementing certain policies and measures (such as an increase in land allocation to local communities from 2 percent in 2012 to 4 percent in 2014 based on the availability of data and willingness to change this and a number of revisions of regulations to address weaknesses found); contributing to the strategic planning of certain civil society and indigenous peoples' actors; and contributing – along with other sources and actors – to the drafting of a new customary law. Stakeholders who have been contributing in this process to arrive at credible governance data also report that the stakeholder platforms established and sustained have improved the dialogue among different stakeholders and allowed a regular and constructive dialogue on critical and sensitive issues not previously enjoyed with such a broad range of stakeholders.¹³

2014 NATIONAL FOREST GOVERNANCE INDEX

Indonesia's government still has a long way to go to considerably improve its forest governance. Based on data collection conducted at the central government

¹³ These and other preliminary results can be found here: <http://preview.tinyurl.com/PGAresults>





level, in 12 provinces and in 24 districts, the condition of national forest governance is relatively dire. On a scale from 1-100 the results from the 2014 national forest governance index show an aggregated score of only 36.14. Prior to this exercise,

¹⁴ In 2012, the data collected was ranked on a scale of 1 (insufficient) to 5 (very good) to calculate an overall index value of forest, land and REDD+ governance. For 2012, the aggregate index value of 2.33. For this report, both indicator set and scoring system were edited to be better fit for purpose and less costly – all done in collaboration with stakeholders based on experience and lessons learned with the 2012 report.



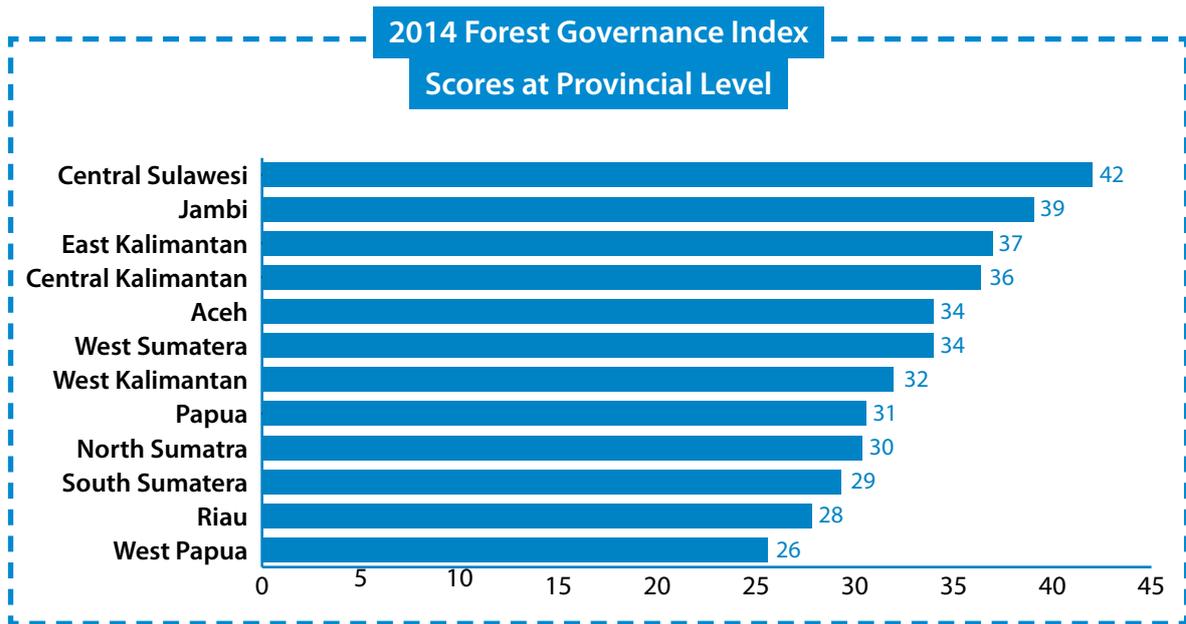


Figure 4: Overall 2014 forest governance index scores at provincial level

involved stakeholders agreed what would be considered an acceptable score (60 and above) in the current Indonesian context.

The data demonstrate that the greatest challenge to improve forest governance is found at the district level, where the overall average index score was the lowest (28) compared to provincial and central levels. The district level index average weighed down heavily the overall national forest governance index. The overall average index score at the provincial level was found to be 33, while data revealed that the overall average score for the central level was as high as 46.

Thus, the 2014 forest governance index measurement has a similar pattern as the 2012 index, namely that central level scores relatively higher than the provincial level, and the provincial level scores relatively higher than the district level. In the 2012 Forest Governance Index, a correlation was found between the provincial-level forest governance score and how well the districts performed in the same measurement. This finding suggests – not surprisingly – that appropriate provincial policies and functional governance arrangements coupled with adequate capacity enable districts to perform better on forest governance issues. The 4 provinces with the highest aggregate score are Central Sulawesi, Jambi, Central Kalimantan and East Kalimantan. Central Sulawesi - at 42 - scored the highest of all provinces, and the two districts in the province – Banggai and Morowali – are among the top three highest scoring districts. Jambi Province, the second highest scoring province, also had its districts – Merangin and Muaro Jambi – perform significantly better when compared to other districts.



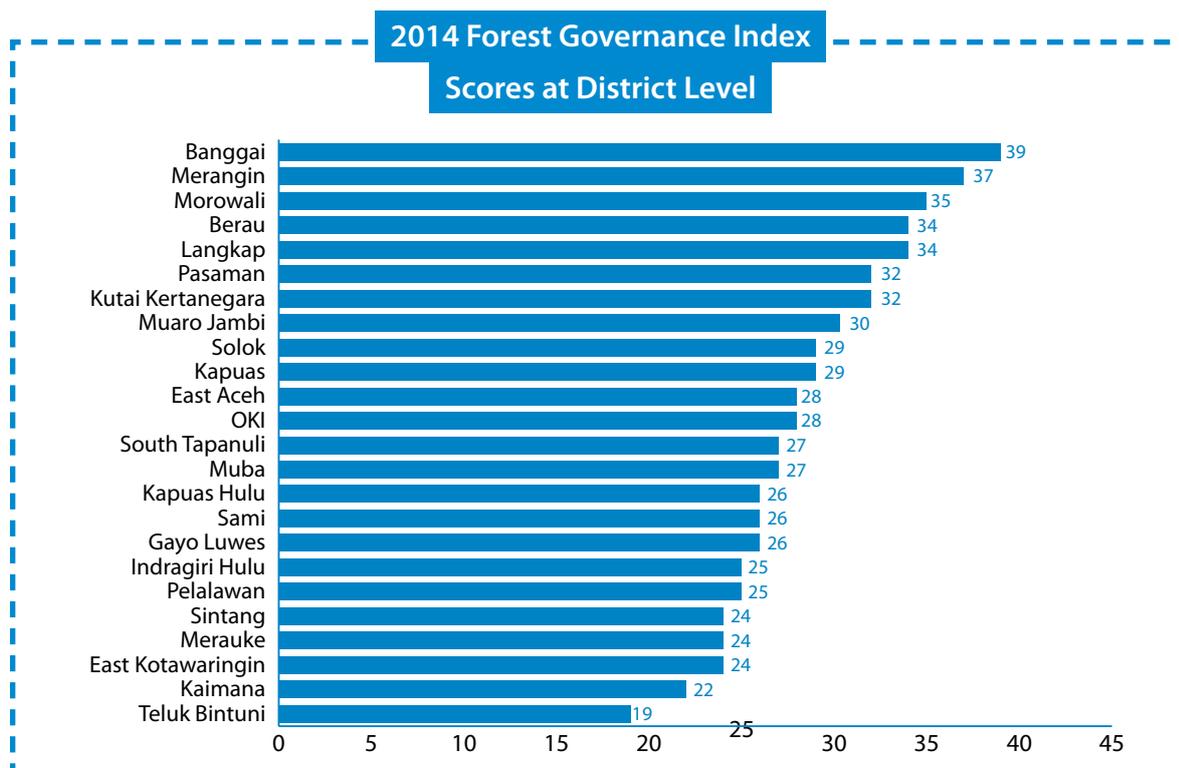


Figure 5: Overall 2014 forest governance index scores at district level

Main findings and conclusions from assessing the forest governance in 2014 are as follows:

- Improvements of forest governance structures at central and provincial levels are moving in a positive direction. The Government of Indonesia continues the goal of more sustainable forest management through the continuation of the moratorium on licensing in primary forests and peat land, initiating improvements in the licensing sector in particular on increased transparency and access to information¹⁵, providing more clarity on land status by accelerating forest gazettement, reaffirming the protection and recognition of “indigenous forest” in forest areas, and making joint efforts to strengthen governance mechanisms through a Memorandum of Understanding (MOU) with 29 concerned ministries and agencies. The latter is initiated by the Corruption Eradication Commission and is geographically expanded to also apply at the local level.
- When compared to the 2012 data, improvements to forest governance structures and practice continue to be unevenly distributed between government levels. Efforts are still to a large degree concentrated at the central government level with less emphasis or fewer actions at the provincial and district levels, where

¹⁵ See “Towards Better Forest Governance for REDD+ in Indonesia : an Evaluation of the Forest Licensing System, Ministry of Environment and Forestry and UN-REDD Programme, 2015



there is actually a significantly higher need for more targeted policies and measures for governance improvements.

A lack of coherence is found between the central and regional levels when it comes to measures (or lack thereof) to improve regulatory, legal and policy framework. The provincial and district governments consider forestry and forest governance the domain of the central government, and as such regional governments seem to lack the motivation to synergize and allocate their resources to efforts geared towards governance improvements. Regional governments are found to have limited basic knowledge and technical know-how to improve forest governance, particularly at the district level. Meanwhile, other actors, such as the civil society, business actors, media and universities have not been sufficiently engaged to drive this agenda, and there is found to be a limited number of CSOs engaged at local levels.

KEY IMPROVEMENTS WITHIN FOREST GOVERNANCE

Findings at the national level demonstrate that there have been improvements of the forest governance in each of the governance aspects considered in this report (see introductory text box on the index approach for an overview of aspects and issues covered) when compared to 2012 (and earlier) baseline data. In the aspect of “Certainty over forest area”, through an accelerated forest area gazettement initiated by the Corruption Eradication Commission, the Ministry of Environment and Forestry successfully gazetted over 62 percent of forest areas, which is several times higher than baseline data available for 2009 (13 percent).¹⁶ The stated goal is for Indonesia’s entire forest areas to be gazetted by the end of 2019, which in turn means that there will be a stronger legal basis for forest areas and that the Indonesian state must respect indigenous (adat) and community forests.

2013-2014 witnessed a certain level of reaffirming basic recognition and protection of indigenous peoples by the State in Indonesia. Firstly, the Constitutional Court decision No. 35 of 2012 concerning customary forests which reaffirmed State recognition and protection of customary forests within state forest areas were passed in the end of 2012, which in turn triggered coordinated actions by government, discourses and grassroots’ movement at field. Later, the Village Law No. 6 of 2014 recognized the existence of customary villages including customary forests. Further, the government issued instructions to respond to the decision of the constitutional court. During this period, the government’s awareness of the importance of protecting and acknowledging

¹⁶ In 1999, the Ministry of Forestry could gazette 13 percent of forest areas. See PowerPoint Presentation of Directorate of Forest Gazettement and Tenure in the National working Meeting of Ministry of Environment and Forestry on March 2, 2015.





Photo: Abdul Situmorang

indigenous peoples increased dramatically. This is also the case for the priority agenda in NAWA CITA, RPJMN 2015-2019 and is similarly reflected clearly in the new structure of the Ministry of Environment and Forestry where there is now a directorate general of social forestry and partnership, and as part of its mandate is dealing with customary forest and grievance handling through a designated unit.

In the second aspect prioritized in this forest governance index: “equity in the management of forest resources” - the government committed to reduce the forest utilization gap acknowledged by allocating more forest areas for Community Forest, Village Forest and Smallholder Plantation Forest in the period 2013-2014¹⁷. Forest conflict management was improved by providing quicker responses, prioritizing the most urgent cases and partnering with the National Forestry Council to facilitate conflict resolution process. In comparison with baseline data the number of cases that the government acts on and deals with increased from roughly 81 cases dissolved of 539 cases received in 2012 to 106 cases dissolved of 1,736 cases received in 2013 and 73 cases dissolved of 193 cases received up

¹⁷ The overall level was found to be 2 percent in 2012, and 4 percent as a result of more active allocation to forest communities in this report.



to September 2014, indicating higher awareness and more appropriate measures put in place to address this shortcoming identified in the 2012 index.

Further, The Ministry of Forestry has also incorporated a new terminology in the Forest Area Gazettement Directorate to deal with tenurial issues in forest areas as opposed to none directly addressing tenure issues previously.

Related to the third aspect of this assessment, namely “forest management transparency and integrity”, 2013-2014 was a relatively intensive period for the Ministry of Forestry resulting in a few constructive collaborations for corruption prevention in the forestry sector. The Ministry of Forestry, for example, signed an MoU with the Corruption Eradication Commission (KPK) to oversee the integrity of employees who handle forest permits, audited licenses in several provinces together with UKP4 (President’s Delivery Unit) to allow for a greater degree of transparency, launched online licensing to mitigate the risk of increased corruption in face-to-face encounters and allow for a more effective and timely handling of forest permit licensing, improved a number of regulations of the Ministry of Forestry to address loopholes identified and to mitigate corruption risks, as well as developed a very concrete corruption prevention plan.

Several regions started to restructure the licensing process by integrating it into the government-led “one stop service”. This, in turn, meant that the REDD+ Agency, UKP4 and the Corruption Eradication Commission worked together towards improving transparency in natural resources and forest management. To provide much needed oversight, the Corruption Eradication Commission invited civil society organizations and NGOs dealing with environment and anti-corruption issues to conduct joint supervision and monitoring. This collaboration opened a space for further dialogue and resulted in joint efforts to strengthen forest governance at sub-national level through allowing for measures to increase the accountability in the licensing process.

In the fourth aspect under scrutiny in this report – “law enforcement capacity” - improvements are underway. In comparison with baseline data the number of forestry crimes cases investigated and filed in court are as follows: 2,759 cases investigated and 1,258 cases filed in 2012; 2,187 cases investigated and 1,008 cases filed in 2013; and 161 cases investigated and 154 cases filed in court as of September 2014. In 2013-2014, there were found to be more investigations into corporate crimes and the main perpetrators of forest crimes than previously. In 2012, 7 big cases were filed in court, while 124 big cases were filed in 2013.¹⁸ The Rawa Tripa case in Aceh Province, the arson and forest fire case in Riau, Labora Sitorus illegal logging cases in the province of West Papua, illegal activities in forest areas in Central Kalimantan and corruption in the forestry sector involving

¹⁸ See also [bersih 2014.net/sites/antikorupsi.org/files/doc/umum](http://bersih2014.net/sites/antikorupsi.org/files/doc/umum) and www.tempo.co/read/news/2014/11/23/090522852/icw-sektor-kehutanan-rawan-korupsi



KEY IMPROVEMENTS OF FOREST GOVERNANCE IMPROVEMENT 2013-2014



CERTAINTY OVER FOREST AREA

- Joint MoU of the Corruption Eradication Commission (KPK) to accelerate forest gazettement - over 60 percent of forest areas are gazetted.
- Constitutional Court Decision No. 35 of 2013 on Customary Forests.
- Law No. 6 of 2014 on Village Government - recognizes the existence of customary institution
- Initiation of claim settlement through forest gazettement-case studies in two districts.
- Improved mapping of customary areas including customary forests.



EQUITY OVER FOREST RESOURCES

- Additional allocation of forest lands for Village Forest, Community Forest and Smallholder Plantation Forest.
- The government recognizes customary forests through the Decree of Head of District (SK Bupati) as in Jambi and formulation of Law on Protection and Recognition of Indigenous Peoples.
- Tenurial conflict resolution efforts in the forest area through the establishment of a task force at the national level and a number of regions.



LAW ENFORCEMENT CAPACITY

- MoU on Multi-door Approach for Handling Forestry crimes-improved coordination between law enforcement agencies and implementing multi law approach to sanction offenders.
- Certification of environmental judges.
- Increased administrative sanctions for non-compliance of license holders.
- Increase in the number of investigations of forest crimes involving corporate and government officers.



TRANSPARENCY OF FOREST MANAGEMENT

- Moratorium on issuance of new licenses in primary forests and peatlands and improving forest governance.
- Cooperation of the Ministry of Forestry and Local Government with KPK, UKP4, BP-REDD + and other institutions to improve forest governance.
- Online Licensing at the Ministry of Forestry.
- More intensive oversight by NGOs on the licensing process - collaboration with KPK through joint MoU.

former Governor of Riau Province Rusli Zainal and Annas Mamun and Head of Bogor District Rachmat Yasin are all examples of cases taken to court where the multi-door approach was applied resulting in convictions in 2013 and 2014.

As part of the Memorandum of Understanding with the Corruption Eradication Commission (KPK) and the moratorium on granting new licenses in primary forest, there are a number of law enforcement measures to sanction perpetrators of forest crimes. Law enforcement agencies and relevant ministries such as the Ministry of Forestry and Environment which have civil servant investigators have signed a so called multi-door approach agreement which was launched in 2013. This approach seeks to sanction offenders using various legal frameworks to ensure that the offenders do not “escape too easily”. For example, degradation and destruction of forest areas will be sanctioned by the forestry laws, gratuity or bribes by the anti-corruption laws and plantation activities within state forest areas will be sanctioned by plantations laws.

KEY FOREST GOVERNANCE SHORTCOMINGS 2013-2014

Although some improvements have been and are being made by government and other forest governance actors, the fourth aspect – law enforcement capacity - still needs to be strengthened considerably at all levels. Of the four aspects, certainty of forest areas obtained the highest aggregate score of 38 out of a possible 100, followed by law enforcement capacity with an aggregate score of 36. The lowest score is the transparency and integrity of forest management with a score of 34, closely followed by equity of forest resources with an aggregate score of 35.

Transparency and integrity in forest management is crucial for overall improvement of governance within broader natural resources and forest management efforts. The forest governance index results for 2014 highlights that transparency is the aspect obtaining the lowest score at all geographic scales, as low as 34 out of a possible 100. This strongly supports the idea that systemic improvements are needed to prevent the continuation of damaging forest management practices from flourishing and to put in place efforts and mechanisms to control the rate of deforestation and forest degradation related to corrupt practice.

The 2014 Forest Governance Index reveals the a comparable pattern to findings in the 2012 Forest Governance Index when it comes to the unequal distribution of benefits; performance in settlement of tenurial conflicts; and handling of customary forest claims in state forest areas.

At the provincial and district levels, the main issues are more or less still the same as in the 2012 Forest Governance Index. Transparency and integrity of



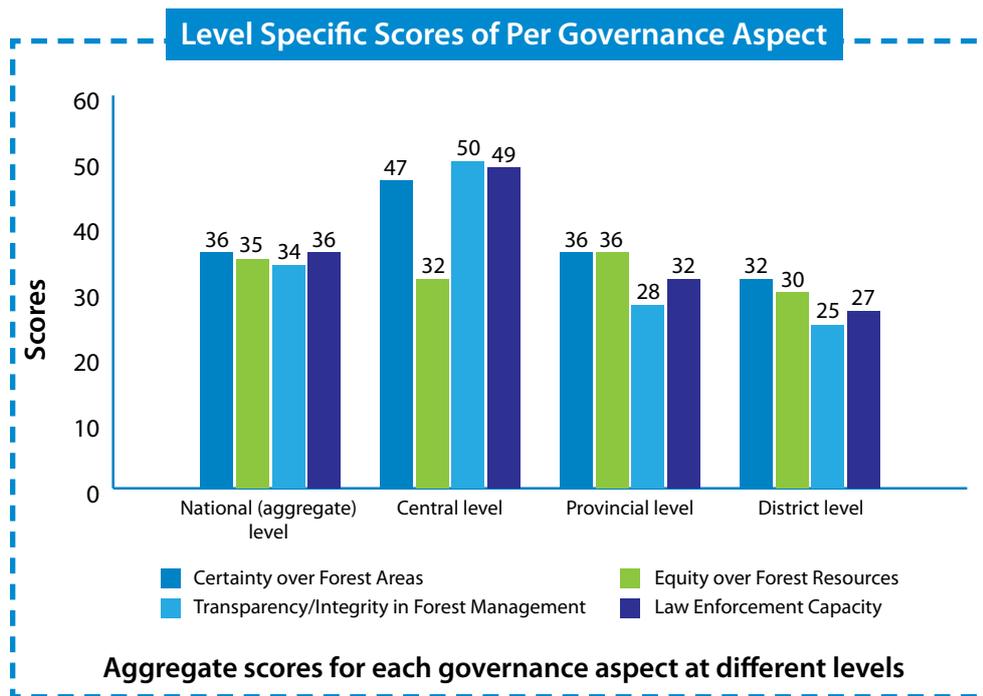


Figure 6: Level specific scores of per governance aspect

forest management is still a major weakness characterized by the persistence of corrupt practices; lack of systematic efforts to address such practices; and lack of consistent law enforcement using administrative, criminal, and civil laws at an ad-hoc basis against license holders who violate the laws or conduct unauthorized activities in forest areas.

Despite promising signs of actual improvements since the last report in 2012, the 2014 Forest Governance Index shows several main challenges for each forest governance aspect as highlighted in the following section.

The Aspect of Certainty of Forest Land

Improvements to regulatory, legal and policy frameworks to increase the certainty of forest zones, especially at the central government level, have been made, but these improvements have not been followed by sufficient capacity building of the government and indigenous communities to implement the original purpose of this regulation, especially at the provincial and district levels.

This is further shown by the lack of initiative by provinces to draft provincial regulations and policies to support expediting the gazettement of forest zones with the view of equitable resolution of land claims for communities. Practices such as creating an inventory for claims, verifying claims, and developing a mechanism



for resolving them are, at best, still implemented only at the project scale, such as the case in South Barito, Central Kalimantan Province. Such an initiative has not been developed on a wider scale currently leaving the potential to properly deal with claims untapped.¹⁹

The capacity of indigenous communities to map their customary lands remains limited. This is shown by the huge disparity between total area of forest that has been mapped compared to the area of customary lands within forest zones claimed by indigenous communities. Government funds allocated for mapping community customary forests are also limited, and the existence of such funds was very rarely found in the 2014 forest governance index study locations.

The increase in gazetted forest zones has not led to certainty over the forest zones themselves, whereas the *raison d'être* for gazetting forest zones is to precisely resolve ownership claims and to ensure that forest management is free of “illegal” activities. This study found that a total of 2,611 claims inside forest zones were identified by actors at the central, provincial and district level, with only 514 claims that interviewees categorized as resolved (19.6 percent).

The Aspect of Equity over Forest Resources

The legal, regulatory and policy frameworks for tenurial, ownership or community management rights to forest resources saw considerable improvements in the period of 2013-2014, such as through the issuance of Constitutional Court Decision Number 35 of 2012 in the end of 2012 year regarding recognition of customary forest in forest zones, Law Number 6 of 2014 regarding villages and regional bylaws regarding customary communities.

These *de jure* improvements, however, were not followed by proper *de facto* enforcement of regional government initiatives to protect and recognize the rights of communities – especially customary communities - in forest zones, despite being mandated by the law.

In terms of percentage, 96 percent of the forest is used by business actors and 4 percent by communities.²⁰ Most of the area managed by communities is not under utilization license, but merely a type of forest zone allocation by the Ministry of Forestry that can be used by communities.

¹⁹ Based on the identification of villages inside and surrounding forests conducted by Ministry of Forestry and National Statistic Agency in 2013 found that 8,644 villages locates inside forest areas and 24,353 locates surrounding forest areas. If not tackled well, these claims for forest areas has the potential to escalate into open conflicts.

²⁰ The allocated forest areas for communities is found to increase every year as follows: 942,830 ha in 2012; 1,234,862 ha in 2013 and 1,380,874 in 2014. The allocated forest for communities can be utilized based on its functions. For “production forest” it can be utilized to log the trees applying selection cutting or planting forest commodities. Meanwhile, under “conservation” or “protective” forest, the communities can harvest non-timber products.





Photo: UNDP REDD+

Equity is not only a matter of forest ownership, but also relates to access to markets that is provided or facilitated by the government. Very rarely a regional government was found when developing this 2014 index to have policies or regulations to create and support access to market for wood and non-timber products produced by communities, whereas the opposite can be claimed to be the case for the private sector. Analysis of the data for this index revealed that this inequity makes those communities whose livelihoods depend on the forest more vulnerable and less able to develop economically.

The Aspect of Transparency and Integrity of Forest Management

The legal, regulatory and policy frameworks for preventing and handling corruption in the forestry sector have improved, particularly at the central level. The prevention strategy and action plans to process corruption cases in the forest and land-based sectors are available, including in the Ministry of Forestry. Various breakthroughs have been seen, such as the development of an online licensing system to mitigate corruption risk in the forest licencing process as opposed to earlier simplification of forestry business processes and the collaboration between the Corruption Eradication Commission and UKP4 to provide general oversight.

However, the improvements at the central level were not mirrored at provincial and district levels. As a result, there are no guidelines nor measures to prevent corruption in forest and land-based sectors at provincial and district levels, notwithstanding the fact that the government has issued a presidential



instruction to regions to prepare and implement corruption prevention plans.

This condition is further complicated by the government's general lack of capacity to deal with these issues and challenges. For example, only 120 out of 600 intended Forest Management Unit (FMU or *Kesatuan Pemangku Hutan-KPH*) have so far been established. 323 FMUs are planned in the 12 provinces covered by this index are planned. The 2014 Forest Governance Index found that only 65 – or only 20 percent - out of these planned 323 FMUs have so far been established and have begun operations in the field. The operational status has not reached inventory of claims, claims resolution nor business model preparation.

The capacity of civil society is also limited, both in terms of numbers of organizations working on this issue and their proficiency, not only at the district level but also at the provincial level. The 2014 Forest Governance Index study shows that out of 356 environmental NGOs dealing with transparency monitoring, only 20 percent (or 120 NGOs) conduct oversight on the process of issuance and implementation of forest utilization licenses in forest zones. Meanwhile, 45 percent (or 90 NGOs out of 197 NGOs) perform oversight of licensing at the district level. In terms of overall proficiency, NGOs that conduct licensing oversight still face difficulties ranging from skills of personnel, funding, as well as administrative obstacles in obtaining the needed data and information for such purposes.

On the other hand, the *sustainable management certificate* issued by the government does not seem to correlate with good corporate governance practices on the ground. This can be seen, for example, in how business locations that have received the sustainable forest management certificate continue to be involved in conflicts, forest fires, unresolved boundaries and ongoing gratification and bribery practices with all sorts of excuses, such as token of thanks. Furthermore, there is almost no incentive for companies to obtain the sustainable certificate, such as guarantees for conducting business and being free from unofficial levies, and thus to act accordingly.

The respondents in this study revealed corrupt practices such as giving money and services to government or state officials with the motive of reciprocation in terms of accessing facilities and receiving licenses. Such corrupt (or "high-cost economy" as it is referred to in Indonesia) practices in the issuance of forest licenses occur not only at the central government level, but also at provincial and district levels.

This study found that the practices of bribery and giving illicit rewards to officials occur in nearly all "encounters" with the official forestry sector²¹. This longstanding practice has become part of the business culture practiced in

²¹ This was corroborated through a parallel in-depth evaluation of the online forest licensing process, which polled 116 license applicants and 46 service providers on issues of transparency, integrity and accountability. See footnote 15.



forest and land-based sectors. Despite some government actors truly wanting to change this state of affairs, such a change is complicated and unlikely to be fully effective because business actors continue to see bribery and other undue influence as a way to expedite the process or obtain licenses they would not receive if regulations were properly enforced.

The Aspect of Law Enforcement Capacity

Notwithstanding the fact that Law Number 25 of 2009 regarding Public Services has mandated the formation of complaint handling units across Indonesia, including the forestry sector, such units have not been established in relevant study locations. The implication of this shortcoming is that law enforcement is prioritized according to scale and visibility, meaning that violations committed by business actors or “rogue government officials” will only be persecuted if they have wideranging impacts and damages to the state, such as forest fires, grand corruption or activities are conducted without a license on a large scale.

Foto: UNDP REDD+



KEY GOVERNANCE CHALLENGES AND SHORTCOMINGS IDENTIFIED IN THE FOREST GOVERNANCE INDEX 2013-2014



CERTAINTY OF FOREST AREA

- Lack of support from the government, especially the local government in inventorizing and verifying tenurial claims in forest areas – forest gazettement has not been linked to the handling of claims.
- Despite an increase, the number of customary forests successfully mapped is still small compared to the number of customary forest claims which reached 40 million.
- The relatively high number of “illegal and destructive” activities in the forest area.



EQUITY OVER FOREST RESOURCES

- The high utilization gap between community/smallholders and large businesses 97: 3 percent.
- Policies to encourage market for timber and non-timber products derived from the community, especially in the assessment location, is highly limited-less incentive for community to go into forestry sector.
- Low number of tenurial conflicts settled and conflict resolution is not institutionalized.



LAW ENFORCEMENT CAPACITY

- Complaint handling units which are equipped with SOPs and personnel have not been formed in the forestry sector.
- Certification of the police, investigators, prosecutors handling environment and forestry cases has not been formalized.
- Monitoring of permit holders obligations are still not consistent and not integrated with local government.
- Many forest crime cases involving corporate and government officers have not been investigated.
- Forest rangers ratio is still not ideal.



TRANSPARENCY OF FOREST MANAGEMENT

- Lack of action plans to prevent corruption in the forest resources sector at local level.
- High economic costs in the forestry sector-30 percent of the cost of production.
- Not all business actors have sustainable and TLVS certifications and the certificate holders still have a number of issues in the field.
- Oversight by NGOs on the licensing process is still limited, especially at sub-national level.
- Not all FMUs are established and operational.

Meanwhile, the government's capacity to conduct oversight, such as conducting audits on company obligations, giving warnings and administrative sanctions for business actors that have not fulfilled their obligations as stipulated in prevailing regulations, is found to be relatively weak. Law enforcement on this issue is still focused on small-time perpetrators and has not targeted main actors and or companies.

A breakthrough has been achieved with the multi-regime approach in handling cases, the so-called "multi-door approach", launched in 2013. However, such an approach still needs to be integrated into prevailing mechanisms used by law enforcement agencies and the police force in order to maximize synergies among processes starting from a reporting mechanism, collection of evidence, inquiries and investigation, up to prosecution. Coordination mechanisms between law enforcement agencies and institutions with investigative authorities also need to be created.

LOSSES RESULTING FROM INADEQUATE FOREST GOVERNANCE

Inadequacies in forest governance incurs huge costs to be borne by the government and society today, but also in the future. Forest governance assessment calculates the cost of several items to be borne, and the trade-off when improvements are made by the government.

The cost to reforest 35.7 million ha of degraded forests is estimated to be 999.6 trillion Rupiah, or USD 77 billion²². The assumption is that the restoration cost per hectare requires 28 million Indonesian Rupiah. The restoration of the 12 forested provinces included in this forest governance index requires 543 trillion

Restoration cost: **28 MILLION PER HA—there are 35.7 MILLION NON-FORESTS** that need restoration

Estimated losses from **illegal logging and mismanagement US \$ 7 BILLION**

Losses due to forest conflict is estimated at **IDR455 billion** at the assessment location

High cost transactions make up **30%** of production cost in forestry business

Losses due to floods was IDR5.3 billion and land slides IDR204 billion based on the calculation of the media at the assessment location

Losses due to **forest fires are in TRILLIONS of Rupiah**

²² USD 1 is estimated at IDR 13,000 using the exchange rate on May 14, 2015



(USD 41 billion) for 19 million hectares non-forest or half of the entire restoration cost nationally. Of course, in practice the government can build partnerships with businesses and communities to reforest degraded areas.

These costs do not include the efforts to preserve forest areas experiencing deforestation and forest degradation. The estimated costs required to ensure that natural regeneration takes place is IDR10 million per hectare. If all secondary forests (as much as 40 million hectares) are to go through natural regeneration, the cost involved is around 400 trillion rupiah, or USD 31 billion.

Losses borne by the government from illegal logging and forest mismanagement reached US \$ 7 billion, or 84 trillion rupiah in the period 2007 to 2013. This does not include the losses borne by businesses as a result of high unofficial costs (Human Rights Watch 2013) related to corruption and bribery, as well as indirect costs to the community due to environmental degradation.

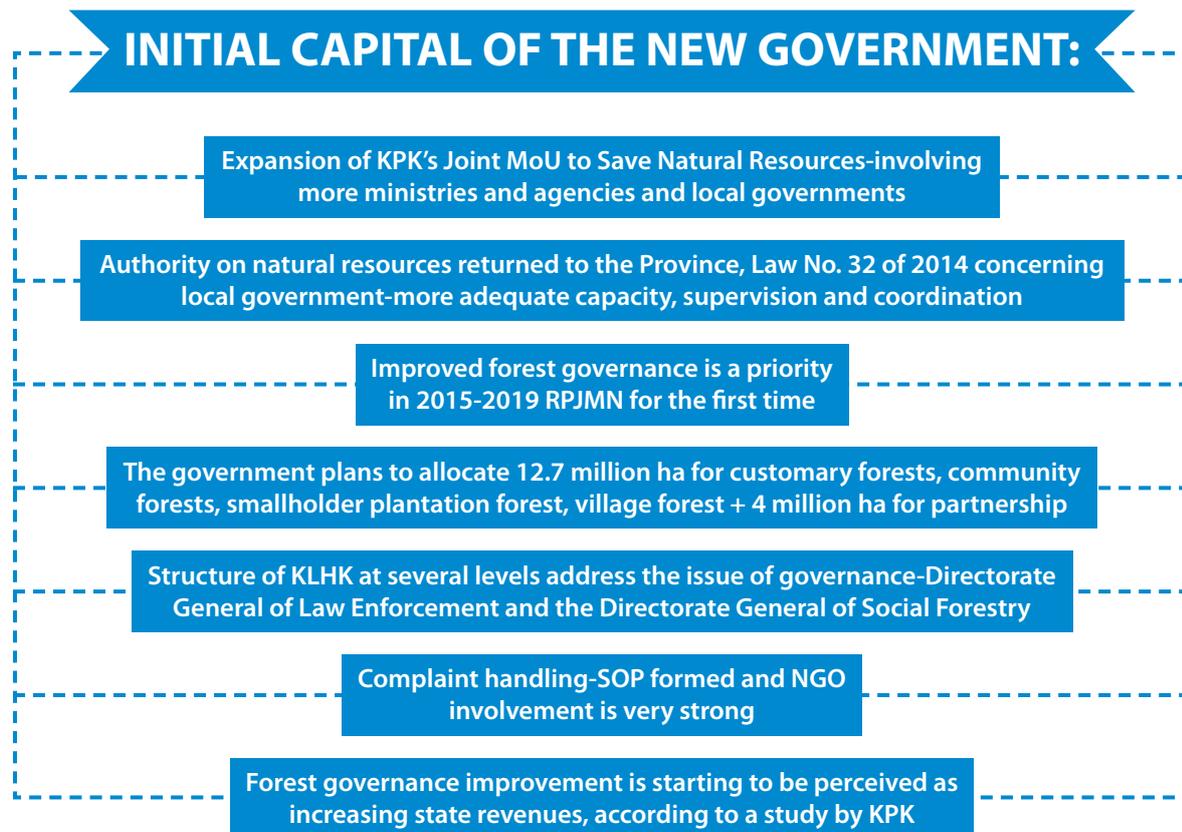
The results of this study also revealed that bribery contributed to 30 percent of the entire production cost in forestry business. If the unofficial costs are eliminated, forestry businesses will be able to produce more competitive goods and will be more likely to fulfill obligations such as paying restoration costs, royalties, higher taxes, improving employee welfare, and fulfilling corporate responsibility to the environment and relevant communities.

Losses due to land tenure conflicts in forest areas are also found to be high. Based on the existing data and information collected in 12 provinces in from 2013-2014, costs resulting from these conflicts reached 455 billion Indonesian Rupiah (USD 35 million). These costs were calculated based on potential losses in terms of economic and social aspects, but also taking into account the costs of handling conflicts to be borne by the company.

Losses due to inadequate forest governance, including the destruction of forest ecosystems, contribute to an increase in natural disasters in several areas. Based on media accounts, in the period 2012-2013 there were 341 floods with an estimated loss of as much as IDR5.3 billion (USD 407,692) and 83 occurrences of landslides with an estimated loss of as much as IDR204 billion (USD 16.7 million).

In sum, the cost estimates of inadequacies in forest governance amounts to in financial terms is 2.148 trillion IDR including bribery which could be spent on more sustainable use of natural resources by companies, costs of handling forest conflicts and restoration by government. This estimate is not exhaustive and does not include e.g. loss of biodiversity and potential value of tourism opportunities lost, which in turn would add to the cost of poor forest governance.





STRENGTHENING NEEDED

Analysis of the structure, objectives and programs of Ministry of Environment and Forestry (KLHK) and a number of initiatives to strengthen forest governance, such as expansion of Memorandum of Understanding with KPK involving 29 ministries and institutions and involving the provincial and local governments, showed significant problem-solving efforts within the government apparatus.

Strengthening forest governance is one of the main objectives in the 2015-2019 National Medium Term Development Plan and became an important program for KLHK, the merger of the Ministry of Environment and the Ministry of Forestry. The new structure of KLHK responds to a high degree to the challenges of forest governance found in the 2014 Forest Governance Index, and as discussed and recommended after the 2012 Forest Governance Index. In the aspect of certainty over forest areas, the Directorate General of Forest Planning and Governance set objectives to accelerate forest area gazettement, establish FMUs responsible for forest management in both protected and production forests, and oversee permit holders in forest areas.



Other directorate generals have also included FMU establishment in their work plans. The Directorate General for Conservation of Natural Resources and Ecosystem and Ecoregion accelerates the formation of Conservation FMUs, and the Directorate General of Watershed and Forest Protection Management prioritizes FMU establishment. Likewise, the Directorate General for Sustainable Forest Management will establish Production Forest FMU.

With a view to increase equity over forest resources, KLHK established the Directorate General of Social Forestry and Partnership. This directorate will deal with reducing the gaps in forest utilization between business and community, tenurial claims settlement and recognition of customary forests. Meanwhile, related to transparency of forest management, KLHK through the Directorate Generals of SFM, Conservation of Natural Resources and Ecosystem and Planning seek to encourage permit holders to implement good corporate governance through a license audit, government revenue optimization and transparent licensing process. In the aspect of law enforcement, handling illegal and destructive activities in forest areas is a priority, including the handling of complaints.

KPK's Joint MoU alone will coordinate a so-called "58 program agenda" with a view to strengthening forest governance at national and sub-national levels. The 58 program agenda will address challenges of forest governance found in the 2014 Forest Governance Index. The agenda will serve as a guide for Ministries and Agencies and provincial governments in an effort to protect the existing forest resources; manage these in a sustainable manner; and ensure this is done according to principles of good governance.

Regardless of the structure and programs designed to address forest governance challenges, several recommendations for strengthening policies, structures and programs as well as the implementation of these, will be suggested based on the 2014 Forest Governance Index and accompanying gap analysis of the targets of forest governance strengthening. These recommendations have been determined based on three criteria: improving or "sharpening" targets of government programs to become more actionable and clear; their implementation having broad and effective impact; and that their implementation may be carried out within existing structures and programs.

CERTAINTY OVER FOREST AREA

Recommendations to strengthen certainty over forest areas have been arrived at through analysis of data, discussion and agreement between stakeholders involved in developing this index, and mainly focus on handling tenurial issues, especially community areas, including those of indigenous peoples. Illegal





THE ASPECT OF CERTAINTY OF FOREST LAND

Issuing a policy to register and keep an inventory of claims on community lands in the forest area.

Encouraging each head of local government to issue a policy to register and keep an inventory of claims on community lands in forest areas.

Promoting community lands mapping, especially customary forests, according to the functions is essential for maintaining the areas to serve forest functions.

Using a multi law or “multi-door approach” to properly sanction offenders.

Prolonging the Presidential Instruction on the moratorium of new licenses followed by improving forest governance.

activities which damage forest functions may be addressed through the following these steps:

- Ministry of Environment and Forestry is recommended to issue a policy to register and keep an inventory of claims on community lands in the forest areas. Such a functional registration and regularly updated inventory may be conducted through the eco-region control center, the Forestry Unit at the local level or the local Forestry Office. Claims that have been registered are handled through a number of mechanisms, forest gazettement and the realization of 12.7 ha to local communities These 12.7 million ha need to be clearly reflected in program objectives, of MOEF’s target of 12.7 million ha and also accompanied by key performance indicators and planned activities.
- Each head of local government is encouraged to issue a policy to register and keep an inventory of claims on community lands in forest areas, by encouraging cooperation between the Forestry Office and or FMU and MOEF. Verification and recognition processes can be supported through budget allocation, preparation and training of personnel as well as political support from the head of local government.
- Mapping community lands, especially customary forests, according to the functions is essential for maintaining the areas to serve forest functions.



The government needs to establish cooperation with indigenous peoples' organizations or organizations that facilitate the mapping of community lands. This includes agreeing on the process, stages and methods due to different characteristics. To that end, it is necessary to have funding support and more personnel who understand participatory mapping, so budget allocation for this is needed for effective set-up and implementation.

- In the context of handling "illegal" and destructive activities which are performed systematically, which damage forest functions and ecosystems, Government and Law Enforcement Institutions should use a multi law or "multi-door approach" to properly sanction offenders and avoid them escaping too "easily". Therefore, the integration of multi law guidelines in the complaint handling mechanism and the handling of the case needs to be continued. Training for investigators and law enforcement officers need to be performed regularly and budget allocations need to correspond accordingly.
- Emphasis should be made to consistently implement the Presidential Instruction on the moratorium of new licenses followed by improving forest governance in the respective ministry or agency and local government, especially MOEF. Synergies should be sought between KPK's joint MoU on Protecting Natural Resources; the roadmap for improving legal and regulatory framework on natural resources initiated by the Ministry of Law and Human Rights; as well as the Forest Governance Index (which will be updated regularly – even at an annual basis - in the future).

EQUITY OVER FOREST RESOURCES

Based on the 2014 Forest Governance Index findings and resulting stakeholder discussions and agreements, recommendations to strengthen equity over forest resources focus on reducing disparity in forest resources management and the level of access between community and companies. Strengthening of equity over forest resources through implementation of policies and measures should also focus on the handling of tenurial conflicts in forest areas. Tenurial conflicts in forest areas are in practice tenurial claims in forest areas that have transformed into open conflicts. Other efforts should provide a more inclusive approach to the management of forest resources by involving the community, making the community part of the solution for sustainable forest management. Measures that should be undertaken to address this properly are:

- The collaborative government program, currently simply referred to as "the 12.7 million hectares program", led by the Director General of Social Forestry and Partnership-MOEF, Local Government and NGOs, is encouraged to accelerate the official identification of community lands in the forest area. This is related to government policies that have allocated 12.7 million ha for customary forest,





THE ASPECT OF EQUITY OVER FOREST RESOURCES

Encouraging the government collaborative program led by the Director General of Social Forestry and Partnership-MOEF, Local Government and NGOs to accelerate the official identification of community lands in the forest area.

Providing funding mechanisms for NGOs assisting preparation and readiness of communities to obtain a license or recognition of customary forest.

Handling tenurial conflicts in forest areas through the adaptation of conflict management standard operating procedures (SOP), proper and dedicated budget allocations, provision of training for mediators, collaboration with NGOs and central level to support and play their role in conflict handling, and assistance to regions handling conflicts.

Issuing policies, measures and programs to encourage and create markets for timber and non-timber products originating from local communities.

community forest, village forest and smallholder plantation forest. This policy must be aligned with adequate claims settlement.

- Currently, this collaborative program provides a funding mechanisms for NGOs assisting preparation and readiness of communities to obtain a license or recognition of customary forest. The funding mechanism for NGOs should also be expanded to support communities to self-manage the forest land within their permit and to access markets. This also includes encouraging donors to further support the government's 12.7 million hectares program so that it can be utilized by the community and thereby support Indonesia in reaching targets set for reducing deforestation and forest degradation.
- The central government, the Ministry of Environment and Forestry, Ministry of Land and Spatial Planning, the Ministry of Home Affairs and Ministry of Finance should all collaborate with local governments in handling tenurial conflicts in forest areas through the adaptation of conflict management standard operating procedures (SOP), allow proper and dedicated budget allocations, ensure provision of training for mediators, enter into collaboration with NGOs



and central level to allow these actors to also play their role in conflict handling, and provide support as needed to assist regions in handling conflicts.

- Local governments should issue policies, measures and programs to encourage and create markets for timber and non-timber products originating from local communities. This includes ensuring policies in place to use timber from communities for development activities financed by the region, facilitating the establishment of small-scale wood processing industry, facilitating certification and timber legality and sustainable forest management, as well as using wood pellet from raw timber materials to build steam power plants, as interviews revealed were in high demand.

TRANSPARENCY AND INTEGRITY OF FOREST MANAGEMENT

Recommendations to strengthen the transparency and integrity of forest management are based on a recognition that these challenges are deeply entrenched in the current “business culture” and are not solved overnight. With this caveat, and strong conviction that small and slow steps in the right direction will have a positive effect overall, the recommendations are the result of data analysis, successive discussions and agreement by stakeholders and will focus on dealing with tackling corrupt practices – or as it is referred to in Indonesia; *high economic costs* - including bribery in the processes of licensing, production and supervision of the permit holder. Recommendations also take into account the need for systematic efforts to improve licensing processes in the forestry sector as well as non-forest activities in forest areas. Measures proposed that are seen as needed, relevant and realistic within the current structures are:

- Central Government, KLHK and local government should review or develop action plans to prevent corruption in the forest resources sector by
- Establishing accessible and trustworthy means to receive feedback from stakeholders and actively responding to such feedback.
- Systematizing background checks performed by local governments on suspicious financial transactions and alleged tort upon appointing officials in the forestry and other natural resource management sectors.
- Government should issue a regulation of the Investment Coordinating Board (BKPM) or the Provincial Investment Coordinating Board (BKPMMD) related to the one-stop licensing service to disclose results of technical reviews and recommendations from the local government and sector ministries related to the process of granting licenses in the forestry sector. Further regulations of the Minister of Environment and Forestry should call for disclosing the results of technical review of the relevant directorates related to license application under KLHK’s authority.





THE ASPECT OF TRANSPARENCY AND INTEGRITY OF FOREST MANAGEMENT

Reviewing or developing action plans to prevent corruption in the forest resources sector.

Disclosing results of technical reviews and recommendations from the local government and sector ministries related to the process of granting licenses in the forestry sector.

Applying minimum standards for the application of “good corporate governance” to the permit applicants and holders.

Publishing to public the audit on licensing and monitoring of obligations of permit holders.

Collaborating with NGOs to oversee licensing processes and compliance of permit holders to existing rules.

- Government should issue a policy to apply minimum standards for the application of “good corporate governance” to the permit applicants and holders. These standards would include an assessment of companies’ plans and effective action to prevent bribery and violation of the code of ethics when dealing with the government related to licensing, the transparency of periodic forest registration and inventory process, annual work plans, production and fulfillment of obligations. Forest business associations, such as APhi, play a role in supporting the government to encourage and incentivize businesses to better fulfill their obligations.
- Governments should publish the audit on licensing and monitoring of obligations of permit holders, such as the allocation of 20 percent for community utilization, conflict management handling, as well as counter forest fires; “illegal” and destructive activities in areas that have been given permits.
- A more active collaboration between NGOs and government agencies at all levels is encouraged to oversee licensing processes and compliance of permit holders to existing and regulations. Considering the recommendation above,



the availability of information would also allow for a more effective oversight function by NGOs and other actors to hold governments and permit holders to account.

LAW ENFORCEMENT CAPACITY

Recommendations to strengthen the law enforcement capacity over forests resources take into account the low capacity found in both the 2012 and 2014 indexes, and as such focus primarily on how to most effectively strengthen the capacity of civil servant investigators and law enforcement agencies - especially the police and prosecutors; increasing internal control by inspectorate or technical supervisory officers and enforcing administrative, civil and criminal laws for offenders. This includes encouraging an increase in the number of forest rangers to ensure a more balanced ratio in relation to areas covered by individual rangers. Measures seen as needed, relevant and realistic within the current structures by stakeholders upon analysis, discussions and agreeing on recommended actions are:

- Government-KLHK, Forestry Office, the Environment Agency, the Police and the Attorney General should all certify investigators and prosecutors who deal with cases of forestry and environmental crimes. This certification is required so that the capacity of investigators and prosecutors follow one consistent standard. This would also be in line with the Supreme Court's honorable practice which have certified judges who handle environmental cases. Information on the multi-law ("multi-door") approach could be a part of the certification materials.
- Local Governments should issue a policy on complaint handling mechanism for forestry issues, but also detail the unit, personnel, budget allocation and standard operating procedures (SOP). MOEF should provide technical assistance to provincial and local governments to develop cooperation with NGOs in order to effectively operate complaint handling units.
- MOEF, Police, FIU and Prosecutor's Office should continue and enhance cooperation among investigators (civil servants) in handling forestry crimes involving large businesses, government officials and law enforcers. It is necessary to ensure a deterrent effect and respect for the government in the forestry sector. KPK's support is needed especially with regards to the handling of cases of corruption and money laundering involving state officials.
- There should also be an increase in the capacity of the inspectorate and technical supervisory officers (Ganis) to oversee maladministration and indications of corruption by forestry employees. It is necessary to build partnerships with NGOs (which monitor the integrity of state officials), the civil apparatus commission and the Public Service Commission.
- A government policy is needed to increase the number of forest rangers so that





THE ASPECT OF LAW ENFORCEMENT CAPACITY

Certifying all investigators and prosecutors who deal with cases of forestry and environmental crimes.

Complaint handling mechanism for forestry issues, but also detail the unit, personnel, budget allocation and standard operating procedures (SOP).

MOEF, Police, FIU and Prosecutor's Office should continue and enhance cooperation among investigators (civil servants) in handling forestry crimes involving large businesses, government officials and law enforcers.

Increasing in the capacity of the inspectorate and technical supervisory officers (Ganis) to oversee maladministration and indications of corruption by forestry employees.

A government policy is needed to increase the number of forest rangers so that the ratio between rangers and forest area is adequate, based on sound calculations, and to make forest rangers' work more effective.

the ratio between rangers and forest area they cover individually is adequate, based on sound calculations, and to make forest rangers' work more effective. Building the capacity of individuals and communities around the forest who are committed to maintaining the forest is also necessary to protect the forest areas. Developing forest monitoring mechanisms using satellite imagery linked to forest ranger units in the field may also be a more effective and less costly way of regularly monitoring forest use.

PLANNING AND INFORMATION SYSTEMS MANAGEMENT

In KLHK's planning, key performance indicators and project performance indicators have included a number of sub-indicators to measure the structure of forest management practices such as the percentage of FMU established and operational, improvement of forest product administration, total forest area managed by the community, total conflict area settled,





PLANNING AND INFORMATION SYSTEMS MANAGEMENT

Establishing and agreeing on a baseline against which progress of improving forest governance is measured

Improving the availability of robust and regularly updated data through more reliable information systems – both to inform their own work through planning and implementation, but also to allow for higher degrees of public access to relevant information by the public

social forestry business development, and settlement of administrative violations and the number of rangers. Efforts to improve both the quality of available data and the intervals at which data is updated is a serious concern. Recommendations as agreed by stakeholders through discussion to strengthen planning and information system management focus on the following measures:

- Ministry of Environment and Forestry through the planning bureau needs to establish and agree on a baseline against which progress of improving forest governance is measured. Building on the findings in the 2014 and 2012 Forest Governance Index could be one way of accommodating this, e.g. by using the value of each indicator as a reference when preparing the “official” baseline.
- The same can be done by local governments through the regional government forestry work units to include indicators to measure the condition or state of forest governance. This data would then inform policy-making to more appropriately set the priorities, design appropriate and contextually relevant policies and measures, as well as measure progress over time.
- Ministry of Environment and Forestry and the local forestry work units need to consider including indicators to measure corruption eradication efforts in the forestry sector by including indicators such as licensing, production activities, monitoring and compliance. These corruption perception indicators can shed light on whether improvements in tackling corruption in the forestry sector have been taking place or not, and thereby also indicate to policy- and decision makers whether or not the current set of policies and measures are appropriate, and also support in the reorientation and adjustment of these.
- KLHK and local governments need to improve the availability of robust and regularly updated data through more reliable information systems – both



to inform their own work through planning and implementation, but also to allow for higher degrees of public access to relevant information by the public. This includes the availability of credible and timely data related to forest governance by appointing a single directorate responsible for the overall collection, management and presentation of data by looking into what data sources and systems already exist, and what data needs to be supplemented so that transaction costs are kept as low as possible.

- Currently it is not clear who will handle such a task at KLHK and develop cooperation with sub-national government and civil society groups on the regular collection of data. Such governance data, also the data included in this Forest Governance Index, may be useful to feed into information systems at the national level, including on how the Cancun safeguards (with specific components dedicated to forest governance, participation and rights) are being addressed and respected for the Safeguards Information System (SIS), a requirement under the UNFCCC for REDD+, and for the Summary of Information on safeguards submitted as part of a country's National Communications to the UNFCCC, necessary to be eligible for results-based finance for REDD+ (reducing emissions from deforestation and forest degradation).



