

# The Effects of Indonesia's Decentralisation on Forests and Estate Crops in Riau Province: Case Studies of the Original Districts of Kampar and Indragiri Hulu

Lesley Potter and Simon Badcock



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Barr, C. and Resosudarmo, I.A.P. 2002. Decentralisation of forest administration in Indonesia: Implications for forest sustainability, community livelihoods, and economic development. Center for International Forestry Research, Bogor, Indonesia.

### District and Provincial Case Studies

**Case Study 1.** McCarthy, J.F. 2001. Decentralisation, local communities and forest management in Barito Selatan District, Central Kalimantan. Center for International Forestry Research, Bogor, Indonesia.

**Case Study 2.** McCarthy, J.F. 2001. Decentralisation and forest management in Kapuas District, Central Kalimantan. Center for International Forestry Research, Bogor, Indonesia.

**Case Study 3.** Barr, C., Wollenberg, E., Limberg, G., Anau, N., Iwan, R., Sudana, I.M., Moeliono, M., and Djogo, T. 2001. The impacts of decentralisation on forests and forest-dependent communities in Malinau District, East Kalimantan. Center for International Forestry Research, Bogor, Indonesia.

**Case Study 4.** Casson, A. 2001. Decentralisation of policies affecting forests and estate crops in Kutai Barat District, East Kalimantan. Center for International Forestry Research, Bogor, Indonesia.

**Case Study 5.** Casson, A. 2001. Decentralisation of policymaking and administration of policies affecting forests and estate crops in Kotawaringin Timur District. Central Kalimantan. Center for International Forestry Research, Bogor, Indonesia.

**Case Studies 6 and 7.** Potter, L. and Badcock, S. 2001. The effects of Indonesia's decentralisation on forests and estate crops in Riau Province: Case studies of the original districts of Kampar and Indragiri Hulu. Center for International Forestry Research, Bogor, Indonesia.

**Case Study 8.** Soetarto, E., Sitorus, M.T.F. and Napiri, Y. 2001. Decentralisation of administration, policy making and forest management in West Kalimantan. Center for International Forestry Research, Bogor, Indonesia.

**Case Study 9.** Obidzinski, K. and Barr, C. 2002. The effects of decentralisation on forests and forest industries in Berau District, East Kalimantan. Center for International Forestry Research, Bogor, Indonesia.

# **The Effects of Indonesia's Decentralisation on Forests and Estate Crops in Riau Province: Case Studies of the Original Districts of Kampar and Indragiri Hulu**

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## Decentralisation and Forests in Indonesia: An Overview of the Study

Since early-2000, the Center for International Forestry Research (CIFOR) has conducted research on the decentralisation of forest administration and policies affecting forests in Indonesia. This project has sought to document the real and anticipated impacts of decentralisation on forest management, forest community livelihoods, and economic development at the provincial and district levels. During the initial phase of this research, CIFOR conducted case studies in nine *kabupaten* or districts, in four provinces: Riau, East Kalimantan, Central Kalimantan, and West Kalimantan. These case studies were carried out in 2000, with follow up visits to some districts conducted in early 2001. As such, the findings presented in the present report and the companion case studies reflect the conditions and processes that existed in the study districts during the initial phase of Indonesia's decentralisation process.

The following reports have been produced by this project. The first of these represents a synthesis of the major findings from the nine case studies, accompanied by a historical analysis of forest administration and forestry sector development in Indonesia, and a discussion of the origins and legal-regulatory basis of the nation's ongoing decentralisation process. Each of the nine case studies is published as a separate report (with the exception of the study districts in Riau, which have been combined) in order to make the information contained therein more readily accessible to decision-makers involved in the decentralisation process. It is hoped that readers of the case studies will refer to the synthesis report in order to situate the specific case study findings in a broader historical and policy context.

During 2002, CIFOR will publish additional case studies from research on decentralisation and forests in West Kalimantan, South Sulawesi and Irian Jaya. CIFOR also plans to carry out follow-up research at several of the original case study districts, and will publish periodic findings from the sites.

### Acknowledgements and Disclaimer

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The authors acknowledge the assistance of a large number of persons in researching and preparing this study. In Riau, these included staff of government departments, in the areas of forestry, estate crops, planning, environment and finance, at both

provincial and district levels. Academics from UNRI, together with members of NGOs, mostly Pekanbaru-based, provided fellowship and collegiality. We were also helped by staff from the two pulp and paper companies, from private timber and oil-palm concerns and from numbers of villagers in all districts. All Bupatis and temporary Bupatis in our study areas made themselves available to talk to us, for which we were grateful. We would especially like to thank Viator Butar-Butar in Pekanbaru, former director Ir Waldemar Sinaga and his staff at the Bukit Tigapuluh National Park Unit and the former staff of WWF Bukit Tigapuluh, especially Mangara Silalahi and Bobby Berlianto. In Jakarta many other people contributed, particularly the forest specialists from Manggala Wanabakti, while colleagues from CIFOR in Bogor, especially Chris Barr, provided stimulation and were patient through our drafts. Our fellow researchers, especially Anne Casson and John McCarthy, gave us the opportunity to exchange many useful ideas and experiences.

## **Overview of Indonesia's Decentralisation Process**

Since late-1998, Indonesia has undergone a process of rapid and far-reaching decentralisation. With this process, considerable degrees of administrative and regulatory authority have been transferred from the national government in Jakarta to the country's provincial and district governments. This transfer of authority has occurred across broad segments of the nation's economy and has sharply redefined the roles and responsibilities of government agencies at each level of the nation's administrative structure. With the locus of decision-making shifting decisively away from the national government, Indonesia's ongoing decentralisation process marks a dramatic break from the highly-centralized system of governance that characterized Suharto's New Order regime during the period 1966-1998.

To a significant extent, the process of decentralisation now occurring in Indonesia has been driven by the demands of provincial and district governments whose jurisdictions are rich in timber, petroleum, and other natural resources. Officials from resource-rich regions have long complained that the vast majority of the benefits from these assets have flowed away from their regions to the national government and to private sector companies closely associated with decision-makers in Jakarta. While the New Order government kept a tight lid on calls for greater regional autonomy and regional control over natural resource revenues, the post-Suharto government has not been able to ignore these demands. On the contrary, since 1998 the country's senior leadership has recognized that its ability to maintain Indonesia's integrity as a nation may ultimately depend on its capacity to strike a more equitable balance of power between the national government, on the one hand, and the provincial and district governments, on the other.

Over the last three years, the national government has issued several important pieces of legislation aimed at transferring authority to the provincial and district governments, and at allowing resource-rich regions to retain a larger share of the fiscal revenues generated within their jurisdictions. The most significant of these have been Law 22 on Regional Governance and Law 25 on Fiscal Balancing, both of which were issued in May 1999. Together, these laws provide the legal basis for regional autonomy, laying out a broad framework for the decentralisation of administrative and regulatory authority primarily to the district level. These laws have been supported by a variety of implementing regulations and sector-specific decentralisation laws, including Law 41 of 1999, a revised version of Indonesia's Basic Forestry Law, which outlines the division of administrative authority in the forestry sector under regional autonomy.

In many parts of Indonesia, provincial and district officials acting in the spirit of regional autonomy have instituted reforms that extend well beyond the authority granted to them under the national government's decentralisation laws and regulations. Indeed, the formal decentralisation process has been driven, to a significant degree, not by policy decisions made at the national level but, rather, by decisions made by provincial and district level actors. This process has often been *ad hoc* in nature, with national policymakers frequently finding themselves in the position of having to react to fast-moving changes that have occurred in the provinces and districts. Far from being a well-planned and carefully-managed exercise in bureaucratic reorganization, the implementation of regional autonomy in Indonesia has been characterized by intense struggles among the different levels of government, each of which represents a competing set of political and economic interests. In this way, regional autonomy has stretched well beyond the formal decentralisation of administrative and regulatory authority; in practice, it also involves a significant, if largely informal and unplanned, devolution of power from the national government to its provincial and district-level counterparts.

The formal and informal processes of decentralisation have been accompanied by a wide-ranging set of governance and economic reforms, collectively known as *reformasi*, that are associated with Indonesia's transition away from Suharto's New Order regime. Broadly defined, *reformasi* refers to the transformation and dismantling of the policies, practices, and institutional structures through which the New Order leadership and a handful of well-connected conglomerates controlled the political and economic life of the country prior to Suharto's resignation in May 1998. While significant elements of the *reformasi* agenda coincide with the changes occurring under regional autonomy, these reform processes are also quite distinct. Whereas *reformasi* refers to a shift away from the constellation of interests and power structures that have supported a particular regime, decentralisation and regional autonomy refer to the transfer of authority from the national government to Indonesia's provincial and district governments.

### **Decentralisation of Forest Administration**

The formal and informal processes of decentralisation that are now occurring in Indonesia have far-reaching implications for forest management and for the livelihoods of communities living in and around forested areas. On the positive side, experience from other countries suggests that decentralised systems of forest management often lead to more sustainable and equitable use of these resources, as decision-makers are physically located closer to where their policies will be implemented (Conyers 1981; Rondinelli, Nellis, and Cheema 1983). This proximity often brings with it improved understanding of the specific biophysical, social, and institutional conditions influencing forest management at the field level; better capacity to monitor the activities of forest user groups; and greater access to local knowledge about the management and utilization of forest resources — which are sometimes highly specific to particular social groups and/or ecosystems (Carney 1995).



In addition, decentralised forest administration often allows for greater participation on the part of forest communities in policy decision-making processes, and more direct accountability of policymakers to peoples whose livelihoods depend on forests (Brandon and Wells 1992). Decentralisation also frequently implies a more equitable distribution of benefits from forest resources, as local communities and governments in forested regions are able to secure a greater portion of revenues from the extraction of timber and other forest products (Ascher 1995; Ostrom 1990).

In addition to providing opportunities for expanded equity and improved forest management, however, decentralisation also carries significant risks. In many countries, national governments have decentralised without first creating the necessary institutional capacity at the provincial or district levels to administer forests effectively (Rivera 1996). Often, national governments assign tasks to provincial and district governments without giving them adequate resources for carrying out these tasks. Most provincial and district governments lack essential technical skills and must look to other entities for advice, training, and technical information. In cases where local elites have been strong and/or traditionally marginalized groups have been unable to organize themselves, decentralisation has often strengthened pre-existing power relations, rather than promoting democratic decision-making processes (Utting 1993). Finally, even when elite groups do not dominate provincial and district governments, it is often that case that these governments have little interest in sustainable forest management.

### **Indonesia's Forestry Sector**

The manner in which decentralisation affects forest management, community livelihoods, and economic development is of particular significance in Indonesia due to the scale and importance of the country's forest resources. Indonesia has the world's third largest tract of tropical forests, surpassed in area only by those of Brazil and Congo. In 1997, the country's total forest cover was officially estimated to be 100 million hectares (MOFEC, cited in World Bank 2001). It has been conservatively estimated that at least 20 million people depend on Indonesia's forests for the bulk of their livelihoods (Sunderlin, *et al.* 2000). Over the last three decades, the national government has allocated over 60 million hectares of forest to commercial logging companies, and Indonesia's forestry sector industries have long ranked second only to petroleum in terms of their contribution to GNP (Barr 2001). The forestry sector currently generates approximately US\$ 7 billion in annual revenues.

Well before the country's ongoing decentralisation process began in late-1998, Indonesia's forestry sector had entered a period of crisis. From the mid-1980s onward, deforestation is estimated to have occurred at a pace of 1.6 million hectares per year (Toha 2000). A major factor driving this high level of deforestation and associated forest degradation has been overcapacity in the nation's wood processing industries. Through the mid-1990s, Indonesia's sawnwood, plywood, and pulp industries are collectively estimated to have consumed 60-80 million cubic meters (m<sup>3</sup>) of wood per year (Barr 2001; Scotland *et al.* 1998). Log consumption on this scale has stood well above the Indonesian government's own widely-cited sustainable timber harvest threshold

of 25 million m<sup>3</sup> per year. Moreover, with few effective regulatory structures in Indonesia's forestry sector, domestic demand for timber has resulted in large volumes of wood being harvested from illegal sources (ITFMP 1999). At the same time, a decline in the nation's HPH timber concession system, coupled with rapid expansion in oil palm and other forms of agroindustrial plantations, has meant that a growing portion of the nation's wood supply has been obtained through clearing of natural forest rather than selective harvesting at multiple-rotation timber concessions (Barr 2001).

### **Scope and Methods of the Present Study**

The present report examines the preliminary effects of decentralisation of forest administration in the original districts of Kampar and Indragiri Hulu in Riau Province. This report presents the findings from two of nine district level case studies carried out during 2000 and early 2001 by the Center for International Forestry Research (CIFOR) in four provinces: Riau, East Kalimantan, Central Kalimantan, and West Kalimantan. The findings presented in these studies reflect the conditions and processes that existed in the study districts during the initial phase of Indonesia's decentralisation process.

Each of the case studies used a rapid appraisal methodology for gathering data at the district and provincial levels. For each case study, preliminary visits were made to the district and provincial capitals to establish initial contacts and to identify key issues. Second visits for data gathering were then carried out for periods of 10-14 days in each district, with shorter amounts of time in the provincial capitals. The collection of primary data involved semi-structured interviews with key informants, including: government officials; forest industry actors; members of communities living in and around forests; political party representatives; officers from the regional military and police force; informal district leaders; representatives from nongovernmental organizations (NGOs); university researchers; and individuals involved with donor agencies and development projects. Data collection also involved the review of primary and secondary documents, including: district and provincial laws and regulations; government statistics; regional news media articles; industry publications; research studies; and reports prepared by NGOs and donor agencies.

Each of these case studies is structured to focus on processes that have occurred at the district and, to a lesser extent, the provincial levels. To avoid repetition, more general information on the history of forest administration and forestry sector development in Indonesia, as well as significant national policy and legal-regulatory reforms associated with decentralisation, has been placed in an accompanying report which synthesizes the project's major findings (see Barr and Resosudarmo and 2001). Readers are encouraged to review the case studies in conjunction with this synthesis in order to appreciate the broader historical and policy contexts within which the district and provincial decentralisation processes are now occurring.

*Christopher Barr and Ida Aju Pradnja Resosudarmo*

*Bogor, Indonesia*

## Glossary

Adat	Customary rights or practices
APBD	<i>Anggaran Pendapatan dan Belanja Daerah</i> , District or Provincial Budget
APRIL	Asia Pacific Resources International Ltd.
Bapedalda	<i>Badan Pengendalian Dampak Lingkungan Daerah</i> , Regional Environmental Protection Agency
BAPPEDA	<i>Badan Perencanaan Pembangunan Daerah</i> , Regional Development Planning Agency
BBS	<i>Bahan Baku Serpih</i> , for chips/pulp
BBPF	Bukit Betabuh Protected Forest
BPHTB	<i>Bea Perolehan Hak atas Tanah dan Bangunan</i> , Land and Building Titles Administration Fee
BPMD	<i>Badan Penanaman Modal Daerah</i> , District Investment Office
BPS	Badan Pusat Statistik, Central Statistics Agency
BTNP	Bukit Tigapuluh National Park
BUMN	<i>Badan Usaha Milik Negara</i> , state-owned companies
Bupati	District Head
Camat	Head of Subdistrict
CDK	<i>Cabang Dinas Kehutanan</i> , Branch Office of Provincial Forestry Service
CIFOR	Center for International Forestry Research
CPO	Crude Palm Oil
DAK	<i>Dana Alokasi Khusus</i> , Special Allocation Fund
DAU	<i>Dana Alokasi Umum</i> , General Allocation Fund
Dephutbun	<i>Departemen Kehutanan dan Perkebunan</i> , Ministry of Forestry and Estate Crops
Dinas Kehutanan Tingkat I	Provincial Forestry Service
Dinas	Office
Dispenda	<i>Dinas Pendapatan Daerah</i> , District/Provincial Revenue Office
DPD	<i>Dewan Pertimbangan Daerah</i> , district council
DPRD	<i>Dewan Perwakilan Rakyat Daerah</i> , District/Provincial Legislative Assembly
DR	<i>Dana Reboisasi</i> , Reforestation Fund
HKm	<i>Hutan Kemasyarakatan</i> , Community Forestry
HPH	<i>Hak Pengusahaan Hutan</i> , Commercial Forestry Concession
HPHKM	<i>Hak Pengusahaan Hutan Kemasyarakatan</i> , Community Forestry Concession
HPHTI	<i>Hak Pengusahaan Hutan Tanaman Industri</i> , Timber Plantation Concession
HTI	<i>Hutan Tanaman Industri</i> , Timber Plantation
IHH	<i>Iuran Hasil Hutan</i> , Forest Products Payment, now called PSDH
IHPH	<i>Iuran Hak Pengusahaan Hutan</i> , Forest Concession Royalty
IKPP	Indah Kiat Pulp and Paper
Inhutani	A State-Owned Forest Concession
IPK	<i>Ijin Pemanfaatan Kayu</i> , Timber Clearance Permit
IPKH	<i>Industri Pengolahan Kayu Hulu</i> , Upstream Wood Processing Industries
Kabupaten	District
Kanwil	<i>Kantor Wilayah</i> , Provincial Government Line Agency
KBK	<i>Kayu Bulat Kecil</i> , small diameter log
Kecamatan	Subdistrict

KPH	<i>Kesatuan Pemangkuan Hutan</i> , Forest Management Unit
KSDA	<i>Konservasi Sumber Daya Alam</i> , Natural Resources Conservation Agency
LAP	<i>Lembaga Adat Petalangan</i> , Petalangan Cultural Group
NGO	Non Governmental Organization
NTFP	Non Timber Forest Products
PAD	<i>Pendapatan Asli Daerah</i> , Self or Regionally Generated Income
Panglong	Shipping timber, firewood and charcoal
PBB	<i>Pajak Bumi dan Bangunan</i> , Land and Building Tax
Perda	<i>Peraturan Daerah</i> , Regional Government Regulation
PIR	<i>Perkebunan Inti Rakyat</i> , Smallholders Nucleus Plantation
PKT	<i>Dinas Perhutanan dan Konservasi Tanah</i> , Office for Reforestation and Land Conservation
PMDH	<i>Pembinaan Masyarakat Desa Hutan</i> , Forest Village Community Development
PP	<i>Peraturan Pemerintah</i> , Government Regulation
PSDH	<i>Provisi Sumber Daya Hutan</i> , Forest Resource Rent Provision
PTP	<i>Perseroan Terbatas Perkebunan</i> , government estate company
RAPP	Riau Andalan Pulp and Paper
Reformasi	Broader Reform Process
Retribusi	Charges/Levy
RKT	<i>Rencana Karya Tahunan</i> , Annual Logging Schedule
RTRWK	<i>Rencana Tata Ruang Wilayah Kabupaten</i> , District Spatial Plan
RTRWP	<i>Rencana Tata Ruang Wilayah Propinsi</i> , Provincial Spatial Plan
Suaka Margasatwa	Wildlife Reserve
TBS	<i>Tandan Buah Segar</i> , Fresh Fruit Bunches
TGHK	<i>Tata Guna Hutan Kesepakatan</i> , Forest Land Use Concensus
UU	<i>Undang-undang</i> , Law
WWF	World Wide Fund for Nature

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# Abstract

The focus of this study is on the impacts of decentralisation on forests and estate crops, particularly in the original districts of Kampar and Indragiri Hulu, located in Riau Province, Sumatra. The research was conducted mainly during 2000, preceding the beginnings of decentralisation in January 2001, with a brief follow-up to March of that year. Unhappy with the previous distribution of revenue by the centre, a vocal urban group was calling for independence for resource-rich Riau. It was thus considered important to chart attitudes to decentralisation at provincial level, as well as examine the deconcentration of the regional office of the Jakarta-based Ministry of Forestry and Estate Crops. Similarly the demands for fibre of the two immense pulp and paper companies (RAPP and Indah Kiat) needed to be analysed on a province-wide basis. The initial third of the study is thus occupied with these broad issues, before the selected districts are examined in detail. Both of the original districts were recently subdivided: Kampar became three, adding Rokan Hulu and Pelalawan, while Indragiri Hulu was halved to add Kuantan Singingi. The existence of these new entities, struggling to create separate infrastructure and administrations, has complicated the decentralisation process.

The focus of the studies has been somewhat different in each case. Much of Indragiri Hulu is occupied by Bukit Tigapuluh National Park and its buffer zone, with many stakeholders and conflicts over illegal logging, while Kuantan Singingi has large areas under pulp plantations. Kampar and Rokan Hulu are dominated by oil palm, the plantations' occupancy of the land being contested by local populations. Pelalawan still has natural timber, the swamp forests of the sparsely populated lower Kampar basin, but is also the headquarters of RAPP in the rapidly expanding centre of Pangkalan Kerinci. The study found that during 2000, the most serious impact on the forests was a result of political reformation and the economic crisis, with the Soeharto government's rules being ignored and timber being cut for its quick return under conditions of high demand. Depressed rubber prices gave further impetus to forest clearing. After decentralisation, despite greatly increased available income in the districts, serious environmental and social problems remained to be tackled. While local pride was a positive outcome, signs of both xenophobia and a rush to develop at all costs were worrying aspects.

### 1.1 THE STUDY AND ITS MAJOR FINDINGS

From 1 January 2001, the Indonesian government implemented a policy of regional autonomy and decentralisation. The provincial and district governments have been handed responsibility to raise revenues locally to fund regional activities and development. However, the central government has retained some revenue raising powers, and the full details of the process of devolution have yet to be fully spelt out. This study was commissioned at the end of 1999 to look especially at policymaking and administrative practises relating to forests in sample districts of Riau province, Sumatra, as these evolved in the year prior to 1 January 2001. The research presented in this report focuses on the original large districts of Kampar and Indragiri Hulu, already subdivided into five smaller entities before the study began. It provides examples of the real and anticipated impacts of decentralisation in two of the most forest-rich regions of Riau. Major fieldwork was carried out on several visits to the province between January and October 2000. A workshop in Pekanbaru in March 2001 permitted further discussion with representatives from government, private companies and NGOs, and short visits were made to three of the study's districts – Indragiri Hulu, Kuantan Singingi and Pelalawan – to update our information. We thus have the advantage of hindsight now that the decentralisation process has begun, but the bulk of our study is based on the situation existing in 2000.

Administrators and others involved with the decentralisation process in Riau during 2000 found the situation uncertain and frustrating. Administrators at the provincial level were concerned with the apparent unwillingness of the central government to relinquish power in some areas, such as forestry, and to specify the different levels of responsibility between the province and the district. They also criticised Jakarta's tardiness in providing accurate information about the distribution and levels of funding, particularly the partial refunding of income from mineral and forest resources. At the district level, there was the additional difficulty of setting up new administrations and infrastructure after the subdivision of the original large districts and drafting appropriate local legislation. Key people, such as *Bupatis* (district leaders), had only temporary tenure in the new districts until the end of 2000. A major cause of concern was the level of funds that could be raised locally, as the permitted tax base was limited. Large companies paid taxes only to Jakarta, especially the two huge pulp and paper companies that dominated the economies of their districts, at the same time providing a province-wide market for wood fibre.

The situation of Riau's forests worsened during the year 2000. Encroachment on protected areas and forest concessions and 'illegal' logging and removal of forest products had greatly increased since the fall of Soeharto in 1998. Local people, imbued perhaps with 'the euphoria of *reformasi*'<sup>1</sup> challenged the validity of the forest boundaries laid down by the previous regime, just as they challenged the



land holdings of oil palm companies. Local people faced economic hardship as a result of both the economic crisis and the impact of globalisation on rubber prices. The unlimited market for wood provided by the pulp companies and by a myriad of small sawmills, with extra encouragement from outside 'operators' who lent heavy equipment, meant easy cash to village people cutting forests. During 2000, even remote indigenous groups, whose cultures stressed the importance of the forest, were caught up in the logging networks. The consequences for Bukit Tigapuluh National Park (BTNP) have been serious, and the park's viability is now threatened. Though none of the pressures on Riau's forests is directly attributable to decentralisation, attempting to channel raised local expectations into productive directions has been a challenge for district administrators.

Now that regional autonomy has arrived, more development money is available to the districts than was originally anticipated. How will such funds be distributed? Will the serious social needs of the communities be addressed? Can the extra funds substitute for forest revenue, thereby protecting the remaining forest? The availability of extra income to the districts from the Reforestation Fund (*Dana Reboisasi* or DR) is designed to assist forest rehabilitation. Though it is still too early to make final judgements, so far there is no indication of real change. New district-level forestry regulations appear to be both complex and short term, thus likely to benefit the outside 'operators' and to legitimise the present illegal logging arrangements. We remain pessimistic about the future of Riau's forests.

## 1.2 BACKGROUND

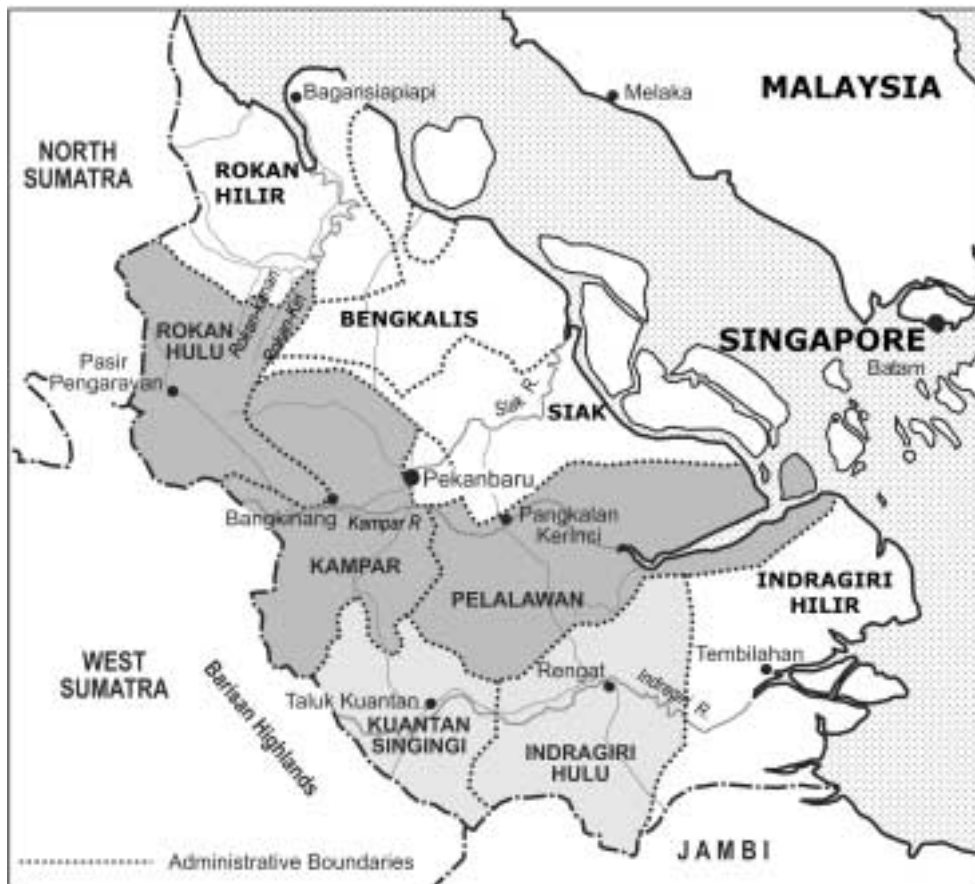
Although the province of Riau in Central Sumatra is strategically located with reference to Peninsular Malaysia and Singapore, the benefits of such a location accrue more to the Riau Islands, especially Batam, than to the mainland (Map 1). Much of the mainland is low-lying and swampy,<sup>2</sup> with hilly regions mainly towards the western and southern borders. Soils are either highly acidic, developed over peat, or

the podsollic and leached soils of the Sumatran peneplain (Rice 1989). Lying south of the centres of former Dutch plantation activity in North Sumatra and east of the Barisan Highlands with their cool climate and more fertile soils, mainland Riau was a sparsely inhabited backwater until the beginning of the petroleum industry in the 1950s (Mubyarto *et al.* 1992). Until the 1980s very large tracts were forested. Local people practised swidden agriculture for subsistence, with cash crops of smallholder rubber on the peneplain and coconuts in the coastal swamps.

Because this report focusses on the effects of Indonesia's new decentralisation policies on districts where forests and estate crops are dominant, the study sites were two original districts (*kabupaten*) of mainland Riau: Kampar and Indragiri Hulu. These districts have recently been subdivided. Kampar has become three smaller *kabupaten*: Rokan Hulu (Rohul) in the west, a truncated Kampar in the centre and Pelalawan in the east, while Indragiri Hulu (Inhu) has hived off its western half to form Kuantan Singingi (Kuansing) (Map 1). This subdivision, which has taken place more rapidly in Riau than in some other provinces, has also led to problems with the advent of decentralisation. Although these smaller units will be both easier to administer and closer to local interests, during 2000 the new districts were just becoming established, and many aspects of their administration, including staff transfers and district regulations (*Peraturan Daerah* or Perda), were still being devolved from the 'mother' district, or *kabupaten induk*. It was thus necessary to study each original district in totality, though not necessarily at the same level of detail for each subdivision.

The original Kampar district was selected because it has been the area most affected by the rapid spread of oil palm, which now occupies extensive lowland areas in both Kampar *induk* and Rokan Hulu. Pelalawan has natural swamp forest and the expanding industrial zone of Pangkalan Kerinci, which is the headquarters of Riau Andalan Pulp & Paper (RAPP). Riau's only national park, which it shares with the neighbouring province of Jambi, is in Indragiri Hulu. The Bukit Tigapuluh (Thirty Hills)

Map 1. Riau Province and study areas



National Park contains one of the few surviving areas of Sumatra's highly diverse lowland rain forest, with an excellent collection of representative flora and fauna. It is also home to a small population of minority Talang Mamak and Kubu people. The multiple stakeholders of the park's buffer zone include loggers and sawmillers (legal and illegal), oil palm interests (large estates and independent smallholders), coal miners, Melayu and Talang Mamak villagers, transmigrants and spontaneous settlers. All of these interests threaten the park in different ways, making its conservation and management a huge challenge to Indragiri Hulu. Kuantan Singingi, farther west, has challenges of its own in forest management, especially in border areas with West Sumatra. RAPP has an active programme of plantation establishment in Kuantan Singingi (which is often abbreviated as Kuansing) and in neighbouring subdistricts of Pelalawan and Kampar, using mainly the fast-growing exotic *Acacia mangium*.

The four rivers that divide mainland Riau (Rokan, Siak, Kampar and Indragiri-Kuantan) have long constituted an important regional focus. Their lower reaches were sites for the capitals of early sultanates, whose rulers controlled the river trade. Gold, rice and coffee came downriver from the Barisan Highlands; rattan, camphor and damar from the lowland forests (Oki 1986). The eastward movement of trade was followed by a migration of Minangkabau people (*Merantau*) beyond their traditional homeland in West Sumatra, into western parts of the province (Kato 1982). The position of the present capital, Pekanbaru, situated on the deep Siak River and used as an overland transit centre from the shallower Kampar River, led to its early importance (Oki 1986). Today the Siak River, which can accommodate ocean-going ships as far inland as Pekanbaru, is the centre of a major industrial region, with oil installations in addition to pulp and paper, plywood and other wood-based industries.

**Figure 1.** Logs in the Siak River



With 4.9 percent of Indonesia's land area and only 2 percent of its population (4.3 million), Riau has been seen as a land of promise, its industries and available land continuing to attract immigrants. From 1990 to 1995 the annual population growth rate was 3.4 percent, more than twice the national average (BPS 2000). More than 500,000 transmigrants, mainly from Java, have arrived over the past 40 years, while others of Javanese descent – refugees from Aceh, for example – have recently found a haven in Riau. Bataks have moved spontaneously from North Sumatra, especially after the completion in 1993 of the main eastern highway, which improved accessibility. These newcomers have been added to the earlier arrivals: Minangkabau from West Sumatra; Banjarese from South Kalimantan;<sup>3</sup> and ethnic Chinese, fishers at Bagansiapiapi or workers in the *panglong*, shipping timber, firewood and charcoal to Singapore from the Kampar coast and islands such as Bengkalis.<sup>4</sup>

The province has thus been racially mixed for a long time. Recent calls for a greater

share of employment to be directed towards local Melayu people come from a perception that they have missed out on some opportunities, with newcomers, especially Javanese, being preferred. Major industrial sites, wood-working centres and plantations employ a mix of ethnic groups. However, indigenous minorities, such as Sakai, Suku Laut and Talang Mamak, are disproportionately located in more remote areas and are poorer, with low levels of health care and educational attainment. More remote Melayu people are similarly disadvantaged. Depending on the sources and definitions used, as much as 42 percent or as little as 14 percent of the population may be below the poverty line (BPS 2000).<sup>5</sup> The higher percentage relates to that proportion of households at or below the minimal levels of 'safety', using criteria developed by the provincial department of social welfare (Sutarman 2000); it has been a figure widely quoted by provincial officials. Observers such as Sutarman hope one of the major achievements of decentralisation will be an improvement in the social conditions of the population now disadvantaged.

## 1.3 RESOURCES: MINERALS AND FORESTS

### 1.3.1 Minerals

Riau is one of Indonesia's most resource-rich provinces. Its wealth has come primarily from minerals, especially oil and gas, which in 1997 contributed 58 percent of the national output, or almost 1 million barrels of crude oil per day (BPS Riau 1999; BPS 2000). Most of the oil is produced through production-sharing agreements with Pertamina, with the US-based Caltex being overwhelmingly the major supplier. Since beginning major production in the Minas district (now Kabupaten Siak) in 1952, Caltex has formed a dominant and controversial enclave with its various mining-lease areas. While petroleum producers have provided local employment and attracted workers from outside the province, they have acquired land at generally low rates of compensation from the indigenous Sakai and Melayu populations (Rab 1999). In this way,

the oil and gas industry has vastly transformed the original forest landscape through its network of derricks, pipelines, feeder roads and industrial plants.

Because of the central government's former policy of retaining much of the revenue from oil and gas, provincial interests have felt that Riau has received little benefit from the presence of the petroleum industry. It was largely the wealth of oil and gas that prompted the call for the province to seek independence from the rest of Indonesia in the 'Free Riau' or '*Riau Merdeka*' movement, which was supported by an urban minority. To the supporters of Free Riau, independence would have been a preferred alternative for the province, rather than regional autonomy. However, the regional autonomy law UU No 25/1999 (on 'fiscal balancing') proposed that 15 percent of oil and 30 percent of gas revenues should be returned to the province and shared with the districts (Table 1). These amounts are considerable – in 2000 it was predicted that they

**Table 1.** Predicted balancing of funds between the central and provincial and district governments, as of 2000

Source of Funds	Centre	Fiscal Balance			
		Province % <sup>b</sup>	Producer District %	Other District %	Dist/Prov Value % <sup>a</sup>
PBB <sup>c</sup>	10	16.2	64.8		4.87
BPHTB <sup>d</sup>	20	16	64		0.16
Petroleum (after tax)	85	3	6	6	53.46
Natural Gas	70	6	12	12	2.56
IHPH <sup>e</sup>	20	16	64		1.92
IHH/PSDH <sup>f</sup>	20	16	32	32	
Reforestation Fund <sup>g</sup>	60	40?			4.07
General mining and royalties	20	16	32	32	0.34
Fishing	20	80?			0.20
General Allocation	80	20			29.21

Notes:

- The final column predicts roughly the proportion of total income from these sources that would be available for distribution within the province.
- Question marks indicate unknowns in percentage distribution between the province and district levels. In this table the total has been temporarily allocated to the province.
- PBB stands for *Pajak Bumi dan Bangunan* (Land and Building Tax). The remaining 9% is used to cover the cost of collecting the tax, and it is distributed to regions.
- BPHTB stands for *Bea Perolehan Hak atas Tanah dan Bangunan* (Land and Building Titles Administration Fee).
- IHPH stands for *Iuran Hak Pengusahaan Hutan* (Forest Concession Licence Fee).
- IHH stands for *Iuran Hasil Hutan*: since 1998 its name had been changed to PSDH or *Provisi Sumber Daya Hutan* (Forest Resource Provision)
- Known in Indonesia as DR (*Dana Reboisasi*)

Sources: *Riau Abad 21* (2000); Butar-Butar (2000)

would provide more than 56 percent of the total revenue available across the province once decentralisation was implemented (Column 5) (*Riau Abad 21* 2000).<sup>6</sup>

### 1.3.2 The forestry sector

Forests are the province's other major resource, now considerably depleted. Much of the remaining natural forest consists of swamp and mangrove stands in the coastal regions of Rokan Hilir, Pelalawan and Indragiri Hilir (see Map 1). Pelalawan, the new district covering the lower Kampar basin, has the biggest share of the remaining forest resources and the largest number of active timber concessions (*Hak Pengusahaan Hutan* or HPH). Some former concessions have become pulp plantations to feed the significant demand for fibre on the part of the province's two pulp and paper companies, Indah Kiat and RAPP, while others have been converted to oil palm or other cash crops.

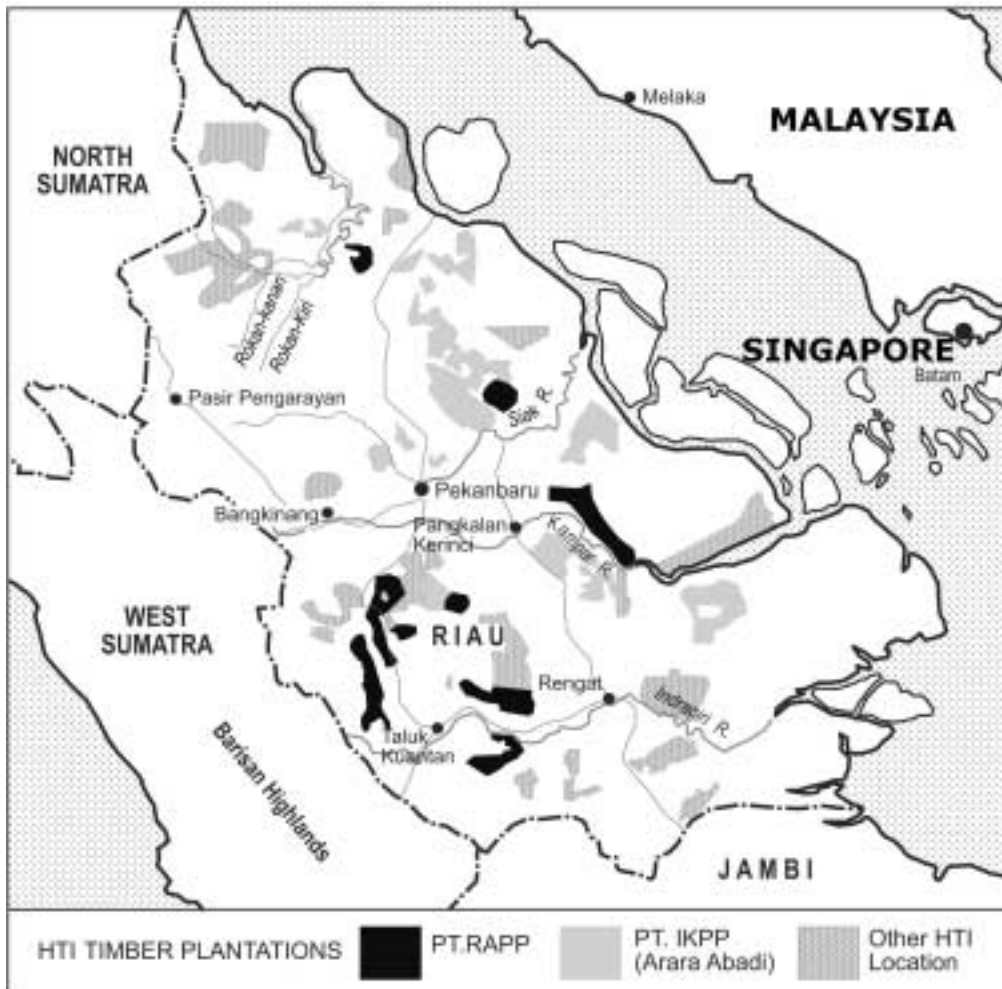
#### 1.3.2.1 *Inhutani IV and the forests*

Money available to Riau from the reforestation fund (*Dana Reboisasi* or DR), drawn from a tax on log production to assist companies to replant logged-over forest areas, had been largely absorbed by the state-owned forestry company operating in Riau, Inhutani IV.<sup>7</sup> It had been the company's mandate to assume managerial authority over any logged-over and effectively abandoned concessions and undertake their reforestation. However, both the reforestation activities and the use of the DR by the five Inhutani companies was halted by the central government in April 2000, pending the drafting of regulations on the future of the fund (*Bisnis Indonesia* 14.2.01).<sup>8</sup> There were complaints in Riau that Inhutani IV had carried out very little reforestation. The company was alleged to simply be holding large areas of forest, which could have provided the basis for smallholder cooperatives and improved livelihoods (*Riau Pos* 28.6.00). A count of the concessions in Inhutani's hands revealed properties of ten companies, some in multiple locations, totalling at least 600,000 ha.<sup>9</sup>

After a series of demonstrations in May 2000, students burned Inhutani IV offices in Pekanbaru, declaring Riau free of the company;

the Governor himself warned its officers to leave quickly (*Riau Pos* 17.5.00). Riau forestry department staff, at both provincial and district levels, regarded Inhutani as underresourced and not serious about reforestation, its employees unprofessional in their outlook. However, the central government decreed that it was not possible to break up the group's holdings, as there were too many assets and employees involved. Ministry of Forestry policymakers were reported to have had plans to turn the five Inhutani companies into public corporations and devolve to them the responsibility for managing the forests: 30 percent of the shares would be owned by the central government, 30 percent by the province and 40 percent by the district (*Riau Pos* 13.6.00). With the implementation of regional autonomy on 1 January 2001, some observers have interpreted that move as an attempt by the Ministry of Forestry to retain power (*Jakarta Post* 30.12.00).

Neglected Inhutani concessions, still with stands of valuable natural forest, have been perceived to be outside any form of control. They have been entered by 'illegal loggers',<sup>10</sup> or leased to the pulp companies for clearing.<sup>11</sup> Even functioning concessions with legitimate continuing tenure have suffered incursions, especially for the extraction of prized specialty timbers, such as the white softwood *ramin* (*Gonystylus* sp.).<sup>12</sup> Hilly regions designated 'Protected Forest' (such as Bukit Betabuh in Kuansing and Bukit Suligi in Kampar and Rohul), and conservation areas, including the Bukit Tigapuluh National Park, have equally been regarded as 'available'. Such widespread entry into previously forbidden forests is part of the new 'logging boom', which has erupted across Indonesia since the fall of Soeharto. During the recent period of financial crisis and political reformation, many of the laws imposed by the previous regime have been challenged or flouted, often with official connivance (Potter and Badcock 2001). Local people are hungry to obtain some of the spoils from logging denied to them by the Soeharto government. They wish to earn quick cash from selling timber cut from lands they consider rightfully theirs. Outside interests, with an eye to the profit to be made

**Map 2.** Industrial timber plantations (HTI), including those of RAPP and IKPP

from logging, may provide the necessary heavy machinery.

### 1.3.2.2 Pulp companies and the demand for fibre

Demand for timber of all types has put enormous pressures on Riau's forests. Much of this demand comes from wood-based industries located within the province, which in 1999 included 2 pulp mills, 15 plywood mills, 3 chip mills, 27 moulding factories and 345 legal sawmills (Dinas Kehutanan 2001). The province's pulp mills – Indah Kiat Pulp & Paper (IKPP) and Riau Andalan Pulp & Paper (RAPP) – rank among the largest standalone pulp production facilities in the world (Map 2). Collectively, Riau's wood-based industries were capable of consuming some 16 million m<sup>3</sup> of wood in 1999, with the province's

two pulp mills then accounting for roughly two-thirds of this. However, Riau's legal timber production from natural forests during that year amounted to only 6 million m<sup>3</sup> (see Table 3). HPH timber concessions generated 1.5 million m<sup>3</sup> of this, while nearly 4.3 million m<sup>3</sup> were harvested under IPK (*Ijin Pemanfaatan Kayu*) forest conversion permits. Demand for timber in neighboring provinces and countries has put additional pressures on Riau's forests. In mid-2000, up to 70,000 m<sup>3</sup> of raw logs were reportedly being smuggled annually to Malaysia and Singapore, while mangrove chips are reported to be exported legally to Japan (*Riau Pos* 23.6.00; 27.6.00).

The area licensed for pulp plantations (*Hutan Tanaman Industri* or HTI pulp) by four companies – Arara Abadi (affiliated with Indah

Kiat), RAPP (affiliated with APRIL), Satria Perkasa Agung and Sumatera Sinar – totalled 782,959 ha in December 1999, but the fourth company was classified as 'non-active' (Dephutbun 2000a). A request for it to become active was submitted the following August, to provide raw material for what was then speculatively described as a third pulp and paper mill with a capacity of 1 million tonnes of pulp per year (*Bisnis Indonesia* 18.8.00). This request appears to have reflected RAPP's efforts to open up a new pulp line, as both the name of the parent conglomerate (the Raja Garuda Mas Group) and the location listed on the application were the same as RAPP's.

The total area planted to pulpwood by the three active concessions up to January 2000, according to Forestry Department sources, was 270,887 ha, only 54 percent of that planned. Two-thirds belonged to Indah Kiat and most of the remainder to RAPP (Dephutbun 2000a). However, not all the area is under *Acacia*. Green

belts of mixed forest bisect the plantations, and other small areas are in experimental plantings. When the research for this study was conducted in mid-2000, RAPP had still not yet begun using any of its *Acacia*, although some was certainly mature enough to be cut. The planned and actual plantings of timber for Arara Abadi and RAPP up to January 2000 (Table 2), as recorded by the Provincial Forestry Office - Dephutbun (2000), reflect the impact of the financial crisis in a decline after 1997 in the case of RAPP, and a year later for Indah Kiat.

RAPP's own figures suggest 108,000 ha sown at the end of 1999. Of these, 2,500 ha came from smallholder 'outgrowers', two-thirds of the rest from plantations owned by RAPP's parent company APRIL (which is controlled by the Raja Garuda Mas Group) and the remaining third from associated companies (APRIL 2000a).<sup>13</sup> In 2000 when the data for this study was collected, the company maintained that it would no longer need to use 'bridging supplies'

**Table 2.** Planned and actual HTI plantings, IKPP and RAPP, to Jan 2000

Company/Year <sup>a</sup>	Planned Planting (ha)	Actual Planting (ha)
<b>Arara Abadi IKPP</b>		
83/84-90/91 <sup>b</sup>	25,100	30,959
91/92	11,500	17,113
92/93	46,516	13,468
93/94	18,500	16,747
94/95	25,275	16,178
95/96	22,038	15,489
96/97	27,269	18,646
97/98	30,225	21,613
98/99	29,815	14,993
99/00	60,045	Up to Jan 15,803
<i>Total</i>	<i>296,283</i>	<i>181,009 (61.1%)</i>
<b>RAPP</b>		
92/93	20,000	400
93/94	7,600	7,012
94/95	15,654	5,684
95/96	18,000	13,459
96/97	30,650	20,826
97/98	34,156	16,795
98/99	45,378	13,178
99/00	27,682	Up to Jan 11,336
<i>Total</i>	<i>204,120</i>	<i>88,690 (43.4%)</i>

Notes:

a. Fiscal year 1 April to 31 March;

b. One 7-year rotation

Source: Dephutbun (2000a)

of mixed tropical hardwoods from Riau's natural forests by 2007, projecting that it would then fully source its wood from plantations. Since these earlier projections were made, however, the company has expanded its pulp processing capacity to 2.0 million tonnes per annum, effectively requiring 9.8 million m<sup>3</sup> of wood to run at capacity. RAPP has correspondingly pushed its 'sustainability' target to 2009.

A proportion of the plantations affiliated with Indah Kiat were being harvested on a regular basis by 2000 when the research for this study was conducted. Barr (2001) noted that in 1999 Indah Kiat met 20 percent of its needs from that source. According to the company's projections, its consumption of mixed tropical hardwood timber from the natural forests was then scheduled to decline steadily until 2004, at which point the company planned to obtain 'substantially all' of its fiber requirements from plantations. However, in 2000 this target was revised to 2007 (Barr 2001).

To meet their 'sustainability' targets, the forestry companies affiliated with Indah Kiat and RAPP will need to achieve substantial increases in their annual planting areas; to raise the growth rates and yields for the fast-growing timber species at their plantation sites; and to secure access to large new areas of land for additional plantation development. It has already been noted that the areas planted by both producers historically has fallen well short of the hectares planned, while the impact of the financial crisis brought a further decline, which will be reflected by returns in six to eight years' time.<sup>14</sup> Despite the successes that both companies have had in increasing yields at their plantation sites, some analysts have questioned whether they can achieve the projected average yields of 35 to 40 m<sup>3</sup>/ha/yr on a sustained basis over large plantation areas (Barr 2001).

### 1.3.2.3. Forest product royalties

Official revenues from forest product royalties (IHH/PSDH) during calendar year 1999 were quite low (Table 2). Legal timber production included total production from large diameter logs for plywood or lumber (a category termed 'LOG' in government forestry statistics); small diameter logs for lumber (*Kayu Bulat Kecil* or

'KBK'); and small diameter logs for pulpwood and chips (*Bahan Baku Serpih*, or 'BBS'). Royalties for the period presented were based on the following classifications and prices:

LOG — Rp 36,000 per m<sup>3</sup>  
 KBK — Rp 20,400 per m<sup>3</sup>  
 BBS — Rp 2,040 per m<sup>3</sup>

The districts specialise in different kinds of forest products (Table 3), depending on the condition of the forest and the demands of particular markets. Pelalawan and Rokan Hilir (Rohil) clearly dominate in the production of logs (usually from still active concessions). Such timber brings by far the highest royalties and will remain a source of income for these two new districts after decentralisation, at least as long as the supply lasts. Also clear is the importance of the two pulp and paper companies, although the fact that Indah Kiat has drawn a larger portion of its needs from plantations than RAPP is reflected in the larger amounts of raw material described as BBS in the southern districts of Pelalawan and Kuansing, areas from which RAPP takes its main supply. Indah Kiat's supply area is more concentrated in the districts of Bengkalis and Siak, which produced only half as much. BBS is very cheap wood and brings in little in the form of royalties. The amounts listed under 'small diameter logs' (KBK) for sawmills do not reflect the total demand. Sawmills that receive wood primarily from village sources see the pulp companies as direct competitors. The existence of numerous illegal sawmills adds to the competition.

## 1.4 LAND-USE CHANGE

Provincial land use has changed rapidly over the past two decades, a rate of change that local planners have had difficulty in accommodating on existing maps. The provincial land-use planning map (*Rencana Tata Ruang Wilayah Propinsi* or RTRWP), compiled in 1994, was not accepted as accurate by either the Ministry of Forestry or the Ministry of Agriculture and is now being revised by a Jakarta firm.<sup>15</sup> There has been an attempt over the past few years to reconcile the agreed forest categories (*Tata*



**Table 3.** Production and royalty income, by district, from different types of forest products, calendar year 1999

District <sup>a</sup>	Production ('000 m <sup>3</sup> )				Income (million Rp)			
	LOG	BBS	KBK	Total	LOG	BBS	KBK	Total
<b>Study Area</b>								
Kampar	75.5	169.8	31.4	276.7	2,717.6	346.4	640.1	3,704.1
Pelalawan	356.2	1,191.4	29.0	1,576.6	12,824.2	2,430.6	592.2	15,847.0
Rohul	83.7	25.3	—	109.0	3,012.6	51.7	—	3,064.3
Inhu	79.2	126.3	5.1	210.6	2,851.9	257.6	104.1	3,213.6
Kuansing	167.8	1,200.5	6.3	1,374.6	6,040.5	2,449.1	128.6	8,618.2
<b>Other</b>								
Inhil	160.3	182.8	—	343.1	5,770.1	372.9	—	6,143.0
Bengkalis	164.9	641.4	96.0	902.3	5,936.4	1,308.5	1,959.2	9,204.1
Siak	73.1	467.9	71.0	612.0	2,361.8	954.4	1,448.8	5,035.0
Rohil	264.0	50.4	6.7	321.1	9,504.5	102.9	137.8	9,745.1
Total Riau <sup>b</sup>	1,524.1	4,280.3	249.3	6,063.7	55,226.0	8,731.7	5,086.6	69,044.0

**Notes:**

a. The districts have been divided into our study area and 'other'. Urban areas and the islands have been omitted, as have minor specialty products.

b. Total (includes districts not mentioned here).

Source: Dinas Kehutanan Propinsi Riau (2000a)

*Guna Hutan Kesepakatan* or TGHK), drawn by the Ministry of Forestry in 1986, with the provincial land-use plan (RTRWP). In Riau, heavily forested until a decade ago, almost all land came under Ministry of Forestry's control. The forest category maps were often criticised as not reflecting the situation on the ground. The provincial land-use plan attempted to be accurate, but the plan revealed the reduction of forest lands and hence represented a loss of Ministry of Forestry power, which was contested. A mapping project undertaken across Indonesia in 1987-89<sup>16</sup>, and on which the provincial planning maps were based, aimed to revise forest categories in order to expand the area that could be devoted to tree crop-based agriculture.<sup>17</sup> One way to do this was to increase the amount of forest classified as 'Conversion Forest' at the expense of 'Production Forest', recognising the reduced importance of logging in many districts. To balance that reduction, the decision was taken to increase the area under some form of forest protection.

The TGHK forest categories (Table 4) still have legal status, and changing from one category to another is not simple. It is relatively easy to move from conversion forest to

permanent agriculture or other uses (in fact much 'conversion forest' land has long been converted, and the provincial Governor has been empowered to release such land). The switch from production to conversion forest has been legally more difficult. While HTI forest plantations were supposed to be located in production forest, other plantations and permanent cropping were banned. In recent years there has been a blurring of the production/conversion forest boundary. As the number of logging concessions has declined, there has been increased pressure to clear logged-over land for oil palm, once the production of remaining timber has been certified as below economic levels. However, only the Ministry of Forestry in Jakarta has the power to authorise such conversions. A previous study (Potter and Lee 1998) noted that the condition of the forest was sometimes falsified by local officials keen to encourage oil palm development in their districts.

When the three major categories (non-protected forest, protected areas and non-forest areas) are compared for TGHK and RTRWP, it is clear that the main area of disagreement is between the first two (Table 4). The Ministry

**Table 4.** Land-use classifications for Riau, TGHK and RTRWP

Forest Classification	TGHK		Land-use Classification	RTRWP	
	Area (ha)			Area (ha)	
Production Forest (limited)	1,971,553		Production Forest	2,649,608	
Production (ordinary)	1,866,132		Conversion Forest	334,521	
			Mangroves	252,860	
<b>Total production forest</b>	<b>3,837,132</b>		<b>Total non-protected forest</b>	<b>3,236,989</b>	
<b>Protected Area:</b>			<b>Protected Area:</b>		
Protected Forest	397,150		A: Protected forest	361,867	
			B: Protected forest (peat)	695,874	
Biosphere/nature reserve/ wildlife reserve/tourism	451,240		C: Biosphere/wildlife reserve	439,230	
			D: National park, ecotourist & special forest	121,007	
			E.: Lake/reservoir	13,100	
<b>Total protected area</b>	<b>848,390</b>		<b>Total protected area</b>	<b>1,631,078</b>	
Conversion forest, other uses	4,770,085		Non-forest and other uses	4,588,093	
<b>Total area of province</b>	<b>9,456,160</b>		<b>Total area of province</b>	<b>9,456,160</b>	

Source: Gubernur Kepala Daerah Tk I Riau (1998); Dinas Kehutanan Propinsi Riau (2001)

of Forestry claims more production forest; the provincial planning authorities wish to place more land under protection, especially the peat swamps, which are not singled out by the Ministry of Forestry. There is good reason for this omission as it is the peat swamp areas that hold most of Riau's remaining forests. The peat swamps are also the most vulnerable to protracted burning after clearing and are the new frontier for oil palm plantation development. They form a vital part of the land reserve for new districts such as Pelalawan.

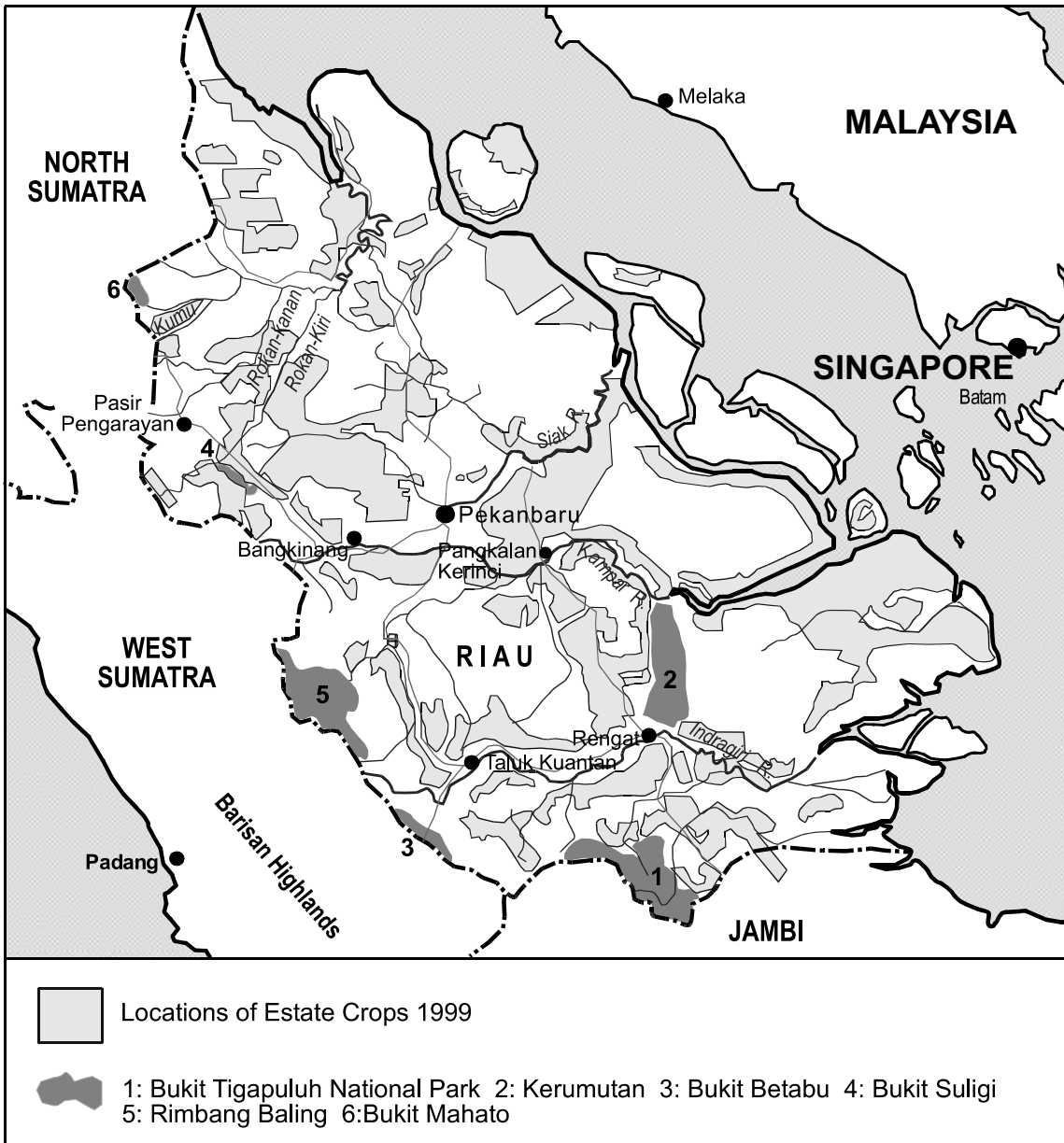
An important part of the process of decentralisation is to transfer this provincial land-use information to the districts so that each may produce its own accurate land-use plan. These plans are now being actively constructed, despite inconsistencies in the data. It is vital that the decentralised districts have an accurate picture of their land use in order to secure their tax base for future development.

A study of the total lands put up for release from production to conversion forest (mainly for conversion to estate crops) revealed that almost 1.6 million ha had been released and another 1.1 million ha were being processed (Dephutbun

2000b)<sup>18</sup>. Large areas proposed had been disallowed: these either still contained productive forest, extended into a conservation area or were claimed by local interests. A multitude of overlapping claims exists, symptomatic of the demand for forest conversion. Lands legally released lag well behind actual conversion levels, reflecting the high levels of illegal incursion into conservation areas, legal concessions and even *Acacia mangium* plantations (Map 3).

The rapidity of change in land use is well illustrated by the growth of oil palm. Riau is now the leading province in Indonesia for the area of land under this crop, outstripping North Sumatra.<sup>19</sup> It is not yet the leader in terms of production, as much of the planted area is still immature. Provincial figures also list 500,000 ha under rubber, almost all owned by smallholders, and nearly 600,000 ha in coconut smallholdings (Map 3). Actually estimating the area in rubber is difficult, however, as many smallholders are now converting to oil palm and clearing old rubber holdings.

**Map 3.** Major estate crops 1999 (rubber, coconut and oil palm), plus selected conservation areas



## 2.1 THE DECENTRALISATION FRAMEWORK

Under Law No 22 of 1999, the decentralisation process was projected to take place in three phases which would take two years to implement:

- 7 May 1999 to 31 March 2000: Preparing for autonomy;
- 1 April 2000 to 31 December 2000: organising institutions and setting district regulations (Perda); and
- From 1 January 2001: the implementation of regional autonomy, with arrangements being evaluated and monitored until the deadline of 7 May 2001, when everything was supposed to be working smoothly (Dephutbun 1999).

According to the implementing regulations for Law No 22/1999, the 11 fields or sectors to come under district responsibility included agriculture, forests and fisheries, mining, environment and land use. However, the central government indicated that it wished to retain control over 'natural resource conservation', which suggested some overlap of function. The province would resume power over areas that the districts could not manage, a pragmatic plan at the beginning of the process, but one that might lead to conflict later on (PP No 25/2000).

The changed financial arrangements, which were indicated by the accompanying Law 25 of 1999, devolve more income to districts from natural resource sales but also expect them to be more active in seeking their own sources of revenue (*Pendapatan Asli Daerah* or PAD). These arrangements were finally spelt out on 8 January 2001, in long-awaited implementing

regulations (*Jakarta Post* 9.01.01). During our fieldwork in 2000, it was a source of continuing frustration to provincial and district interests that the detailed financial regulations were not available. Some general features, however, were clear, notably the phasing out of the former central government grants to the districts (and villages), on which they had been heavily reliant.

The new arrangements still provide an element of central government subsidy in the equalisation grants (in the general and special allocation fund), which continue to include receipts from the Land and Buildings Tax (PBB) and the Land and Building Titles Administration Fee (BPHTB). Because the value of the equalisation grants would be based partly on the number of people and the size of the area, precise figures on population and regional boundaries became very important. As noted earlier (Table 1), the topping up of income by a share of natural resource receipts, from oil and gas, other mining, forestry and fisheries, was to be more specific to the province and sometimes the producing district (UU No 25/1999; Booth 1999; Brown 1999; Busing 2000). The internal district generated revenues, or PAD, (which consist of a limited number of other taxes,<sup>20</sup> profits from regional enterprises and borrowings) were seen to provide a vehicle for expansion by an enterprising *Bupati*. The districts in Riau were concerned that their capacity for generating PAD funds was limited by the low levels of education and income of their people, while many of the sanctioned taxes seemed inapplicable. There was a demand for the district tax base to be extended, and there was a move in this direction with the passage in August of a new tax law, Law No 17 of 2000. This extended income and value-added tax, including companies, groups,

individuals and employees, was described as the 'prima donna' tax, a tax to finance development in the most isolated districts. Although 80 percent of the new tax would be retained by the central government, the amount of money to be raised was expected to considerably exceed the PBB and similar imposts (*Riau Pos* 7.9.00).

The Head of the Provincial Tax Office (*Dinas Pendapatan Daerah* or Dispenda) stated in July 2000 that up to that time the contribution of companies like Indah Kiat and RAPP to the provincial government's revenue base had been relatively negligible compared to the flow of taxes and revenues that the large companies paid to the central government. Both district and provincial officials bemoaned the lack of transparency by the central government with regard to the redistribution of Riau's revenue. Taxation figures based on mid-2000 data were used to calculate the proportion of total district income that might be generated locally (PAD) (Table 5). While not all districts are included in this calculation, it is clear that the size of district revenues, as known at the time, were contingent on the appropriateness of the tax base to each district's particular circumstances.

Taxes on hotels, restaurants, markets and the mining of sand (exported to Singapore) figured much larger in the economies of the islands than the mainland, hence leading to greater district revenues. This does not take into

account the income realisable from both property taxes and natural resources, which were not included in the PAD figures. Property and natural resource taxes, from mining and forestry, are higher on the mainland, reflecting the different kinds of economies existing there.

District incomes have been predicted using information from mid-2000 (Table 6). In addition to the PAD, suggested amounts are provided for block grants and special development grants, as well as resource taxes, such as IHH/PSDH, based on forestry royalties. The latter figure is very small, however, except for Pelalawan, and in general income from forestry appears minimal. The distribution of additional funds from Jakarta, in the increased proportion of oil and gas income to be received by the districts, for example, or income from the reforestation fund (DR) is not included here, so totals are conservative and incomplete. Grant funds are largely based on population size, which is the main reason why the *kabupaten induk* (original districts) have more funds than the outlying new districts, which in many ways need them more.

With the implementation of regional autonomy, at least some of the major financial arrangements have become clearer. It is now known that Riau will receive a total of Rp 2.27 trillion from the General Allocation Fund (*Dana Alokasi Umum* or DAU), which is very much

**Table 5.** PAD and percentage of total district income (mid-2000 data)

District	Total Income (million Rp)	PAD (million Rp)	% PAD of Total
<b>Study Area</b>			
Kampar	98,748.5	3,100.7	3.14
Pelalawan	64,234.8	441.5	0.69
Rokan Hulu	65,760.8	611.3	0.93
Indragiri Hulu	83,853.3	1,650.0	1.97
Kuansing	65,136.1	750.0	1.15
<b>Other Mainland</b>			
Siak	63,170.6	5,325.6	8.43
Rokan Hilir	83,695.1	1,997.2	2.39
<b>Riau Islands</b>			
Karimun	57,135.6	6,057.0	10.60
Kepulauan Riau (Kepri)	133,778.8	33,743.8	25.20
Batam	79,028.4	10,313.5	13.05

Source: Departemen Keuangan (2000b), based on budget estimates prepared in the districts in May or June 2000.

**Table 6.** Budgets for sample districts, Riau Province: PADs, property and resource taxes and government grants, mid-2000 data (million Rupiah)

District	PAD	PBB			PBB	BPHTB	IHH	Grants		Overall
	Estates	Forests	Mines	Total <sup>a</sup>	Block			Devt.	Total <sup>b</sup>	
Kampar	3,101	3,758	1,128	10,053	15,165	4,852	520	4,028	40,820	65,385
Pelalawan	441	2,042	563	5,101	8,004	6,347	9,980	2,979	24,504	53,814
Rohul	611	3,758	301	3,622	7,907	5,270	140	3,574	25,788	42,679
Inhu	1,650	882	906	5,770	8,246	2,678	1,680	7,691	52,307	72,611
Kuansing	750	635	196	3,415	4,422	51	1,340	5,165	31,684	44,662
Siak	5,326	899	902	12,487	15,015	—	4,300	2,215	22,298	48,100
Rohil	1,997	1,351	319	11,695	13,761	14,922	1,730	3,107	26,141	63,661
Karimun	6,057	23	2	2,464	2,935	514	0	2,379	20,852	33,680
Kepri	33,744	138	186	5,698	8,474	4,282	100	3,187	32,624	50,667
Batam	10,313	—	—	2,481	8,879	8,564	0	4,782	30,954	55,179

Notes:

- a. PBB totals include generally small amounts paid in property taxes by villages and towns, with the exception of Batam and Kepri, which have more developed urban centres.  
 b. Final totals include some extra assistance paid to the new districts by the province and occasionally by the *induk*, together with royalties in the cases of Kepri and Karimun.

Source: Departemen Keuangan (2000a,b). These are budget estimates prepared by district financial personnel in May or June 2000.

larger than the figures suggested in Table 6 at the district level.<sup>21</sup> An extra Rp 3.2 trillion is to be distributed from the production sharing of oil and gas revenues. The total DAU was described as a fairly modest sum compared with that received by provinces with no resource income, but it is considerably higher than the previous amount received by the province from the central government, which was only Rp 300 to Rp 600 billion per year. The comment was made that there would be considerable funds available to the districts for development but that it was important to emphasise social development, especially education. Riau so far has been lax in improving the quality of education; it was estimated that it would take around Rp 2 trillion simply to fix all the below-standard school classrooms in the province (*Kompas* 6.1.01).

Details of the 2001 budgets are available for Pelalawan and Kuantan Singingi and will be discussed further in Section 3. Despite the increased money available, little has changed in the importance of the locally raised or PAD funds, or in the relative proportions allocated to

different developmental uses. This is not surprising, given the newness of the decentralisation process. Proper planning for reallocation of funds will take some time, as will the exploration of all possible income alternatives that might become available under the new system.

## 2.2 THE CHANGING PICTURE: JANUARY TO OCTOBER 2000

As our fieldwork was carried out in a number of short visits over several months (February, April, July and September 2000), we were able to monitor the changes in local thinking towards the concept of decentralisation. In February 2000 there was still much discussion of the possibilities of 'Riau Merdeka', or independence from Indonesia. A meeting of the Riau People's Congress on 1 February voted on three options for the province: 270 of the 623 delegates voted for independence, 146 for a federal structure and 199 for regional autonomy. Such a vote was an indication of the factionalisation of the urban

elite in Pekanbaru, described as both bolder and more reckless than the elite of Jakarta (*Riau Pos* 2.2.00; 10.2.00).

The announcement from Jakarta that detailed government regulations for implementing decentralisation would be ready by 1 April 2000 prompted a further People's Congress meeting attended by the Governor, senior civil servants, academics and Non Governmental Organizations (NGOs). While some denounced the autonomy laws as 'hot air' and false promises, the District Secretary proclaimed the civil service to be ready for the change. This claim was disputed by the Rector of Riau University, who declared that the districts, especially the newer subdivisions, did not yet have a vision of how they might develop on their own. On the same day, the Head of the Provincial Tax Office (Dispenda) acknowledged that deciding on the actual amount of natural resource income to be shared between province and districts was not easy, suggesting that it might be some months before it was known (*Riau Pos* 20.2.00).

One representative at the People's Congress was particularly concerned about the province's relative power compared with that of the central government, especially in the matter of licences for plantations and mines (*Riau Pos* 20.2.00). The question of the authority of the province with respect to the management of forests, estate crops and mining (especially oil and gas) was raised by the Governor at the end of March. The authority of the province, including the issue of licences and permits, should not usurp the authority of the particular town or district (*Riau Pos* 1.4.00). The Minister of Regional Autonomy had earlier remarked that the five crucial issues and problems for autonomy related to land, transport, forests, estate crops and the seas, because they were exceedingly complex (*Berpolitik* 3.3.00).

In April the Ministry of Regional Autonomy promised that five important regulations regarding finances and deconcentration would be issued in May. On 6 May Government Regulation (*Peraturan Pemerintah* or PP) No 25 of 2000, was issued, linked to Law No 22 of 1999. It detailed the breakdown of responsibilities between the

central government and the province in a number of areas. In general, the central government's responsibility with regard to forestry and estate crops was to set criteria and standards for various aspects of forest administration, with the province and the region carrying out the day-to-day functions of forest management (PP No 25/2000). Government Regulation 25 of 2000 thus read like a continuation of power at the centre, with the regions being given responsibility but no real autonomy. Not surprisingly, this gesture towards autonomy was described as 'half-hearted' by some observers, including the Governor (*Suara Pembaruan* 8.6.00; Dispenda 2000). The Minister for Mining and Energy stated that his section was certainly not ready for regional autonomy and no district regulations could be made without manuals, criteria, norms, standards and procedures being first laid down (*Riau Pos* 7.6.00).

In June 2000, the Head of the Regional Tax Office also addressed the implementation of limited district taxing powers, noting that under decentralisation each district would necessarily attempt to maximise its income from taxes and charges (*Riau Pos* 22.6.00). A member of the legislative assembly (DPRD) of Indragiri Hulu had made the same comment, as the district prepared to work on a number of regulations to raise funds locally. He noted that members of the DPRD were anxious to stay within the law and were beginning by making an audit of all the private estate crop companies in the district (*Riau Pos* 27.6.00). Some regional administrations had already been reprimanded for charging companies illegal levies for licences (*Jakarta Post* 20.6.00). The new arrangements were flagged at a national seminar of all provincial tax offices held in Pekanbaru on 24 and 25 July 2000, in which it was pointed out that taxes and charges could be levied on private companies within any district (Dispenda 2000). The new tax law did come into force in August, as promised.

At a meeting of the Southeast Asian Press Alliance at the end of June 2000, Dr Andi Malarangeng, then a member of staff of the Minister of Regional Autonomy, acknowledged the potential for corruption because planning and

budgetary transparency at the district level were still weak. There was an opportunity for the members of the provincial or district legislative assembly (DPRD) to become 'little kings', especially as they could theoretically sack the *Bupati* and the Governor and might therefore be recipients of patronage and political favours from those parties. The shape of the DPRDs of the newly formed districts was to be known by October 2000. They were seeking independent people, among whom might be academics or popular local figures, not just partisan political appointees. Those who were born in the new districts and had previously served as DPRD members in the *kabupaten induk* would be automatically reappointed to their home areas (*Riau Pos* 24.6.00, 25.6.00).

By mid-September the discussion revolved around the need for the government to revise Laws No 22 and 25 of 1999, the bases for decentralisation. The authority given to the regions under Law 22 of 1999 had been partly taken back by the central government under PP No 25 of 2000. The most crucial element was the perception of retracting regional authority over the mining, forestry, estate crops and fisheries sectors. People in the regions had become confused over these two pieces of legislation. The mechanism for sharing resources was still unclear. The laws on forestry and mining were being weakened and needed to fit better with those of decentralisation. Any optimism the districts were feeling in their prospects for independent development would soon begin to fade with the re-centralisation of forestry and mining. The economic opportunities for the districts would recede as they were being forced into a difficult retreat. In the *Riau Pos*, Edyanus suggested that representatives of the regions rich in natural resources, such as Riau, Irian Jaya, Kalimantan and Aceh, should come together to counter an anticipated extension of the central government's grip on the regions (*Riau Pos* 13.9.00).

In the same vein, the Rector of Riau University spoke of regulations in mining and forestry that had been made at the regional level and which the central government had unconditionally disallowed. The regulations

had addressed sand mining and aspects of forest management. He suggested that there was a group at the centre (including Megawati) who were very opposed to regional autonomy. He advised the regions to go ahead and print their regulations. After December 2000, difficult regional regulations would have to be adjusted to fit in with those of the government (*Riau Pos* 4.10.00).

Dr Andi Malarangeng suggested a postponement of the implementation of regional autonomy until 2003. The districts seemed ill-prepared for autonomy and many feared the disintegration of the nation. In Riau it was felt that the districts must make themselves ready so that there could be no further excuses or postponements. If autonomy did not bring development to the region and its people, it would be nothing but a superficial slogan (*Riau Pos* 5.10.00).

Putting forth the central government's point of view, the Minister of Home Affairs and Regional Autonomy stated that the difficulties that continued to affect the distribution of authority between the levels of government were basic matters, such as the restoration of law and order, the internal political and security situation and national economic recovery. However, he noted that all the government regulations on financial matters concerning decentralisation were ready (including Balancing Funds, Management and Responsibilities for District Finances and District Borrowings) (*Riau Pos* 17.10.00).

Over the first 10 months of 2000, the debate on regional autonomy in Riau had moved from antipathy to a more positive feeling within the regions as people struggled to take control of their destinies. Frustration with the central government— its lack of transparency on funding, its regional institutions and its backtracking on natural resource management— had, however, been growing. While there was still uncertainty about some details of the process, the regions were nonetheless preparing themselves for the implementation of autonomy at the beginning of 2001.



### 2.3 THE ADMINISTRATION OF FORESTRY AND ESTATE CROPS

As in all provinces of Indonesia, the Ministry of Forestry and Estate Crops, located in Jakarta, was represented at the provincial level by the *Kantor Wilayah Departemen Kehutanan dan Perkebunan* (Kanwil Dephutbun). Through the middle of 2000, the *Kanwil* (Regional Office of Ministry of Forestry and Estate Crops) was a large organisation with six main sectors: administration, development, forest business, reforestation and rehabilitation, conservation and forest land use. The technical arm of the last three sectors was only represented by sub-offices in Riau, with reforestation and rehabilitation in Indragiri Hulu (main office in Padang, the capital of West Sumatera Province), conservation in Pekanbaru (main office in Padang) and forest inventory and mapping in Pekanbaru (main office in Medan, the capital of North Sumatera Province). The technical arm also included a forestry school and public education unit in Pekanbaru, a honey research unit in Kampar and the management unit of the Bukit Tigapuluh National Park (BTNP) in Indragiri Hulu. The last office answered to the Director General of Forest Protection and Environmental Conservation in Jakarta. By late-2000, the *Kanwil Kehutanan* had already been largely disbanded as a result of the decentralisation process, its duties and many of its staff redistributed to the *Dinas Kehutanan* (Provincial Forestry Service). The *Dinas* are regional institutions answerable to the Governor and responsible for the day-to-day administration of concessions and estate companies. The plan is to administer most forestry activities at the district level.

The work of the forestry *Dinas* has in fact long been partly decentralised to seven branch offices (*Cabang Dinas Kehutanan/Kesatuan Pemangkuan Hutan* or CDK/KPH). The effectiveness of the forestry offices in carrying out their tasks has been limited by the fact that the boundaries of their jurisdictions are river basins. They do not coincide with the district government's administrative boundaries, with offices often being far from the areas to be administered, although a number of sub-branches also exist. The district offices of estate

crops do not have this problem as their boundaries conform to the normal administrative divisions. Bringing the boundaries into line was attempted in a limited decentralisation exercise of 1995, when Kampar was one district chosen to trial the new arrangements. Under the 'Autonomous Regions Pilot Project' (PP No 8 of 1995), the CDK in Bangkinang (Kampar) became the district-level trial forestry office. Likewise its conservation arm, which was near Rengat (Inhu) added 'district-level' to its name and served both Inhu and Kampar, at least in theory.<sup>22</sup>

Now, as part of the decentralisation process, forest administration must come into line with the other government departments and set up an office in each district capital. Forestry officials in the districts have been generally supportive of this move, which was felt to be long overdue.<sup>23</sup> The process will be complex and will involve closing some offices and redirecting staff to the new locations. A number of new district regulations (Perda) were scheduled to be drafted on:

- 1) the authority of the district with regard to forestry matters;
- 2) the land-use plan of the province and district [used to justify Item 1 above];
- 3) the contents of the manual to be used for inventory and mapping of forest and estate crops;
- 4) the issuing of permits between and within districts with regard to: harvesting timber, non-timber forest products (NTFPs) and non-protected flora and fauna; estate crop cultivation and processing of forest products; and environmental services in production and protection forest;
- 5) the management of trade in forest products;
- 6) the mechanisms for dividing the income from the forest sector between the province and the district; and
- 7) forest protection (Dinas Kehutanan Propinsi Riau 2000b).

Some of these regulations have existed for some time in the original (*induk*) districts, especially covering the issues in Item 4 and Item

5. They are now being redrafted for the new districts and revised in the *kabupaten induk* to take account of the new arrangements. Others, especially Item 1 and Item 6, were controversial throughout 2000, as the boundaries between provincial and district responsibility and revenue sharing were still under discussion. Items 2 and 3, relating to the district land-use plan and the way in which forests and estate crops were to be inventoried, were seen to still require assistance from outside or from the Ministry of Forestry in Jakarta. Conservation and forest protection (Item 7) are likely to remain a central government concern to some extent or at least a provincial matter, though this is still under discussion.

In August 2000 a large conference of forestry staff, other government officials and invited representatives of organisations, such as NGOs, was held at the *Kanwil* office to discuss future developments in the areas of forestry and estate crops. Part of the meeting included a number of technical commissions: forest protection and the prevention of burning (including the control of illegal logging); forest and plantation management; institutions; and regional autonomy. The main topic of discussion for the Regional Autonomy Commission was the division of authority between the province and the district. PP No 25/2000 sets down the division of responsibilities between the central government and the province, but the district's role is unclear. The insistence by the commission leaders that all the responsibility for every aspect of forest administration, including conservation, should go to the district limited discussion. No satisfactory answer could be found about the problem of overlapping boundaries (where a concession or protected area, for example, extended across more than one jurisdiction). The entire consultation was very rushed, and it was impossible to tell whether this 'all or nothing' approach was deliberate in order to prevent an easy solution being reached, or whether those present were genuine in their statements. The published proceedings of the meeting reported (predictably) that no agreement had been reached about the breakdown of responsibility. The Regional Autonomy Commission

proposed that the first step was for the central government to promptly prepare the manuals and other materials for setting the required standards<sup>24</sup>. At the same time, the commission recommended that the province and the districts make an inventory of the kinds of regulations needed to support regional autonomy, most importantly regulations covering the division of authority between the province and the district and the types of organisation to exist at each level. The commission also suggested Perda regarding fire prevention and the reclassification of forests and forest plantations for other land uses (Dephutbun 2000d).

The 'institutional' commission proposed a number of scenarios. After allocating to the province the responsibility for forestry research and joint research projects with foreign countries, the commission planned to make the original branch or sub-branch forestry office (CDK/KPH) the founding organisation for a new district-level forestry office. The new forestry office would be closely connected to the existing Office of Estate Crops. If a branch of the *Kanwil*'s conservation arm (*Perhutanan dan Konservasi Tanah* or PKT) existed in the district capital, then it would become the base for the new district forestry office, and other forestry offices elsewhere in the district would be closed. In Indragiri Hulu, there was both a forestry office in Rengat and a branch of the PKT a few kilometres away on the main highway at Pematang Reba, the site of most government departments.<sup>25</sup> Pematang Reba was also the new location for the office of the Bukit Tigapuluh National Park,<sup>26</sup> which had been run from Jakarta but was instructed to work towards a clearer coordination with the district (Dephutbun 2000d). One worrying feature of these discussions was that few district officials, especially the *Bupatis*, attended this meeting. It appeared that the districts still did not take seriously the need to work with the provincial-level forestry authorities to ensure a smooth transition to decentralisation of forests and estate crops in 2001.

### 3.1 THE ORIGINAL KABUPATEN KAMPAR

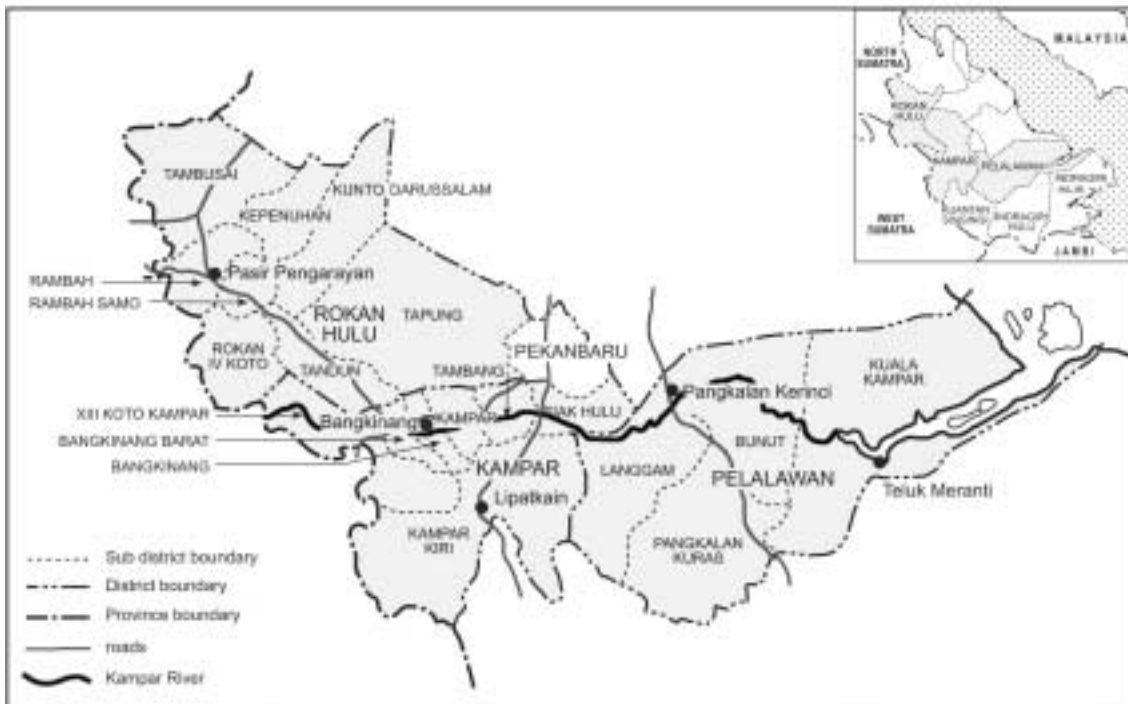
#### 3.1.1 **Kampar: the truncated *induk***

Before subdivision in 1999, Kampar covered 30,569 square kilometres (km<sup>2</sup>), making it one of the largest districts in Indonesia, as large as the province of Bengkulu. Now only one-third remains as the *kabupaten induk*, with nearly 400,000 people (Map 4). It was believed that the new district might languish after the excision of its two arms, Pelalawan and Rokan Hulu, especially after the disappearance of the 'locomotive of development', the rapidly expanding centre of Pangkalan Kerinci, headquarters of RAPP and now part of Pelalawan. The *Bupati* complained that not only had the major industrial sites gone to Pelalawan, but the more productive plantations were in Rokan Hulu. A member of the district's DPRD lamented that subdivision had cost Kampar half of its PAD (*Riau Pos* 3.5.00). The *Bupati* noted wryly that he was left with the undeveloped and still partly forested Kampar Kiri subdistrict, site of frequent floods from the Kampar Kiri River, and with the subdistrict of XIII Koto, site of a large reservoir development necessitating resettlement of several villages, with many unresolved cultural and social problems (*Riau Abad* 21 2000). Despite his complaints, however, more than half of the population of the original district remains in Kabupaten Kampar, together with much of the existing infrastructure. The capital, Bangkinang, has a fully developed suite of government offices, including the district forestry office. The *Bupati*

has said that the biggest challenge is the development of human resources, which is a problem common to most of Riau province.

Kampar had been involved in the decentralisation experiment in 1995-96. Civil servants who remain part of the current administration were highly critical of that trial and are therefore sceptical about the success of the new system.<sup>27</sup> In February 2000, the *Bupati* compared the 1995 case with his understanding of the new arrangements. He considered the most important regulation for decentralisation to be related to the transfer of personnel, equipment and funding.<sup>28</sup> He argued that none of these three was really transferred under the 1995 arrangements, though the workload increased. In particular, district-level discretion over expenditure was not permitted. He believed that the size of the PAD should be the test of whether any district was really able to exercise autonomy. In the budget for 1999-2000, the PAD for Kampar was only 3 percent of the total income, an insignificant amount (Table 6).

About 10 percent of Kampar's staff has been transferred to Rokan Hulu or Pelalawan. Many more are needed, however, as existing subdistricts (*kecamatan*) are being subdivided in order to encourage development. While offices need to be built and facilities established, there is now more money for development at the lower levels. The district officers expect staff to be also transferred from Pekanbaru as the *Kanwils* are closed or 'de-concentrated', although such urban dwellers are not always welcome in the districts, especially if they are of different ethnic origin or religion.

**Map 4.** District and subdistrict boundaries of Rokan Hulu, Kampar and Pelalawan

### 3.1.1.1 Forestry in Kampar and Rokan Hulu: conservation and sawmills

The districts of Kampar and Rokan Hulu are discussed together, as forestry has become less important in both areas with the remarkable growth of oil palm. There are, however, significant conservation issues that affect both districts and questions regarding the raw materials supplied to sawmills. While a few logging concessions continue to operate (three in Kampar and seven in Rohul), almost all are shared with other districts. The newer districts have complained that companies used to paying taxes to the *kabupaten induk* continue to do so.<sup>29</sup> Before subdivision, the original Kampar district had 2.8 million ha of forest, now reduced to 842,000 ha in the *kabupaten induk*, of which 283,000 ha remain as production forest (Dapan 2001). These areas of mainly limited production forest include a large block of quite steep land in Kampar Kiri, bordering on the extensive wildlife reserve of Rimbang Baling, and more scattered blocks around the borders of Rokan Hulu. Most of the flatter land in the centre of both districts has either already been converted to oil palm or is in the process of being converted.

Bukit Suligi (on the border between Kampar and Rohul) and Bukit Mahato (on the Rohul/North Sumatra border) are forested areas that have been subject to encroachment by illegal loggers. As these protected forests are still controlled by the provincial government, district officials can only file a report when a problem occurs. It seems contrary to the philosophy of decentralisation that responsibility should not more directly accrue to the nearer authority. In July 2000, a large group from the *Dinas Kehutanan* in Pekanbaru was in Bukit Mahato trying to pinpoint the source of the encroachment. Forestry Department employees attached to the small new forestry office in Pasir Pengarayan, Rohul's capital, could only observe. It is vitally important for the district to be able to monitor the situation in the field and to be responsible for dealing with problems when they arise. Bukit Suligi is in a particularly vulnerable position, lying between two developed oil palm areas with easy road access. The area is shared between Kampar and Rokan Hulu, with most of the protected forest lying in the latter district. The overlap complicates the situation, as border issues between different districts are intended

to be resolved or managed by the provincial authorities. Despite decentralisation, the jurisdiction for most protected areas will probably remain with the province. The District Secretary for Kampar believed that all large forest projects would continue to be run at the provincial level and that officials from that level would continue to exercise considerable control.<sup>30</sup>

During the 1995-96 decentralisation exercise, the only commodities to be brought under local control in Kampar were minor products, such as honey and silk. The administration does not believe that real responsibility for forests will be transferred. It is therefore focussing on specialties, such as *nilam* (pachouli oil) for perfume and *gambier* for tanning. While these products can perhaps fill a niche, they are hardly a substitute for oil palm, which, in the minds of the people, has a greater economic potential. To create space for oil palm, villagers believe they must clear their forests. The Head of the Forestry Office in Kampar is working on alternatives to oil palm but is progressing slowly. One programme with some chance of success is the Forest Village Community Development (*Pembinaan Masyarakat Desa Hutan* or PMDH), jointly implemented by the provincial government and the forestry companies. The programme aims to increase income levels using high-value trees such as teak. People living near Bukit Suligi have been selected to test this initiative.

Official records show there are 58 legal small sawmills in Kampar district (the largest number in the province) and a further 21 in Rokan Hulu (Dephutbun 2000c). Illegal sawmills are thought to be at least equal to that number. Half of the legal sawmills in Kampar operate in the subdistrict of Kampar Kiri, where at least 10 line the river bank near the main town of Lipatkain. To complete the picture of forestry activities within the district, interviews were conducted with four of those sawmill operators to ascertain the sources of their raw materials and the destination of the finished products.

The manager of the oldest sawmill (present since 1979) believed that the number of establishments had doubled since *reformasi* and that it had become more difficult to secure

an adequate supply of timber. However, his mill had nevertheless tripled its output! The manager stated that the *reformasi* period brought about improved relationships with local officials, who were now less likely to obstruct operations. Forestry Department employees continued to demand petrol money, however, while army and police officers still expected to be 'helped', even though the mill was a legal operation with a current Upstream Wood Processing Industries (*Industri Pengolahan Kayu Hulu* or IPKH) licence. In any week the company might spend as much as Rp 100,000 in payoffs of this sort, while every unofficial police and military road block cost the truck operators Rp 2,000. The manager believed that the illegal mills created too much competition, affecting prices and supply conditions. However, closing them down would be too difficult because the officials still needed the revenue. Whereas in the past Chinese businessmen only provided indirect support or acted as middlemen, now they were actively opening their own illegal mills (they had become 'brave' enough to enter the market directly).

This particular company processed only *meranti* (*Shorea* sp.), which was sent to middlemen in Medan for further treatment. The owners, who lived in Pekanbaru, operated other mills in both Kampar and Rohul. Local communities from Kampar Kiri and Kuantan Singingi supplied most of the timber, with no HPH or HTI timber being sold to the mill. As much as 15 percent of the total supply of raw material was met by simply hailing passing timber trucks and offering a price. Once the price was agreed upon, the local sellers would offload the wood directly to the mill. Each 'table' (this mill had three) would need roughly 15 m<sup>3</sup> per day, or the contents of two trucks. Under ideal conditions they would produce 11.5 m<sup>3</sup> per table per day of raw timber. Wastage was significant, however, with often only about 5 m<sup>3</sup> being eventually useable. The waste timber was generally sold to people from Pekanbaru for Rp 400,000-500,000 per truckload.

Other mills also specialised in particular species of timber – *seminai* (*Madhuca utilis*), *kempas* (*Koompassia malaccensis*) or *meranti* (*Shorea* sp.) – for destinations outside the province, such as Semarang (capital of Central

Java province), Medan or Singapore. Although most of the wood came from the local area, it was also supplied from distances of up to 60 km. Mill workers said that much of the raw timber in the district had already been taken by the RAPP pulp mill. Wood was bought for Rp 400,000 per m<sup>3</sup>, mainly from local people who worked in gangs and were paid collectively by their daily cut. Sawmill profits could be as low as Rp 50,000 to 60,000 per m<sup>3</sup>, once all the extra fees had been collected.

It was interesting to observe the variation among these operations and the distant markets supplied by their products. Given the direct competition with RAPP for timber from local sources, their future appears very doubtful. Yet they obviously provide employment to many workers (Javanese and Bataks as well as local people) and pocket money to officials. All were keen to participate in the present bonanza of forest felling, no doubt aware that this would not last long. District administrations must identify alternative income sources for many of those who presently gain their living from such mills and find ways to allow the most efficient mills to remain open, while controlling the spread of illegal mills. Eliminating the corruption that appears endemic to the sawmilling industry is a more intransigent problem, but must lie at the heart of any serious attempts at control.

### 3.1.1.2 *Oil palm in Kampar and Rohul: troubles of the golden crop*

While this report concentrates primarily on forest-related issues, oil palm production is arguably very relevant. In Riau the main source of land for oil palm plantings has been either conversion or production forest, although there has also been considerable conversion of village land, often under smallholder rubber. The *reformasi* period has seen a strong push by villagers both to reclaim land previously appropriated by oil palm estate companies and to cut village forests for independent oil palm plantings. Under regional autonomy the district authorities, especially in the largest producing districts of Kampar and Rokan Hulu, must attempt to moderate and control these activities.

In 2000, the Estate Crops Office (*Dinas Perkebunan*) in Kampar strongly complained of its mitigated authority. The office was only allowed to issue a first-stage permit to plant oil palm, limited to 25 ha. It wanted the authority to issue permits up to 5,000 ha, the usual minimum for a factory and a viable plantation (*Dinas Perkebunan Kabupaten Kampar* 2000). The permit system was slow and complicated, encouraging companies to bypass some stages. Officials occasionally allowed planting to commence before papers had been finalised, but such leniency was at times abused, with companies planting out more than their permit allowed and trespassing on to village lands (e.g., Ciliandra Perkasa in Kampar).<sup>31</sup> The delays in excising land from forest also led companies to seek other solutions. Less reputable firms tried devious means, including intimidation, to obtain village land. The people have subsequently been trying to reclaim land wrongfully taken. In exceptional cases they are demanding that the companies leave the district (e.g., the case of Tor Ganda and Torus Ganda in Tambusai, a subdistrict of Rohul).<sup>32</sup>

Feelings are running high in some communities against both logging and oil palm companies because of disputes over land. The head of a group representing traditional culture (*adat*) in Kampar Kiri has demanded that all companies in the district be surveyed to check whether they are operating within their boundaries and has requested that licences for offending companies not be extended when they expire (Drs Yulizar, *Riau Pos* 15.8.00). District officials are concerned with the frequency of disputes which continue to erupt. They say that every day they are asked to solve disputes directly attributable to the licensing policies and the decisions administered at the national level (*Dinas Perkebunan Kabupaten Kampar* 2000). Staff of the Estate Crops Office remarked that the previous government was too oriented to large corrupt conglomerates. The staff were eager to change that orientation and to assist local communities to develop economically through smallholder cooperatives.

The demand for smallholder oil palm land has been especially marked since 1994 and has partially been met by the formation of

cooperatives and independent farmer groups, from 100-200 ha up to several thousand, depending on the number of participants. Such groups do not yet have factories, as their plantings are young and limited in extent. They must rely on the facilities provided by one of the large companies, which has disadvantages as companies are not always happy to accept fruit grown outside their supervision and they always control the price. The head of the District Investment Office (*Badan Penanaman Modal Daerah* or BPMD) in Rohul suggested that at least five 'mini-factories' should be built in that district to cater solely to the needs of independent smallholders. He assured would-be investors that there was a plentiful supply of raw material to support such factories (*Riau Pos* 11.5.00). The urgency of this situation is illustrated by subsequent happenings. By late 2000, the prices for oil palm products dropped very low, to as little as Rp 100 per fresh fruit bunch (*Tandan Buah Segar* or TBS). With the low prices prevailing, it no longer paid the companies to pick up smallholders' fruit and the bunches were simply being left to rot (*Riau Pos* 17.10.00). Such an outcome, which sent warning signals to local officials, affected 300 small farmers in Rohul with 1000 ha of oil palm.

The original base for the oil palm industry was a group of government estate properties (*Perseroan Terbatas Perkebunan* or PTPs) established between 1981 and 1985, which now operate as one large company (PTP V). Under the Smallholders Nucleus Plantation (*Perkebunan Inti Rakyat* or PIR) scheme, PTP V has small producers (*plasma*) take their fruit to the company mill. Most settlers are Javanese transmigrants who have already paid off their two ha. A proportion of the oil palm plantings are beginning to approach senility. Soon they will have to be replanted on a large scale. While the management of one company gave assurance that there would be credit available to see farmers through the replanting period of three to four years, some farmers were already seeking to plant new areas away from the estate. The future of the government estates and peoples' rights to the land remain matters of concern.<sup>33</sup> In other provinces government companies are

to be privatised;<sup>34</sup> and, with regional autonomy, the eventual fate of all such state-owned companies (*Badan Usaha Milik Negara* or BUMN) may be privatisation. Estates belonging to bankrupt conglomerates (such as the Salim Group) have also left their smallholders in much uncertainty.

After transmigrants received good returns from oil palm in the early 1990s, local farmers joined the schemes. As more private oil palm properties became established, demand arose from local communities for *plasma* land. However, the villagers were given a different (and, as they believed, inferior) business arrangement. They had to go through the partnership (*kemitraan*) system. These *PIR-Kemitraan*, which operate through local cooperatives, are more variable in the proportion of the total company land given to smallholders. The people are trained to grow oil palm by working on the estate but do not receive their lands for several years. In Kampar the lands allocated to *Kemitraan* estates are invariably still classified as 'forest', which legally limits smallholder activities. Officials suggested that the district land-use plan (*Rencana Tata Ruang Wilayah Kabupaten* or RTRWK) should be revised to excise the estates from the forest area (Disbun Kampar 2000). Smallholders from all PIR estates receive credit to purchase inputs, such as fertiliser, and eventually have to pay back the cost of their land, which with interest can add up to several million Rupiah.

A breakdown of the PBB taxes levied on a large sample of oil palm properties in the three sections of the original Kampar district (Table 7) clearly shows the differences between those subdistricts with large numbers of small producers and those with a few large firms. It is clear that one or two subdistricts dominate in each area and contribute a considerable portion of the total taxes. These taxes have the potential to be increased considerably, especially as they are now targeting private smallholders of oil palm. It has been reported that almost none of the PIR smallholders on the estates have been asked to pay tax, although many are now property holders in their own right and so should contribute.

**Table 7.** Taxes levied on oil palm properties per subdistrict, districts of Kampar, Rokan Hulu and Pelalawan, 1999 (million Rupiah)

Subdistrict/District	Total Tax	No. of properties	Average Tax
Tapung	2,494	27	92
Kampar	54	3	18
Kampar Kiri	434	11	39
XIII Koto Kampar	325	1	325
Siak Hulu	1,236	18	69
Bangkinang	128	5	26
<b>Kampar District</b>	<b>4,671</b>	<b>65</b>	<b>72</b>
Kunto Darussalam	883	17	52
Rokan IV Koto	344	11	31
Tambusai	601	18	33
Rambah	381	2	191
Kepenuhan	76	3	25
Tandun	3,103	27	115
<b>Rohul District</b>	<b>5,388</b>	<b>78</b>	<b>69</b>
Bunut	645	3	215
Pangkalan Kuras	1,230	9	137
Kuala Kampar	82	1	82
Langgam	965	43	22
<b>Pelalawan District</b>	<b>2,922</b>	<b>56</b>	<b>52</b>
<b>Total Districts</b>	<b>12,981</b>	<b>199</b>	<b>65</b>

Source: Departemen Keuangan (PBB office) October 1999

### 3.1.2 Pelalawan: district of future promise, but what of the present?

Pelalawan, a sprawling district incorporating the lower Kampar basin, is a region of contrasts. One approaches the capital, Pangkalan Kerinci, by the overcrowded eastern main road from Pekanbaru to Rengat and beyond. The road has been so destabilised by the constant daily traffic of hundreds of logging trucks that it resembles a series of waves of broken bitumen. Kerinci itself, a mere village 10 years ago, has been rapidly transformed, thanks to Riau Andalan Pulp & Paper. It is now a bustling centre catering to thousands of RAPP employees. Farther east, the river becomes the highway through the swamp forests, and populations are sparse, with great distances between isolated settlements. The main road is a convenient means of separating Pelalawan into two regions. To the west, the subdistricts of Langgam and Pangkalan Kuras resemble Kampar, with oil palm estates near the river and along the main road, then

forests or HTI in the large central block bordering Kampar Kiri. RAPP is prominent in that forested block, which is the source of much of its fibre needs; Indah Kiat also has a presence, but a more contested one (see Map 2). East of the main road, the two subdistricts of Bunut and Kuala Kampar are dominated by the nature reserve of Kerumutan (shared with Inhu) and by logging activities based on the swamp forests, which still occupy much of the region.

#### 3.1.2.1 Administration, budgets and prospects

The Bupati's office was set up in April 2000 and is only gradually taking shape, primarily because of lack of staff. The interim Bupati estimated in mid-October 2000 that he needed a staff of 900 but had only 145 (*Riau Pos* 16.10.00). In March 2001 the new Bupati, Tengku Jaafar, stated that it would take a further one and a half years before the infrastructure for administration was adequately developed. At that time, Pelalawan had only recently



formed its final DPRD legislative assembly and was in the midst of drafting legislation on institutions and structures. Many of its other regulations were still derived from the 'mother' district. Fifteen district offices, or *Dinas*, will be formed, together with four larger bodies, or *badan*, including Regional Development Planning Agency (*Badan Perencanaan Pembangunan Daerah* or Bappeda) and Regional Environmental Protection Agency (*Badan Pengendalian Dampak Lingkungan Daerah* or Bapedalda). The intention is to retain the separation between the Offices of Forestry and Estate Crops.

In order to bring government services to the remote areas the administration made it a priority to subdivide the existing subdistricts. The plan was to create extra six subdistricts, but budgets only allowed two during 2000 and three more in 2001.<sup>35</sup> Such subdivisions are sensible and necessary considering the challenge of future development in this region. Although it is predicted to become a 'prima donna' district in the future (*Riau Abad 21* 2000), Pelalawan is currently one of the poorest in social terms. Of its 87 villages, 45 qualify for 'backward' status; there are presently only 67 primary schools (less than one per village) and 4 secondary schools. Creating new subdistricts will necessitate devoting more money to educational needs so that each capital will have at least one secondary school.

The proposed new subdistrict of Kuala Kampar at the river mouth merits special attention. Consisting mainly of the islands of Mendol<sup>36</sup> and Serapung, the area – with its focus on rice, coconuts and fish – more closely resembles the Riau Islands than the mainland. Its connection with places upstream is restricted by a 3 m tidal surge of the shallow Kampar River, with only small boats able to pass. Improved transportation is essential for this new subdistrict. One major plan is to build a 140 km road east through the swamp forests to the coast opposite Serapung island and to establish a port at Tugau, a small island next to the mainland (Map 4). Such a port would provide easy access to Batam (only two hours by speedboat), and the road would open up the entire lower basin, connecting Pangkalan Kerinci to the sea and

making it possible to avoid the difficult river journey. This plan is featured in a booklet to attract investors who want regional and international connections (Azwar 2000). It is a seductive but expensive proposition. Development proposals for Pelalawan ignore the forests and focus instead on tourism, mining and industry (especially oil and coal mining), fish and coconut-based industries along the coast and secondary manufacturing at Pangkalan Kerinci. Agriculture is also being targeted, with a push to increase wet rice production towards self-sufficiency and to encourage further oil palm development under *kemitraan*, or local cooperative arrangements.

Detailed budget information is available for both 2000 and 2001, enabling some comparisons to be made between the pre- and post-decentralisation positions. Pelalawan had the lowest district PAD revenues for 2000 (Tables 6 and 7). While district income has almost quadrupled with decentralisation, PAD estimates are still very low, constituting slightly less of the total than before in percentage terms (Table 8). General income from taxes is also a much smaller proportion of the total. Clearly no direct benefit accrues to Pelalawan from any taxes levied on RAPP, the major company within its jurisdiction. Taxes from other companies are also minimal, which may reflect their continued payments to the 'mother' district, Kampar.

There have been some interesting changes in estimated expenditures. More money is available for development, though some of the routine funds must now go into 'district establishment' and a lower proportion to salaries. Expenditure for many areas of development has not changed in percentage terms, especially for transportation and housing, which reflects both the present low levels of these facilities and the need for housing, especially in the rapidly growing urban area of Pangkalan Kerinci. District development and settlement, education and health have all received a slightly greater share of spending in 2001, but continued improvement in allocations will be needed. Local income sources (PADs), which remain minimal, need to be expanded.

**Table 8.** Pelalawan district, estimated income and expenditure, 2000 and 2001 (billion Rp)

	2000	%		2001	%
<b>A: Total income</b>	<b>64.23</b>	<b>100.0</b>		<b>248.95</b>	<b>100.0</b>
PAD	0.44	0.7	PAD	1.54	0.6
Government grant	63.63		DAU	109.95	44.2
Routine	21.50	33.5	Resource share	116.47	46.8
Development	30.88	48.1			
Taxes	9.25	14.4	Taxes	7.06	2.8
Other	2.00	3.1	Other	2.00	0.8
			Carried forward (from 2000)	11.93	4.8
<b>B: Total expenditure</b>	<b>64.23</b>	<b>100.0</b>		<b>248.95</b>	<b>100.0</b>
Routine	28.35	44.1	Routine	100.19	40.2
Salaries	21.49	33.5	Salaries	44.14	17.7
			District est'ment	29.14	11.7
Development	35.88	55.9	Development	148.77	59.8
Transportation	15.48	24.1	Transportation	57.66	23.2
Housing	8.28	12.9	Housing	30.98	12.4
Governance	4.14	6.4	Governance	15.90	6.4
District devt, settlement	2.33	3.6	District devt, settle't	15.73	6.3
Farming, forest	1.39	2.2	Education, sport	7.10	2.8
Education, sport	1.12	1.7	Health, social devt	5.00	2.0
Water, irrigation	0.64	1.0	Trade, finance, coops	4.31	1.7
Environment, land use	0.62	1.0	Farming, forest	4.07	1.6
Health, social	0.60	0.9	Environment, land use	1.86	0.7
Trade, finance, coops	0.59	0.9	Water, irrigation	1.64	0.7
Science, technology	0.35	0.5	Science, technology	1.10	0.4
Other	0.34	0.5	Other	3.42	1.4

Notes: PAD: *Pendapatan Asli Daerah* - district tax revenue; DAU: *Dana Alokasi Umum* or General Allocation Fund

Source: Dispenda (2000b); Pelalawan District Revenue Office (2001)

### 3.1.2.2 Population and adat

The population of Pelalawan is predominantly Melayu. Apart from recent transmigrant influxes and the heterogeneous mix of Kerinci, many villages have been quite free of outside influences. Among the Melayu, a distinction is made between those living along the coast and islands (*Melayu pesisir*) and the forest people (*Melayu petalangan*). The latter in particular are very anxious to maintain their *adat*, especially in their cultural heartland near Sorek Satu in Pangkalan Kuras.<sup>37</sup> The new DPRD legislative assembly has been recruited, but the district also has a district council (*Dewan Pertimbangan Daerah* or DPD), consisting of both *adat* and government officials. The Petalangan cultural group (*Lembaga Adat Petalangan* or LAP), a strong political force in its own right, dominates the DPD. It wants Pelalawan to be a special district when it comes to selecting both the elected *Bupati* and the

DPRD. The DPD has objected to the selection of several members of the temporary DPRD on the grounds that they had only come to the district for their own political motives. LAP would like to insist that all incumbents of such positions be locally born and have a good knowledge of *adat* law and custom. In a similar vein, it reiterated that the permanent *Bupati* must be born in Pelalawan and be versed in the *adat*, adding that he must also be young and energetic (*Riau Pos* 3.10.00; 4.10.00). Eventually the head of the local Bappeda office was selected. The interposition of LAP into the political process will inevitably complicate the issue of decentralisation for Pelalawan. While it is important to protect and enhance local interests as the districts evolve, there are at times ultraconservative demands, which seem more apparent here than in other districts.

### 3.1.2.3 *The forests and the Kerumutan Reserve*

With 760,000 ha classified as 'forest estate', divided into two-sevenths protected area and five-sevenths forest for development, Pelalawan has considerable resources in this sector. In 2000 the forests were still managed by three separate offices – Bengkalis, Rengat and Kampar – reflecting the anomalies of the former system. Although a new forestry office has since been established at Pangkalan Kerinci, it has insufficient personnel for effective management of the region. The largest area of existing forest lies on the north side of the river in the lower Kampar basin, currently being worked by four major concessions with 218,000 ha (Dephutbun 1999). It is scheduled to remain as a logging concession area, according to the new district land-use plan (RTRWK). However, this is the region to be crossed by the road to the coast, which the district hoped to have constructed in 2001. The head of Pelalawan's planning office (now the new *Bupati*) has offered to compensate any firm bold enough to construct the 'body' of the road with all the timber that lies along its path (*Riau Pos* 19.9.00). The area is swamp forest, producing 125,400 m<sup>3</sup> of logs annually for the present concessionaires. While officials are perhaps hoping that RAPP will be tempted by the offer of timber, through late 2000 when the research for this study was conducted, there had been no indication of any takers for the project, which undoubtedly would have serious repercussions for the forests.

The problems the forestry administration faces in Pelalawan are exemplified at Kerumutan, the wildlife reserve shared by Pelalawan and Indragiri Hulu, formerly in the care of the *Kanwil* in Pekanbaru. The 120,000 ha reserve, declared in 1976, extends between the Indragiri and Kampar Rivers, due north of Rengat. It is bordered on all sides by former logging concessions, some of which have been under the dubious care of Inhutani IV and suffered much from incursions. Running through the reserve are the upper tributaries of the Sungai Gaung, which flows east into the Indragiri River in the district of Indragiri Hilir (and thus is technically under Inhil's forestry

office), and the Sungai Kerumutan, a tributary of the Kampar (within the jurisdiction of Pelalawan). Entry into the reserve is along both these streams, together with road access from the main highway to a Kerumutan tributary, the Merbau.<sup>38</sup> There are hundreds of sawmills along the Gaung and its tributaries on the eastern side, generally just outside the reserve where the upper reaches of the streams become very narrow (Silalahi and Osmantri 2000). Camps of timber fellers were also in the buffer zone, with some workers from as far afield as Palembang and Sambas in West Kalimantan. Near the western side of the reserve is Kerumutan village, with 2,800 people, a projected new subdistrict centre for Pelalawan. In mid-2000 the village had many chainsaws and young men looking for timber to sell both to the sawmills at Sorek on the highway and as logs to RAPP. Fifty families kept *bagan* (fishing platforms) inside the reserve. Special aquarium fish are sometimes found, which bring big prices in Singapore, and other fish are caught for smoking, bringing up to Rp 45,000 per kg. Some families extracted rattan or turtles from the reserve area, but mainly on a part-time basis as most were rubber growers. Also in the western buffer zone were a pulp plantation belonging to Arara Abadi (IKPP) and a large oil palm estate.

Down the Kerumutan River at Teluk Meranti, the village near the Kerumutan/Kampar junction (also a projected subdistrict capital with 2,200 people), activities similarly revolved around rubber growing, fishing, and forest work, the latter being entirely in former concession areas. Several sawmills had been set up in the village. The comment was made that once the available timber had disappeared from the abandoned logging concessions, the reserve might be open to attack, as it was very accessible. However, people there still had some residual fear of stealing from reserve forests, as they remembered that others had been jailed for such offences in the past. Researchers found 22 fishing platforms inside this section of the reserve.<sup>39</sup> An area of oil palm had been opened right next to the boundary. Local Melayu people invited the Javanese to share-crop the oil palm, as they were unfamiliar with the correct

techniques of cultivation. It is not clear how this crop will eventually be marketed (Silalahi and Osmantri 2000).

With the administration of Pelalawan moving to create two new subdistrict offices close to the boundary of the Kerumutan Wildlife Reserve, the management of at least its western and southern parts should fall within that district's jurisdiction. From Silalahi's description it appears that it is mainly people from Pelalawan who are presently encroaching on the reserve to fish and collect other products. Following decentralisation, the jurisdiction of the Rengat Forestry Office will eventually be confined to that district alone. However, with boundaries of three districts meeting in the reserve, some joint agreements will have to be reached. Like the other reserves with overlapping boundaries in Kampar/Rohul, at present Kerumutan remains technically a provincial-level responsibility. However, it is only people near the reserve who are in a position to really monitor its management. A clear reiteration of the rules regarding access might be enough to control populations in the reserve buffer zones, where the position does not yet appear to approach that of the Bukit Tigapuluh National Park (to be discussed in detail under Indragiri Hulu).

#### *3.1.2.4 RAPP and the district administration*

The presence of RAPP in the district is one important focus for Pelalawan, though relations are at times uneasy. The Bapedalda (environmental) office keeps checks on factory emissions, especially into the Kampar River. Occasionally there is direct conflict, as when RAPP's plantation operations closed canals used by village loggers. However, the company has helped with construction of the district offices. Its programme of community development, though in its early stages, is looked upon with favour. Local people interviewed during the course of this study indicated that they generally prefer RAPP to Indah Kiat, as they accused the latter's plantation company, Arara Abadi, of destroying rubber and honey trees and of using villagers'

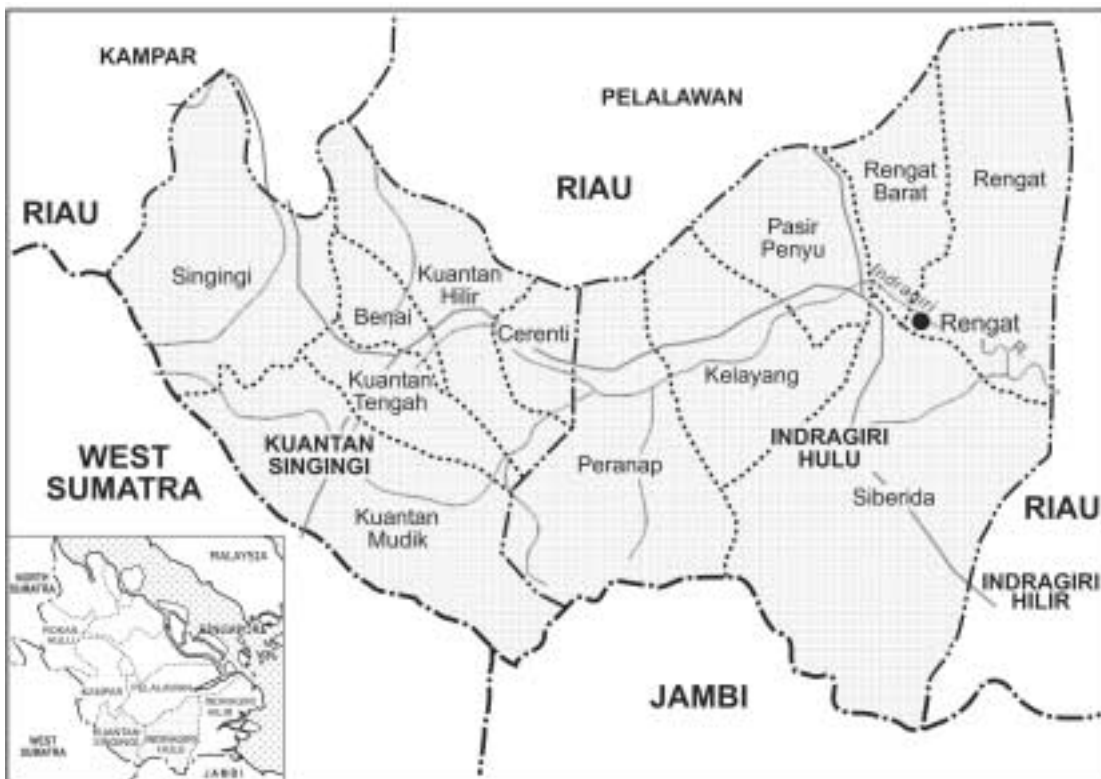
land without adequate compensation.<sup>40</sup> At the same time, the administration is aware of the tensions created by the dominating presence of this large firm in the capital of such a conservative region. The biggest challenge for decentralisation will be to bring together all the isolated parties of this extensive district so that all feel they are participants in the development process. However, the administration's resources are limited, so while trying to remain as independent as possible, it is often grateful for the presence of 'big brother' RAPP.

## **3.2 THE ORIGINAL KABUPATEN INDRAGIRI HULU**

### **3.2.1 Introduction**

The original district of Indragiri Hulu, consisting of the upper reaches of the Indragiri River and its major tributary, the Kuantan, lies athwart the southern boundary of Riau, inland from the swampy region of the river mouth (Indragiri Hilir). All of the western and southern boundary regions of Riau are hilly and Indragiri Hulu is no exception. Although it does not rise above 1000 m it provides a contrast to the much flatter lands to the north. Indragiri Hulu was recently subdivided with its western section forming the new district of Kuantan Singingi (see Map 5). Like many other new districts, Kuantan Singingi struggled to meet the deadline of 1 January 2001 to implement the decentralisation reforms. In late-2000, when research for this study was conducted, residents were only then putting in place their new legislative body and taking steps to secure adequate infrastructure and human resources, although obtaining funds for each of these was still a problem. Prior to subdivision, Indragiri Hulu covered a land area of 15,854 km<sup>2</sup>, representing 16.8 percent of the total area of Riau (BPS, Indragiri Hulu 1998) and about half the size of the original Kampar. The former district is now divided into two roughly equal sections, making its size more manageable for both administrations and preserving the distinct cultural integrity (Melayu-Minangkabau) of Kuantan Singingi.

**Map 5.** District and subdistrict boundaries of Kuantan Singingi and Indragiri Hulu



### 3.2.2 An overview of forests in Indragiri Hulu and Kuantan Singingi

Much of the former Indragiri Hulu district was comparatively isolated until the 1970s and 1980s, when timber companies began to open concessions in the region. The expansion of the timber concessions was rapid, and the district became accessible at the same time as forest reserves were depleted. The expansion was followed by a general decline in logging activities due to shortages of commercial timber. Prior to the subdivision of Indragiri Hulu, the Rengat Forestry Office was responsible for managing almost 2 million ha of forest, with the area of operations extending well beyond the administrative boundaries of the district.<sup>41</sup> Boundaries for the forestry administrations were determined largely by physical parameters, unlike administrative boundaries that depended on a combination of social characteristics and historical antecedents.

In 1999, 16 timber companies were operating in the Indragiri Hulu district, but eight

of the licences were due to expire in that year (Dephutbun 1999). Nearly all of the former concessions in Kuantan Singingi have completed their operations and much of the land is now under oil palm or pulp plantations. In Kuantan Singingi (as elsewhere in Riau) whole log production has declined in recent years. According to Rengat Forestry Office statistics, the region produced 123,000 m<sup>3</sup> of logs in fiscal year 1998/1999. With much of the larger timber already cut, that remaining is of smaller diameter, primarily satisfying sawmills and pulp plants (see Table 3). Plywood companies in the district have had limited success because of problems with raw material supply.<sup>42</sup> It was not until the mid-1990s that the activities of sawmills began to significantly affect timber reserves. There are presently 14 oil palm companies operating in Indragiri Hulu, with licences covering 135,795 ha. However, only 58,725 ha (or 43 percent) has actually been planted by the various companies (Dinas Kehutanan Kabupaten Indragiri Hulu 2001).

### 3.2.2.1 *Pulp plantations in Kuantan Singingi*

The recently formed district of Kuantan Singingi is very important as a future fibre supply area for Riau Andalan Pulp & Paper. The industrial timber plantations of Cerenti, Logas Selatan and Teso Barat fall exclusively within the administrative area of the district, covering 73,485 ha, or 26 percent of PT RAPP's total concession area (Table 9).<sup>43</sup> Two new locations, Logas Utara and Baserah, will increase the overall amount of land dedicated to PT RAPP's plantation activities in Kuantan Singingi to about 90,893 ha, or 32 percent of the total.

Such a large area of timber plantation in a new district like Kuantan Singingi will mean that district administrators will be faced with resolving a range of issues, including disputes with local communities. Companies like PT RAPP face significant challenges in managing timber concessions amid a host of competing interests.

The Logas North plantation provides examples of the types of problems facing the company.<sup>44</sup> Planting of *Acacia* began in 1994 and is now largely complete. However, of the total concession area of 14,615 ha, it has only been possible to plant 7,550 ha of *Acacia mangium*. A sizeable portion of the concession (2,800 ha) has been lost to an oil palm estate with a stronger legal title.<sup>45</sup> In addition, existing community rubber holdings (516 ha) and further demands for 612 ha of oil palm and 20 ha of rubber garden have reduced the amount of land actually available for planting. The company must compulsorily allocate 20 percent of the area as a green belt of natural forest (2,224 ha),

and because of its proximity to the Rimbang Baling Wildlife Reserve, a buffer zone of 722 ha is required. Finally, 170 ha is dedicated to roads, settlement and other infrastructure. Thus only 52 percent of the original Logas North concession area can actually be planted with *Acacia*. Recently, groups identifying with local interests entered the green belt and began removing timber. A request by RAPP staff to stop logging brought a threat to burn the company's *Acacia* stands. The role of the green belt as an effective habitat corridor has thus been compromised.

The conditions at the Logas North concession site highlight the difficulties RAPP faces in securing even those areas that have been licensed for plantation activities, in the face of competing land use claims arising since *reformasi*. It is still too early to speculate about the ramifications of decentralisation for companies like PT RAPP and the relationship that they may have with new districts like Kuantan Singingi and Pelalawan.<sup>46</sup> Undoubtedly, district administrators will attempt to monitor the company's timber plantation activities, but it is likely that they will be under considerable pressure to support RAPP's agenda.

### 3.2.2.2 *Attitudes of officials and policymakers during 2000 to forestry and decentralisation*

The approach to decentralisation by the Rengat Forestry Office during 2000 was largely to 'wait and see'. In an interview in July 2000, the Head stated that he did not perceive any problems, but he conceded that he was not in a position 'to

**Table 9.** PT RAPP's timber plantation concessions in Kuantan Singingi

Plantation Name	Subdistrict	Size of Plantation (ha)
Cerenti	Kuantan Tengah	34,400
Logas Selatan	Singingi	21,085 <sup>a</sup>
Teso Barat	Singingi	18,000 <sup>a</sup>
Logas Utara	Singingi and Kampar Kiri	14,615 <sup>a</sup>
Baserah	Kuantan Hilir and Pangkalang Kuras	20,200 <sup>a</sup>
Total area within Kuantan Singingi		73,485
Revised Estimate <sup>a</sup>		90,893

Notes:

a. Allocating 50% of area to Kuangsing where boundaries overlap with other districts.

Source: APRIL (2000b)

know the full implications of decentralisation'. He saw no problem in a devolution of responsibility at the provincial level from the *Kanwil* to the *Dinas*, suggesting that future district forestry reports would simply be sent to the *Dinas*. That was a reasonable supposition at the time; however, the decentralisation process has since moved beyond the provincial level, as was its intention. A Ministerial Decree issued in January 2001 transferred the former authority of the *Kanwil* to the *Bupati*, or head of each district.

In a recent district forestry report from Indragiri Hulu, a number of problems were identified. The report claimed that village cooperatives and *adat* institutions had been infiltrated by outsiders, who were contributing to the degradation of local livelihoods. Most of the legal timber concession holders (HPH) and timber plantation (HPHTI) were never endorsed or supported by local communities, who now use *reformasi* as an excuse to exploit natural resources and who are becoming more anarchistic when their right to access forest resources is challenged. Illegal logging is increasingly facilitated by middlemen, who equip local communities with the necessary machinery. The law has failed to adequately address the exploitation of forest resources by outsiders and by locals, and the relevant government agencies are not adequately funded, trained or equipped to respond (Dinas Kehutanan Kabupaten Indragiri Hulu 2001).

In an attempt to resolve forestry-related issues, the Provincial Forestry Office agreed in October 2000 to transfer dedicated forest police to Indragiri Hulu, with the primary function of collecting information on illegal activities and assisting in the prosecution of those caught undertaking such activities (*Riau Pos* 18.10.00). Despite this directive, members of the Indragiri Hulu district legislature lacked confidence in the existing forestry management. One member claimed that many of the district's problems could be attributed to the forestry sector. He added that forestry personnel needed to be more professional, with a greater sense of responsibility and concern for the future of the district (*Riau Pos* 15.9.00).

When this report was researched, much of the legislation on the implementation of decentralisation, at both the district and provincial levels, was either unavailable or had simply not been produced. While some district legislative members were active in raising local issues, it is difficult to know whether particular actions resulted from an understanding of decentralisation or were more symptomatic of *reformasi*. Many district officials appeared uncertain and suspicious of the nature and extent of the decentralisation reforms. This was not surprising as their access to detailed sector-based information regarding the reforms has been limited and was at times confusing.

When asked about the likelihood of future forestry regulations being developed by district agencies, the Bupati of Indragiri Hulu indicated in July 2000 that he was 'reluctant to draft legislation that would conflict with central government policies'. Such a stance may well be different from that of other districts across Indonesia. It is reasonable to expect that as the decentralisation reforms unfold, policy legislation produced at lower administrative levels will vary between districts and provinces, in response to varying local conditions. This will inevitably reflect the different district agendas as well as the personalities of leaders. The uneven rates of development between new and older district administrations will further complicate the effects of and responses to decentralisation. Despite the separation of Kuantan Singingi as a new district, forest administration and management were still controlled by the Rengat Forestry Office. Officials from Kuantan Singingi, as in Pelalawan, were grappling to build infrastructure and implement administrative reforms.

### **3.2.3 Bukit Tigapuluh National Park**

Bukit Tigapuluh National Park (BTNP) was established in 1995, with an area of 127,698 ha spanning two provinces, Riau and Jambi.<sup>47</sup> It combined two former protected forests as well as a parcel of land (57,488 ha) reclassified from limited production forest. This was the first national park of this type in Indonesia. Because of the circumstances of its origin, the park can

be divided into separate zones based on types of forest cover. The two former protected forests of Siberida and Jambi represent core zones where disturbance by timber concessions or other activities has been relatively limited to date.<sup>48</sup>

The biodiversity value of the BTNP is considered one of the highest in Sumatra. Schumacher (1993) found that over 700 plants were used, including 79 fruit trees and 246 medicinal plants, indicating the significance of the region for local communities. The diversity of animal species is also impressive, with 59 mammal species recorded (five of which are considered globally threatened) and 192 bird species (Danielsen and Heegaard 1994). At present small communities of indigenous Talang Mamak and Kubu people,<sup>49</sup> who are still comparatively isolated and homogeneous, live within the National Park. The buffer zone is more heterogeneous, with Melayu and Talang Mamak coming into contact with a range of migrant groups, including Javanese, Batak and refugees from Aceh, who have settled along the East Sumatran Highway. In total 19 villages lie in close proximity to the park (see Map 6).

One threat to the integrity of BTNP has been 'illegal' logging, which has escalated dramatically during the *reformasi* period in both the buffer zone and parts of the park itself.<sup>50</sup> Thousands of cubic metres of timber have been removed from the western and north-western sections of the buffer zone, with three timber companies primarily being responsible (Susanto 2000).<sup>51</sup> Former logging roads bisecting the park have facilitated access by illegal loggers to more isolated areas. A proposal by the park's administration unit to block these roads was only authorised by the Provincial Forestry Office after a year's delay (*Genta* 10.7.99).<sup>52</sup>

As another policy directive to reduce pressure on forests in the buffer zone, the Administrative Head appealed to the *Bupati* of Indragiri Hulu, urging the retraction of the licences of timber and oil palm companies operating in the area. The Administrative Head justified the revocation of licences by noting that the general topography of the buffer zone was not suitable for oil palm plantations, as many of the slopes were greater than 25°. <sup>53</sup> Park

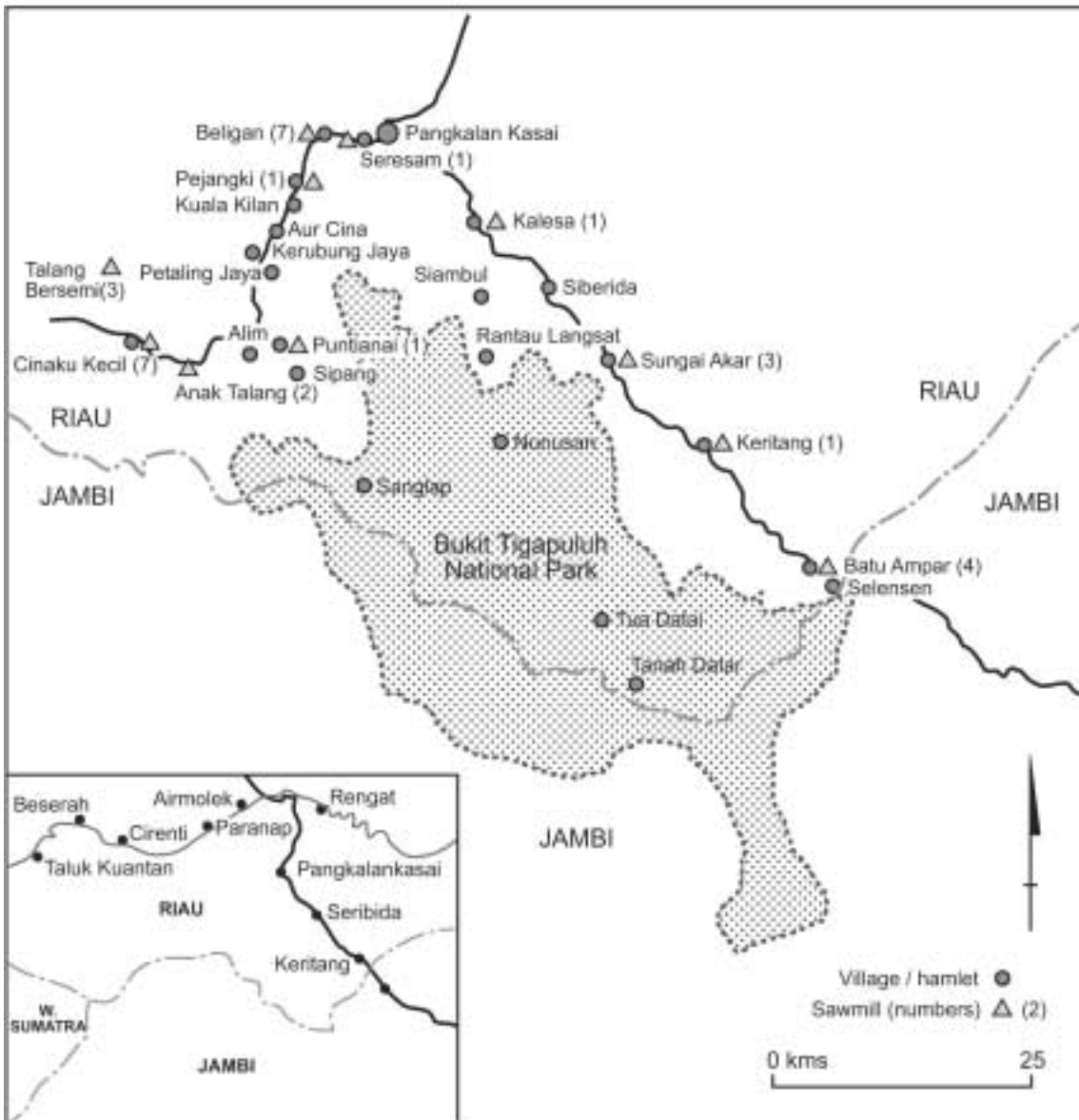
management added that timber reserves would not support current levels of exploitation; further conversion would seriously compromise the region's value as a conservation area. Compounding the problems, the administrative boundaries of the areas did not support quick intervention. The subdistrict of Keritang, spanning the length of the East Sumatran Highway from Siberida to the Jambi border, fell under the jurisdiction of the distant Tembilahan Forestry Office in Indragiri Hilir, thus creating management problems, particularly with regard to illegal logging. Rengat-based forestry officials were not authorised to intervene in matters concerning Keritang, despite its close proximity to their office (see Map 6). The placement of administrative boundaries has made it more difficult to effectively manage the situation in areas close to Bukit Tigapuluh, as the responsibility lies with forestry officials in Tembilahan.

The response of government officials and agencies to the Bukit Tigapuluh dilemma has been varied. In what seemed a strange claim, the Head of the Rengat Forestry Office, after flying over the park, stated that the 'forests were intact'. His statement angered some members of the new district legislature. The Head of the development and the environment commission asked how the forests could be intact 'given that illegal logging was continuing everyday unabated' (*Suara Kita* 5.4.00). As a response to renewed interest in the park, the *Bupati* of Indragiri Hulu recently stated that the district government maintained its commitment to the area, agreeing to formalise a request to the Minister of Forestry and Estate Crops to freeze all active timber concessions in and near the buffer zone. While this is a positive step, it fails to take action against the numerous illegal sawmills operating in the region.

The interest of district legislative members in Bukit Tigapuluh is a comparatively recent phenomenon, most likely the result of changes to the political environment. Workshops providing legislative members with information about their roles and responsibilities as decision-makers have provided some with a reasonable foundation to push for reforms. In addition, the press has recently taken a more



**Map 6.** Bukit Tigapuluh National Park and surrounding villages



active role. The formation of district commissions to investigate social, economic and environmental issues has also led to a closer examination of the park, particularly in matters relating to land use. Finally, the nature and background of the members now sitting in district parliaments has changed. However, despite significant differences in personnel from the former New Order government, there are still familiar faces. It remains to be seen whether there are enough new members to provide the necessary dynamism for political reform. One

legislative member expressed concern about the ability to carry out real reforms because resistance to change by 'influential stakeholders' remained significant. Although there is a new level of debate and interest in the need for conservation action as well as forestry reform, the ability of well-intentioned members of district legislative bodies to sustain long-term pressure for possibly unpopular reforms may be limited.

### 3.2.3.1 *Traditional communities: Talang Mamak livelihood strategies*

The Talang Mamak community was selected as a case study because most members live either inside the national park or in its buffer zone.<sup>54</sup> In 1998 the population of the group was 7,656 (*Riau Abad 21*: 2000).<sup>55</sup> When asked about development priorities for the region, adults (almost all of whom were illiterate) most desired education for their children. However, for the 345 households who live inside the park, the costs associated with providing and retaining teachers have been too great. The need for better health facilities was also a high priority. Malaria, diarrhoea, dysentery and typhoid are common, together with periodic cholera when rivers are low.

The agricultural activities of Talang Mamak villages mainly consist of subsistence swiddens with a long forest fallow rotation. The primary crop is rice, supplemented by maize, cassava and keladi (*Colocasia* sp.). Land is usually only cropped for a year before it is allowed to revert to secondary forest. People are generally not self-sufficient in rice and must find other sources of income in order to purchase food. Rubber is planted in fallows and near houses, as are fruit trees such as durian and bananas. Over the past decade the attitudes and activities of many Talang Mamak people have altered significantly. Silalahi (1998) found a correlation between the rapid changes in Talang Mamak livelihoods and the opening of the East Sumatran Highway in 1992-93, which stimulated a proliferation of new opportunities and influences.<sup>56</sup> Additionally, the numerous roads constructed to facilitate logging operations have enabled access to isolated areas, both inside the park and in its buffer zone.

Communities are now supplying timber and non-timber forest products (NTFPs) from Bukit Tigapuluh and the buffer zone to traders and markets along the major access roads.<sup>57</sup> Improved access to markets has led to a general increase in the size of rubber gardens. Most households now have between 1 and 2 ha, though some of the more isolated communities have only recently adopted the crop.<sup>58</sup> Rubber prices have, however, been volatile. Though increasing somewhat when the Rupiah was at

its lowest in 1998, prices soon began trending downwards, reaching a low in 1999, before increasing again in mid-2000. Even with higher prices, however, rubber is not a highly profitable crop.<sup>59</sup>

The low returns on rubber have prompted some people to look for more profitable sources of income, such as selling timber. This type of work has quick, short-term returns and does not require much capital, making it attractive to individuals in isolated communities. Many communities are presently polarised between those that support increased logging (usually those owning chainsaws) and those who seek to retain areas of forest. In June 2000, the village of Talang Lakat had 15 chainsaws, 8 owned by Talang Mamak and the remainder by individuals from other ethnic groups. On average a single chainsaw was able to fell 15 trees per month, or 15-20 m<sup>3</sup>. Between 225 and 300 m<sup>3</sup> could thus be harvested from the village each month, selling for Rp 200,000-250,000 per m<sup>3</sup>, depending on the timber species. More individuals within Talang Mamak communities are purchasing chainsaws, which effectively links them to the cycle of timber exploitation. Many local people who have participated in illegal logging have already cleared their traditional village forests, and the pressure to access other areas is high. A few leaders are holding out as staunch defenders of both *adat* and village forests. Increasingly, however, attractive short-term income has seduced many into believing that they will be better off without the forest.

The changing perceptions of the villagers are not limited to their changing views of timber. The manner in which forest products are harvested has changed dramatically in the past three years. In 1997, the people were selling a range of NTFPs including rattan, *jelutung* and damar to nearby markets, such as Siberida. In 1998, local middlemen started visiting villages and hamlets and taking over the marketing of rattan and other commodities. By 1999, Talang Mamak communities began to invite others to harvest forest products for an extraction fee. People from Tanah Datar allowed vehicles to enter the region via access roads, charging a fee of Rp 40,000 per vehicle. Prices were then negotiated with the communities owning the

forests where the products were being collected.<sup>60</sup> The increasing level of contact with migrants has changed local perceptions pertaining to the value of land, as well as rights of access to and the use of forest areas.<sup>61</sup>

More serious has been the division created by timber operators 'helping' village communities clear forest areas and promising them capital to plant oil palm. Such ventures are seldom realised. While the government has encouraged the formation of cooperatives for smallholder oil palm, under this system the benefit to local people from their forests is negligible, as they are paid only Rp 15,000 per m<sup>3</sup> of timber (Susanto 2000).

### 3.2.3.2 *The Talang Mamak and decentralisation*

Several Talang Mamak villagers were interviewed on the subject of regional autonomy in April 2000.<sup>62</sup> The most common request was for more information, though people did have generally favourable reactions. One view was that the reforms would be good for the villages 'because the district would have to focus on local-level concerns and the government administration could be held accountable for its actions and programmes'. A cynical note was sounded, however, by one prominent *adat* leader who likened government promises to 'hot air'. Local people wanted to see evidence of promises kept before making further comments on the decentralisation process.

For the majority of the Talang Mamak communities, decentralisation reforms *per se* had not yet begun to have a noticeable impact, at least through late 2000 when the research for this study was conducted. Nonetheless, the post-New Order period has seen rapid change in the dynamic of many indigenous communities in the Bukit Tigapuluh region. Communities are straining to respond to the exploitation of resources in areas close to village lands. The devolution of increased decision-making responsibility to district governments does not provide automatic promise of a brighter future for small, indigenous communities in areas like Bukit Tigapuluh National Park. Whether decentralisation in Indragiri Hulu will benefit

or disadvantage indigenous communities and their access rights to forest resources remains to be seen.

### 3.2.4 **Illegal logging and sawmills**

The increase in the number of illegal sawmills, in Riau and many other provinces, has assumed a new importance in influencing rates of deforestation. As decentralisation continues, district administrators will face the challenge of stemming illegal logging. One source has likened the proliferation of illegal sawmills in Kuantan Singingi to 'fungi growing in the wet season', with many operators not only owning sawmills but also buying the timber directly from local communities (*Pekanbaru Pos* 14.6.00). The situation is especially intense around BTNP, where 32 sawmills are positioned on the borders in Siberida (Indragiri Hulu) and Keritang (Indragiri Hilir) subdistricts.<sup>63</sup> The demand for timber is so great that timber reserves in the buffer zone are expected to only last for another year, after which the logical place to extract the timber would be from within the park itself.<sup>64</sup>

The situation in the subdistrict of Keritang is dire, with every river entering BTNP used to transport illegal timber. Selensen, Batu Ampar and Sungai Akar, all close to Bukit Tigapuluh, have become locations for illegal logging operations.<sup>65</sup> The Head of BTNP stated that the number of mills had increased every year for the past four years, from 22 in 1997 to 51 in 2000. Much of the timber used by the sawmills is harvested locally, the location of each mill creating a further incentive for local communities to sell timber. Along the East Sumatran Highway are a further 21 small sawmills, suppliers of which use bulldozers to create access roads into the buffer zone. Using these machines, they are able to clear 4 km in a single day (see Map 6).

The majority of the mills operating in the western section of the buffer zone have two cutting tables and are comparatively new operations, set up between 1997 and 1999, with workers generally from West Sumatra, North Sumatra and Java. The bulk of this timber is sent to either Medan or Jakarta, with the *Dipterocarps meranti*, *balau* and *keruing* being

the favoured species (similar to the situation in Kampar Kiri). The range of people connected to these operations included government officials, Korean businessmen, a youth group and local village officials.

The level of illegal logging around Bukit Tigapuluh National Park and its buffer zones has increased significantly in the years following *reformasi*. The tactics employed by PT STUD (a Jambi-based timber company) to involve local communities in illegal logging have been well documented.<sup>66</sup> Representatives of an independent subcontractor or a subsidiary company (in this instance PT SWS) organise local communities to clear timber from both inside and outside the timber company's concession area. In addition to information collected by World Wide Fund for Nature (WWF) and the Head of the BTNP, further evidence of such a system was found by a team of newspaper reporters. It was discovered that 'tens of Colt Diesel trucks were transporting hundreds of cubic metres of timber' from the SWS concession near the border of Bukit Tigapuluh National Park. When the trucks were followed, only a fraction of them actually travelled to the parent company's factory in Jambi. Most patronised the tens of sawmills located along the highway near Siberida, with timber supplied to the Jambi factory being largely illegal!<sup>67</sup> Companies using this arrangement are no longer concerned about having to adhere to government yearly work plans (*Rencana Kerja Tahunan* or RKT). Because the timber is largely illegal, forestry taxes such as the Forest Product Royalty (IHH/PSDH) or Reforestation Fee (*Dana Reboisasi*) are not paid.

#### 3.2.4.1 Government responses to illegal logging and sawmills

The response of the Indragiri Hulu government to illegal logging has been slow, with some of its initiatives failing to adequately address the problem. A team charged by the Indragiri Hulu DPRD (legislative assembly) to investigate timber collected illegally by a community cooperative from Siberida was disappointed to find that the community had been issued with the necessary documentation the day before!

When asked about the incident, forestry staff based in Rengat stated that they had indeed issued the licence to the community but that its timing was a coincidence (*Riau Pos* 29.9.00). There seemed to be surprisingly little coordination between the government team and WWF or BTNP staff who already have a good knowledge of illegal logging in the area. Given the primary goal of differentiating between legal and illegal mills, the strategy of 'legitimising' all mills within a 10-day period seemed to be a measure to reduce loss of district revenue rather than to curb forest exploitation.

Resolving the issue of illegal sawmills is a difficult challenge, and the present decision-making inertia is indicative of the political 'state-of-play' within many districts. As in Kampar, the ability and desire of leaders to implement the difficult reforms necessary to affect the 'shadowy actors', or *oknum*, supporting such activities is still some way from being achieved. It seems overly optimistic to expect that decentralisation reforms will significantly penetrate and break down entrenched patronage systems that are operating at district and subdistrict levels. The growing acceptance by district leaders of greater accountability for their actions does not mean that district policy and legislation will see the promotion of strategies that address illegal logging, particularly when so many people are involved and dependent on this activity.

#### 3.2.5 The clearance of Bukit Betabuh

The clearance of Bukit Betabuh Protected Forest (BBPF) in the subdistrict of Kuantan Mudik, Kuantan Singingi, highlights the level of pressure that many smaller protected areas are now experiencing throughout Riau (see Map 3). The clearance of the forest further demonstrates what was at the time a comparatively new level of involvement of both officials and local communities in forest exploitation. The devastation resulting from the collusion graphically illustrates the difficulties facing forestry personnel in controlling exploitation during *reformasi* and decentralisation. Bukit Betabuh, on the border between Riau and West Sumatra, was part of a corridor of protected forest running along the border hills, linking

the Rimbang Baling Wildlife Reserve with Bukit Tigapuluh National Park. The clearance of the forest by people from surrounding communities stems from historic circumstances and the post-*reformasi* reaction to the policies of the Soeharto government.

The Dutch established the area as a 'Protected Forest' in 1919, with the nearby village of Lubuk Jambi allowed access. Between 1919 and 1946, village people wanting to use forest resources had to pay a fee to *adat* leaders. At Indonesian independence the area was designated as *hutan ulayat* (community forest), with 51 villages in the district having some degree of access. This status lasted until the 1970s, when, under the Soeharto regime, it became increasingly difficult for local communities to maintain and secure forest resources. According to a village *adat* leader, the government reached an agreement with the village head and the leader of the subdistrict, or *Camat*, and declared Bukit Betabuh a 'Protected Forest' in 1984. However, there was little effective communication or consultation with either the wider community or its traditional leaders about the declaration of this protected area.

The initial catalyst for the clearance of Bukit Betabuh forest by local communities was an interprovincial boundary dispute with West Sumatra. The area of land abutting Bukit Betabuh in West Sumatra is classified as 'Production' and 'Conversion' forest. According to residents from the Riau side, timber from Bukit Betabuh Protected Forest was being cut by people from West Sumatra. The fact that local Riau forestry officials did little to arrest these illegal activities heightened local community resentment and frustration. Anxious to increase the size of their landholdings, people from the Lubuk Jambi area gradually began 'reclaiming' the forest, family by family, until 652 families were established, clearing and burning patches to open land and plant rubber and cassava. The local *adat* leader denies that these people were directly involved in the clearance of forests, arguing that there were negotiations over the land with the Forestry Department that took too long to settle, allowing outsiders to take

advantage of the situation and remove the timber.<sup>68</sup> Whoever was initially responsible, there seems little doubt that many local people became involved. By April 1999 logging was in full swing with 150 chainsaws and 100 water buffalo operating in the forest, with the noise of chainsaws replacing the 'sounds of the forest' (Nursamsu and Susanto 1999).<sup>69</sup>

Illegal logging became an extremely important source of local employment and income. By early October 1998, the local forestry post had been burnt to the ground by an angry mob protesting the fact that officials had seized a number of chainsaws. In the space of six months in 1999, nearly 80 percent of the 25,000 ha protected area was destroyed. The timber was said to be satisfying the demands of wood industries at numerous locations, including the Indah Kiat mill at Perawang, the RAPP mill at Kerinci, and the large numbers of plywood and sawmills located around Pekanbaru, as well as processing facilities outside the province (*Riau Pos* 29.12.99). Local officials have proved to be largely ineffective in addressing the problem of forest exploitation in Bukit Betabuh Protected Forest. One daily newspaper, *Suara Kita* (23.6.00), stated that 'there appears to be little likelihood of the local Kuantan Singingi government intervening to resolve the situation...those now stealing the timber from the protected area include local communities and various companies who have support from shadowy figures or *oknum*'. In July 2000, the Head of the Rengat Forestry Office described the people's original clearance of Bukit Betabuh as just the 'euphoria of *reformasi*' and refuted the claim that Bukit Betabuh was a traditional community forest. Nevertheless, he suggested that the status of the area should be revised to 'community forestry' (*hutan kemasyarakatan*) – an indirect admission that officials had been unable to control the situation, or restore the 'Forest' to its original status.

The exploitation of Bukit Betabuh illustrates the difficulties facing both protected area managers and forestry officials during *reformasi* and at the beginning of the decentralisation period. The decentralisation reforms will significantly change the role of

district governments in managing such areas. However, the ability and desire of newly formed districts like Kuantan Singingi to manage a myriad of administrative, infrastructural, financial and legislative challenges, let alone resolve the issue of continued degradation in smaller protected areas, will be severely tested. The interim *Bupati* of Kuantan Singingi (since deceased) expressed concern during 2000 regarding the forests in the district. There was little information available on their current status; much of the control of forest resources was still effectively centred in Rengat, making it difficult for him to comprehend the issues pertinent to the forestry sector and to find ways to address them.<sup>70</sup>

The involvement of both local and external communities in the effective clearance of Bukit Betabuh signifies the changing dynamic in the field, where it is becoming increasingly difficult to guarantee the integrity of smaller, more marginal protected areas. What conclusions can we draw from this unfolding scenario? It would appear that *reformasi* has irrevocably changed local community perceptions towards the former New Order-endorsed protected areas. At the very least, the smaller, less glamorous protected areas appear to have a gloomy future. The failure to preserve protected areas has not happened as a result of decentralisation *per se*, but rather because the legal basis for protecting such areas now appears to be of little relevance to the communities involved. The *reformasi* period has simply intensified an effective loss of control over forest resources by the central authorities, a loss which had started some years earlier. As a result of the new reforms, a large share of the responsibility for regaining control of forest resources now lies squarely with provincial and district forestry agencies. The question arises as to whether these authorities are prepared or willing to reduce illegal logging in these smaller protected areas, even with the greater powers accorded to them by decentralisation.

### 3.2.6 The economic implications of decentralisation

#### 3.2.6.1 Development prospects

The Indragiri Hulu government has been looking at alternative sources of revenue, other than the forestry sector, to broaden the future development base in the region. The *Bupati* acknowledged that social welfare improvements had not been remarkable but indicated that he was relying on the district's natural resources to secure future development. Such a policy fails to acknowledge that much of the infrastructure is already in poor condition and considerable environmental damage has occurred. Despite large proportions of the district development budget being allocated specifically to transportation in earlier years, there is little to show for it, as many of the roads remain in an extremely poor state.<sup>71</sup>

District budgetary allocations have tended to provide only limited funding to the most productive sectors of the economy. In the fiscal year 1997-98, 70 percent of the Indragiri Hulu district budget was allocated to transport, but only 6.4 percent was given to the primary sector of forestry, fishery, livestock and plantation. Traditionally the latter has been the strongest contributor to the district's economy.<sup>72</sup> It was not possible to access district budget allocations for 2000-01 to determine whether funds had been reallocated to other sectors. However, the development problems of the past will only continue if district administrations continue to invest large percentages of funds in transportation infrastructure that predominantly benefits logging, sawmills, and pulp and paper companies.

The *Bupati* of Indragiri Hulu stated that he was anxious to extend mining activities, hoping to increase the level of oil production from 10,000 barrels a day. A proposed coal mine, running parallel to the highway near Bukit Tigapuluh National Park, was also perceived as a significant future source of revenue. PT Riau Bara Harum has been attempting to establish an open-cut coal mine near the park boundary; however, progress had slowed because of problems and uncertainties associated with

decentralisation. The manager expressed concern that changes to the licensing arrangements might affect the company's chances of getting approval from the province or district. He was worried that officials might try to access more of the firm's profit even before they commenced operations. While he believed that corruption was more widespread in Jakarta, he was afraid that decentralisation might increase corruption in the provinces and districts – a 'one-off' payment could be made to the central government, but he feared that decentralisation might see a proliferation of such payments to various local officials.<sup>73</sup>

Kuantan Singingi is also targeting mining and energy as future areas of growth, with the next strategic land-use plan highlighting the district's oil, coal and gold reserves. In the agricultural sector, the interim *Bupati* showed a preference for seeing rubber growers combine their activities with livestock or fruit production.<sup>74</sup> He was concerned about the amount of land already dedicated to oil palm, citing social and environmental problems as potentially negative aspects of that crop. The strategic land-use plan (*Rencana Tata Ruang Wilayah Kabupaten* or RTRWK) for Kuantan Singingi was being produced by an external consultant from Bandung. It was hoped that this plan would provide district administrators with an accurate understanding of both current land-use issues and the developmental potential of the district. However, there were a number of problems with the preliminary report. Staff from the district planning office indicated that, while they were happy with the quality and accuracy of the information, they were critical of the lack of a 'clear and concise' strategy for land-use development in the district. Planning officials emphasised that they 'did not need district development plans like the old ones', instead preferring 'a systematic presentation and evaluation of the potentials and options for land use'.<sup>75</sup> A key aspect of the decentralisation reforms should be to support and strengthen both district and provincial planning agencies with the capacity to coordinate and produce strategic land-use plans that reflect the needs of each district. Contracting this work to externally based consultants does not advance this process.

If future planning initiatives are not coordinated by the responsible government agencies, then how will the decentralisation reforms address past inadequacies of development?

### 3.2.6.2 *Administrative reform*

An interesting possibility canvassed by the leaders of both districts is the potential for traditional cultural and *adat* systems to be restored to a greater degree of legitimacy as a foil for contemporary government structures.<sup>76</sup> It is uncertain whether this trend is the result of *reformasi*, or more closely linked to decentralisation and a growing sense of local empowerment and pride. The *Bupati* of Indragiri Hulu stated that he wanted to see the traditional *adat* leaders and the former Sultan of Rengat resume some role in the district. He also indicated that a key objective would be to improve the quality of human resources, particularly with respect to the legislature, focussing on education and professionalism.<sup>77</sup> In his opinion, members of the district legislature need to be aware of the 'implications of the decentralisation process and how they can implement the subsequent reforms, meaning that they are required to learn about their different functions, responsibilities and roles'.<sup>78</sup>

When asked about the relationship between the legislature and the executive, the *Bupati* stated that the system in operation in Inhu seemed to him to be ideal, with his childhood friend now the head of the legislature. In his view, this allowed 'considerable capacity for effective and fluid governance with little potential for conflict'. While it is necessary for there to be a close and effective working relationship between the legislature and executive, it is also prudent for a degree of 'political distance' to be retained to enable the necessary checks and balances to be implemented.

The decentralisation reforms have brought about a new dynamic in the relationship between district leaders and the legislature. There has been significant change to both power and management arrangements, changes that have recast the mould of district-level politics – on the surface at least.<sup>79</sup> When all the permanent district leaders and legislative members have

been elected, the nature of the relationship between these two bodies should become clearer. However, what appears certain is that a diverse range of outcomes and issues are set to emerge as a consequence of the heterogeneous political landscape in Riau's districts.

Decentralisation has improved the relations between district leaders and the Governor. The new arrangements have provided many *Bupatis* with a much greater degree of independence, enabling them to consult directly with central and provincial government officials, the private sector and other district leaders.<sup>80</sup>

Kuantan Singingi and Indragiri Hulu are at different stages in the implementation of decentralisation reforms. For Kuantan Singingi, the new district, the priority has been to mobilise as many government agencies and activities as possible.<sup>81</sup> The exact number of seats for Kuantan Singingi in the parliament had not been resolved as late as 23 October 2000.<sup>82</sup> The administrative problems associated with the

establishment of a new district have partly been responsible for slowing the rate of progress regarding the implementation of decentralisation. Furthermore, Kuantan Singingi is still closely associated with Indragiri Hulu, with support in forest administration, tax matters and personnel still being provided to the new district.

By July 2000, seven district regulations (*Peraturan Daerah* or *Perda*) were released in Indragiri Hulu. They addressed administrative reforms and ways of increasing district tax revenues. Even though Indragiri Hulu is not new, staff and leaders have still been largely preoccupied with reshuffling and reorganising the district administrative apparatus. According to the decentralisation reforms, the number of departments in any given district is decided locally. At present, 13 district offices have been agreed to by the Indragiri Hulu legislature (the lowest number for Riau). One sanctioned change to district administration has been the fusion of the former district Forestry and Estate Crops Offices to a single agency. The merging

**Figure 2.** An example of the pressures on forests in one part of Bukit Betabuh





of the two offices was apparently based on an idea of efficiency rather than any certainty of effectiveness.<sup>83</sup> From an operational perspective, budgeting and funding will become simpler with a single office, but forest and estate crop management may become much more difficult. One official indicated that this amalgamation would cause problems, given that the two areas of administration were formerly antagonistic. So in Indragiri Hulu, despite a significant increase in the district budget (*Anggaran Pendapatan dan Belanja Daerah* or APBD) to Rp 282 billion in 2001,<sup>84</sup> there has been considerable rationalisation of the government administration. Whereas Indragiri Hulu is comparatively more advanced in implementing the decentralisation reforms than Kuantan Singingi, both governments are still experimenting with the potential reforms available to them.

### 3.2.6.3 Financial reforms: budgets and taxes

The district budget for Kuantan Singingi in 2000 was Rp 64 billion. For 2001, it was increased dramatically to Rp 230 billion, a figure that district revenue officials expected to continue to rise over time.<sup>85</sup> It was estimated by Kuantan Singingi tax officials that they would be able to generate approximately Rp 1.35 billion in PAD funds from local district taxes in 2001.<sup>86</sup> As in the case of Pelalawan, this is a very low proportion of the total income.

The main source of district revenue is the general allocation fund (*Dana Alokasi Umum* or DAU), of which Kuantan Singingi received Rp 118 billion during 2001. This pool of revenue is allocated directly from the central to the district governments and represents almost half of the total. The second largest revenue component comes from natural resource redistributions, also allocated directly from the central to the district governments. Of the total natural resource revenues redistributed to Kuantan Singingi in 2001, most of the Rp 103 billion was derived from the redistribution of oil and gas revenues (accounting for Rp 101 billion).<sup>87</sup> The Head of the Finance Office in Kuantan Singingi noted at the time that there had been no Presidential or Ministerial Decree

legitimizing this distribution of resource revenues to the district. However, officials in Kuantan Singingi expected the necessary decrees to be released in April 2001.

The third component of district revenues, development and building taxes (*Pajak Bumi dan Bangunan* or PBB) are collected directly by the districts, which are then responsible for redistributing revenues back to higher government levels.<sup>88</sup> The fourth main component of district revenue is specific allocated funds (*Dana Alokasi Khusus* or DAK), which include an entitlement to a portion of 40 percent of the reforestation funds to be distributed to regions (the decentralization laws define regions as provinces, districts [*kabupaten*] and municipalities [*kota*]). However, to access the reforestation funds each district must submit proposals to be examined and subsequently accepted or rejected by provincial agencies. District administrators have not yet been informed of the amount of funding available for such projects. This was a key aspect of the financial reforms that district officials in Kuantan Singingi believed should be reviewed to avoid possible problems of corruption. The Kuantan Singingi government submitted a brochure for regreening and reforestation during 2001, recommending a budget of Rp 6.66 billion from those funds.

Provincial tax office officials felt that it would be extremely difficult for districts to survive on their own, based on their experiences with district revenue-generating capacity.<sup>89</sup> Additionally, the variation in development and growth between new and old districts will largely depend on the remaining natural assets and on the 'innovative ability' of district tax officials to identify new tax potentials. Tax reform in both the new and old districts was slow during 2000, given the level of uncertainty surrounding the decentralisation process. There has been a steady decline in the importance of the contribution of locally generated taxes to the revenues of Indragiri Hulu, from 2.95 percent in 1994-95 to 1.30 percent in 1998-99 (Table 10).

In many Indonesian provinces, increased resource exploitation will become a by-product of a consolidated push by district leaders to

**Table 10.** Contribution of locally generated tax revenues (PADs) to district revenues of Indragiri Hulu 1994-95 to 1998-99

Financial Year	Total Funding (APBD) (Rp)	Contribution of PAD to revenues (%)
1994-95	45,799,858,000	2.95
1995-96	53,157,574,000	1.95
1996-97	61,452,492,000	1.78
1997-98	78,781,888,000	1.67
1998-99	64,014,506,000	1.30

Source: CV Trace Engineering (2000)

increase revenues by means of new district taxes. In Riau, a potential paradox is emerging, where the pressure to generate and expand district tax revenues should theoretically be offset by substantial increases to district budgets from the redistribution of oil and gas revenues. Whether district leaders in Indragiri Hulu and Kuantan Singingi decide to assume greater responsibility for the control of resource exploitation, particularly with regard to illegal logging and land clearance, remains to be seen.

### 3.2.7. Forestry reforms emerging from decentralisation

#### 3.2.7.1 District leaders' comments

Until July 2000, the forestry office in Kuantan Singingi had a limited role in forestry reform; it could only provide documentation and correspond with the Rengat office.<sup>90</sup> Similarly, the Bapedalda office in Kuantan Singingi that undertakes environmental monitoring had no 'teeth' to penalise polluters. The interim *Bupati* thought it important that such an office should be able to control the activities of the large companies, adding that there would be little or no tangible change felt by those at the district level as long as the 'process of decentralisation was half-hearted'.<sup>91</sup>

#### 3.2.7.2 Attitudes to illegal logging

The level of illegal logging in the district has made it difficult to manage forest assets sustainably, with so many 'shadowy figures' actively involved in forest exploitation. In contrast to the New Order period, there is a

growing boldness associated with resource exploitation. A senior forestry official in Kuantan Singingi observed that 'people were scared then, now they are not... It is increasingly common to see *oknum* actively involve local communities in forest exploitation, whereas in the past this was not possible'.<sup>92</sup> Because of the level and extent of vested interests coordinating illegal logging, any attempt to control it will require a dedicated and wide-ranging commitment by more than just a single government agency. Legislative members from Indragiri Hulu suggested that existing legislation might need to be rewritten or totally scrapped before reforms could occur.<sup>93</sup> However, new legislation will not guarantee that district authorities will be successful in addressing the complex and politically loaded issues associated with current resource exploitation. Even coordinating a discussion of illegal logging between government agencies is a challenge.<sup>94</sup> Forestry officials and district leaders indicated that the proliferation of district tax legislation is an attempt to reduce revenue 'leakage' from the district and not, as it might seem, an attempt to increase levels of forest exploitation.

#### 3.2.7.3 Emerging attitudes towards protected areas

The responsibility for the future management of protected areas will depend on the classification of the area. For example, Rimbang Baling, classified as a 'Wildlife Reserve' (*Suaka Margasatwa*), will be managed by a provincial-level forest conservation agency (*Balai Konservasi Sumber Daya Alam* or *BKSDA*). On

the other hand, if Bukit Betabuh remains a 'Protected Forest', the responsibility for its day-to-day management lies with the district. The province, however, is responsible for maintaining the integrity of the protected area through the provincial forest police agency. District leaders will be able to seek assistance from provincial agencies where necessary. The responsibility for managing issues inside national parks is retained by central government agencies, with district authorities responsible for areas outside the buffer zones.

The *Bupati* of Indragiri Hulu believed that the Siberida and Sungai Akar areas would be better served if they were managed by a higher agency (most likely the province) because of disagreements between the respective Indragiri Hulu and Indragiri Hilir governments regarding management and control. Both areas are close to Bukit Tigapuluh National Park and have experienced significant problems with illegal logging. The apparent reluctance of leaders to confront these issues may be attributed either to the difficulty and cost associated with reducing illegal logging or to the problems associated with protected area management. One Kuantan Singingi planner stated that the district had a maximum of 20 percent of its forest resources intact. However, he added that much of this 'forest' area could be reclassified as 'fallow gardens', making the likelihood of future community claims and the potential conflict much greater. This will be a recurring issue for district planners, leaders, legislators and forestry officials. Despite the best intentions of some district leaders to involve aspects of *adat* in district affairs, the extent to which these institutions can assist in the management of forest resources is at present largely untested.

#### 3.2.7.4 *District forestry legislation emerging in Kuantan Singingi and Indragiri Hulu*

Recently, in both Kuantan Singingi and Indragiri Hulu, a number of pieces of district legislation relating to forestry have been either passed or proposed. In essence, these new legislations address the licensing arrangements for small-

scale utilisation of timber and non-timber forest products (NTFPs).<sup>95</sup> As with other aspects of decentralisation, Indragiri Hulu is at a more advanced stage, with two new pieces of legislation passed, while in Kuantan Singingi proposed legislation is still being reviewed by the district legislature. The proposed protocols for licences in both districts are complex and costly, with the applicants required to pay for the process with no guarantee of success. Applications should generally first be sent to various government authorities, then, if the licence application is accepted, the *Bupati* will request the Head of District Forestry Office to authorise a technical evaluation of the proposed activities.<sup>96</sup> The supporting documentation required varies for each of the districts and the respective licences. What is noteworthy is that successful applicants will be required to pay a natural resource tax on both timber and NTFPs collected from the concession area.<sup>97</sup>

A number of potential problems emerge in the types of legislation presently being proposed by the two district governments. The claims, made by some officials, that district legislators do not aim to increase forest exploitation or to increase district revenues seem to have little basis. The legislation being drafted and passed by district authorities specifically targets the kind of resource exploitation presently being undertaken throughout many districts by smallholders. In addition, these regulations tend to legitimate what were formerly 'illegal', small-scale activities, operating through unofficial channels, making them formalised arrangements. Little or no explicit mention is made in the legislation of the role of traditional community, or *adat*, institutions in managing and reducing community conflict over resource use. If anything, new district legislation seems to perpetuate the past difficulties associated with overly bureaucratic licensing procedures.<sup>98</sup>

As the licences are of a short-term nature (the longest is for one year), there will be added incentive for operators to simply exploit resources rather than implement sustainable harvesting practices. Community elites or outside businessmen might coordinate with local community members (the only community

stakeholders mentioned in all of these regulations are subdistrict or village leaders) to extract the resources, with only a few from the community sharing in the profits. As with illegal logging, there may be some 'benefits' of temporary employment for community members. However, it is likely that many community members will be passive bystanders, as the remaining forest resources are extracted.

In this report, we have sought to understand the dynamics of the decentralisation process in Riau, as it occurred through 2000 and into 2001. The changes have been considerable over this period, and a variety of people, from senior government officials through representatives of private firms, members of NGOs and ordinary villagers, have endeavoured to come to terms with the meaning of the process. Its 'socialisation' has not been easy, largely because of the uncertainties prevailing in the central government and the preoccupation of that government with issues as fundamental as the very survival of the Indonesian state. There is no doubt that a more speedy translation of Laws 22 and 25, especially the latter, into workable legislation would have made the way clearer for provincial and district leaders who were attempting to plan for the changes. It has been a messy, muddling-through process, which continues in all districts.<sup>99</sup>

Our brief was to examine the potential effects of decentralisation on forests and estate crops, focussing on both the provincial and district levels. The former provided a context into which the more detailed, location-specific studies could be fitted. To understand Riau, it was also especially necessary to look at the overall picture of forest use, because of the unique presence of the Indah Kiat and RAPP pulp mills, which provide a huge market for wood fibre and are dominant beyond any one district. Whether Riau's forests have a future depends to no small extent on the activities of those companies, activities over which a regional administration, especially one that is new and inexperienced, has little control.

At the provincial level, land-use change, especially the rapid conversion from forestry and smallholder rubber to oil palm, needs further analysis. Difficulties with inaccurate information, overlapping boundaries between forests and estate crops, and power struggles between the forestry and planning departments, together with a lack of technical expertise, have left a legacy of uncertainty now inherited by the districts. As legislators are discovering, planning for future development is impossible without an accurate record of land use, land cover and boundaries of all kinds.

During the subdivision process, 6 districts in Riau became 15 new districts. The two former large districts of Kampar and Indragiri Hulu were selected for detailed study. These two districts have become five new *kabupaten*, and all were examined, as relationships between the original centres and the new entities have remained a critical part of the picture. Despite their initial lack of physical structures, money and personnel, the newer districts are approaching the challenges of regional autonomy with a freshness and enthusiasm somewhat lacking in the old cores. Nonetheless, they were still preoccupied with the establishment of an administration, including new forestry infrastructure. The large and difficult questions, such as the state of the forests and the control of illegal logging and sawmilling, had barely begun to be addressed. Kampar and Rokan Hulu districts are more agricultural, but share some common forest concerns with Pelalawan, Indragiri Hulu and Kuantan Singingi, as well as experiencing their own problems with oil palm. The present

depressed state of that industry and the accompanying social unrest, including the multitude of land claims against plantation companies, are providing severe challenges.

In response to district forestry initiatives that have emerged from the decentralisation process, prominent stakeholders appear to be vying for control over management and regulatory rights for productive assets. Whether these are state-owned assets or private companies, increasing control over the activities of such enterprises is an important issue for district and provincial administrators. Both district and provincial governments have found it nearly impossible to reduce illegal logging or to manage protected areas during *reformasi* and the early stages of the decentralisation process. In Riau, the network of operators exploiting the forest sector is so entrenched that it is only through serious legal reform and enforcement that improvements to resource management can and will be achieved. Now that we are seeing the active involvement of local communities in the exploitation of forest resources, it is likely that there will soon be few if any significant

areas of forest remaining in Riau, for there is little institutional capacity or willpower to control these activities. In the future, increasingly frustrated provincial and district governments, burdened with responsibility but unable to control what is happening in the field, might give up on the attempt to regulate the exploitation of forest resources.

Riau has been called the 'lucky province' because of its resource wealth. While the reality of resource sharing under regional autonomy, especially in relation to oil and gas, has now meant that districts are 'awash with money', the crucial question of how the increased income will be distributed does not yet have a clear answer. Whether this extra money will eventually provide some reprieve for the forests is a tantalising possibility on which one may as yet only speculate. However, events are moving very rapidly, as all types of forests become depleted. The most valuable, such as in Bukit Tigapuluh, are now isolated and virtually unprotected. Whatever may happen with the redistribution of funds may be too late for most of Riau's forests.

<sup>1</sup> A term coined by the Head of the district forestry office, Indragiri Hulu.

<sup>2</sup> Forty-six percent of the province's 9.4 million ha consists of peat swamp, a difficult and expensive area over which to build roads and bridges (Governor's speech reported in *Riau Pos* 20 February 2000).

<sup>3</sup> The Banjarese began to settle in the Lower Indragiri, in what is now the district of Indragiri Hilir (Inhil), from the 1880s, draining coastal swamps and planting rice and coconuts. Tembilahan, capital of Inhil, is a largely Banjarese town.

<sup>4</sup> *Panglong*, using mainly Chinese labour, were lumber camps that flourished in the islands and along the coast of Riau between about 1860 and 1930. Workers were permitted to take timber from a distance of 50 km up the Kampar River and 10 km inland through the rest of the coastal strip. Supplying primarily the Singapore market, they produced successively sawn timber, beams, mangrove firewood and charcoal (Colombijn 1997: 325-8).

<sup>5</sup> The BPS standard poverty line is the value of expenditure needed to satisfy a minimum requirement, which includes food, clothing, transportation and other basic needs. A person who cannot meet this minimum is classified as 'poor'. Just what criteria are used by the province to reach its figure of 42 percent poverty is unclear, but there is no doubt that the distribution of wealth is highly skewed towards enclave areas, sites of the operations of large companies.

<sup>6</sup> The calculation excluded income raised locally.

<sup>7</sup> There are five Inhutani companies, operating mainly in Sumatra and Kalimantan.

<sup>8</sup> On 24 May 2001, the Minister of Forestry Marzuki Usman was reported as stating that the reforestation funds raised in any one province were to be channelled 70 percent to the districts and 20 percent to the province, with just 10 percent going to the central government. The main purpose was to improve land management and forest rehabilitation at the district level (*Sawitwatch* 26 May 2001).

<sup>9</sup> Inhutani stated that it controlled 200,000 ha; others have put the total as high as 1.4 million ha, a figure denied by the company (*Riau Pos* 4 March 2000; 17 April 2000). A senior RAPP official suggested 1 million ha (Personal Communication, 2 October 2000).

<sup>10</sup> Entry into former logging concessions for the purpose of removing timber is strictly illegal. Local people would argue, however, that they are simply reclaiming their traditional lands, taken over by the concessionaire without compensation.

<sup>11</sup> Such leasing may also be of dubious legality, given Inhutani's mandate to rehabilitate the land.

<sup>12</sup> One Malaysian manager of a concession in Indragiri Hilir complained of the frequent theft of *ramin* from the land, so that the company could barely make a profit, and he planned to give up and return home (Interview, 18 April 2000).

<sup>13</sup> A further statement from the company in March 2001 substantially increased these amounts, giving the total planted by December 2000 as 143,851 ha, which consisted of 82,064 ha from RAPP plantations, 59,157 ha from joint venture plantations and 2,630 ha from

community tree farms (Munoz, Environment Manager, RAPP to CIFOR 8 March 2001). The difference came mainly from the 'joint ventures', which appear to have almost trebled (from 21,741 ha to 59,157 ha) within one year.

<sup>14</sup> The sudden increases in annual planting projected by RAPP through its joint venture companies (see endnote 13) are difficult to reconcile with the areas the company has succeeded in planting in the past, and certainly represent a shift of ground from the company's previous statements (APRIL 2000a). Our observations on one of RAPP's plantations in Kuansing do not lead us to any sanguine conclusions as to whether the company will be able to meet the ambitious plantation development targets it has set, in a climate increasingly hostile to such enterprises.

<sup>15</sup> The fact that the activity was contracted out is partly an admission by the local planning office (Bappeda) that they do not have the technical capacity to undertake it but may also reflect difficulties in the relationship between Bappeda and the provincial branch of the Ministry of Forestry and Estate Crops (*Kanwil Kehutanan dan Perkebunan*, Dephutbun).

<sup>16</sup> The Regional Physical Planning Project for Transmigration (RePPProT).

<sup>17</sup> Such agriculture was originally designed for settlement of transmigrants but rapidly moved beyond that specific purpose to be applied more generally, especially to accommodate oil palm plantations.

<sup>18</sup> The Draft Report on the new Provincial Land-Use Plan (BAPPEDA 2000) suggested that there were already 2.3 million ha under estate crops out of a maximum agreed area of 3.1 million ha. However, with many more properties in the pipeline, the total area would eventually reach 4.1 million ha. It was suggested that these new allocations would be accommodated through 'overlap' with protected areas, especially peat swamp.

<sup>19</sup> There are conflicting figures available for the amount of land under oil palm, ranging from 1,002,401 ha (Dinas Perkebunan 2000b) to 658,139 ha (Direktorat Jenderal Perkebunan 2000). The locally collected data show a much larger area under smallholder planting and an increased area also owned by private estates. The

differences may be those of definition; perhaps areas without a final licence (HGU) are included in the provincial totals. Riau is the province with the greatest emphasis on both smallholder and private estate production, including independent smallholders, while North Sumatra leads the way in government estates.

<sup>20</sup> These taxes had previously been limited to hotels and restaurants, entertainment, advertising, street lighting, mining for sand and stone, and the supply of underground and surface water. Taxing vehicles in transit through a district was later approved (Dinas Pendapatan Daerah 2000).

<sup>21</sup> Pelalawan, Kuantan Singingi and Indragiri Hulu have all received over Rp 200 billion.

<sup>22</sup> Interview with the District Secretary of Kampar 17 February 2000. See also Perda 16, 1995, Kabupaten Kampar.

<sup>23</sup> Interview with the Head of Rengat Forestry Office.

<sup>24</sup> Such criteria and standards became available in November 2000.

<sup>25</sup> What has actually happened is that the Offices of Forests and Estate Crops in Indragiri Hulu have been merged, which is an unexpected outcome.

<sup>26</sup> This office was recently burned down, presumably by interests connected with the illegal logging and collecting activities centred on the national park. Its present status and that of its staff, some of whom have been threatened, was uncertain at the time of writing. As the WWF office near the park has recently also closed, Bukit Tigapuluh is now particularly vulnerable.

<sup>27</sup> Interview with the Kampar district secretary Drs Hamid Syawir, 17 February 2000.

<sup>28</sup> Sabli (2000) and interview 16 August 2000.

<sup>29</sup> One list available for the old Kampar district from the PBB office (Dispenda) in Pekanbaru for October 1999 made some attempt to classify the forestry companies by subdistrict and managed this for half the companies, but the rest were then simply lumped together under 'Kampar district'. So if taxes were paid, they would presumably go to the central office in Bangkinang. The list itself was seriously flawed, with inclusion of companies no longer operating and omission of some still active (Dispenda 1999).



<sup>30</sup> Interview conducted with Drs Hamid Syawir 17 February 2000.

<sup>31</sup> Ciliandra Perkasa is part of the Surya Dumai group of plantations. The company's prospectus lists this plantation as having considerably more land than is legally listed on local records.

<sup>32</sup> The dispute between the people of Tambusai and those two companies goes back some time. In December 1999 the Camat's office was burned because of frustration with the slow response to villagers' complaints. The province wished to revoke the owner's permit to conduct business (PT), which was being challenged in the courts. The antipathy between villagers and the company resurfaced in 2001 with the burning of a Tor Ganda truck loaded with crude palm oil (CPO). Villagers had complained of the company's refusal to pay a 'village tax' of Rp 5 million per month for the use of their roads by company vehicles; the director of Tor Ganda claimed that such a tax was 'pure extortion' (*Antara* 20 May 2001). It is also an example of village initiatives in raising local income, similar to district PADs.

<sup>33</sup> Fieldwork, Kec. Tandun, Rohul, July 2000.

<sup>34</sup> In North Sumatra, for example, the plan is to privatise PTP VI in 2004 (*Tempo* 18 May 2001).

<sup>35</sup> Interview with the late interim *Bupati* of Pelalawan (who was elected *Bupati* in 2001 but died 10 days later), 19 August 2000.

<sup>36</sup> Called 'Penyalai' after a village there and its famous technique of smoking fish, 'salai'.

<sup>37</sup> Betung village is the Petalangan centre of art, music and culture.

<sup>38</sup> We are indebted to Mangara Silalahi from WWF, BTNP, who with Osmantri carried out a survey of Kerumutan in June 2000 and was generous with his information on the area.

<sup>39</sup> The total number of fishing platforms inside the reserve is thus 72.

<sup>40</sup> Residents of one site of conflict, Batam Merah village near Sorek, have accused Arara Abadi of taking 260 ha of village land without compensation. The company in turn accused the village of stealing wood from its HTI (Interview, official from Estate Crops Office, Pelalawan, 21 March 2001; *Suara Pembaruan* 22 May 2001)

<sup>41</sup> The Rengat Forestry Office was responsible for managing forests in parts of Kampar, Pelalawan, and Kuantan Singingi as well as in

numerous subdistricts within Indragiri Hulu itself.

<sup>42</sup> Interview with the Head of the Rengat Forestry Office, 13 July 2000.

<sup>43</sup> According to a company report the formally licensed concession area was 280,500 ha with this figure subsequently revised upward (APRIL 2000b).

<sup>44</sup> Potter and Badcock visited the Logas North plantation in August 2000.

<sup>45</sup> The oil palm estate has a *Hak Guna Usaha* (HGU) licence, compared with RAPP's weaker *Hak Pakai* permit.

<sup>46</sup> It is difficult to predict how officials in Kuantan Singingi will deal with the polished RAPP organisation, particularly as the *Bupati* had only just been elected in March 2001, then unfortunately died. No substitute had yet been found by September 2001.

<sup>47</sup> Of this total almost 70 percent lies in Riau and the rest in Jambi.

<sup>48</sup> The forests of Bukit Tigapuluh National Park are characterised by tree species from the Dipterocarpaceae and Euphorbiaceae families.

<sup>49</sup> Hidayah (1994) states that the Talang Mamak, who mostly live along rivers, are closely linked to the Melayu. The Kubu are still largely nomadic and reside on the Jambi side, so they were not included in the study.

<sup>50</sup> The extent of the problem is so great that local newspapers have suggested that 'if illegal logging is not stopped, then it will be only a matter of time before the name of the park is all that remains' (*Suara Kita* 10 October 2000).

<sup>51</sup> In 1999, it was estimated that as much as 1,120 m<sup>3</sup> of timber were being taken from Bukit Tigapuluh every day, an average of 10 trucks on each of 28 corridor roads (*Suara Kita* 10 October 1999).

<sup>52</sup> Trenches were excavated blocking three roads leading into the national park. It was comparatively easy for illegal loggers to fill these with rocks and trees, reestablishing access within a few hours (*Riau Pos* 15 July 1999).

<sup>53</sup> Two oil palm estates, Arvena Sepakat (AS) and Sumatera Makmur Lestari (SML), were particular offenders, with some plantings on slopes of 40°. Local people had also experienced loss of land with disputes between the companies and as many as 11 affected villages

(fieldwork conducted between February and April 2000 by Potter and Badcock).

<sup>54</sup> The communities which provided the basis for the information collected during fieldwork (September 1999 and April 2000) are located along the East Sumatran Highway, within and to the north of the park (see Map 6).

<sup>55</sup> This figure is small when compared with the Indragiri Hulu population of 250,320 (*Riau Abad 21* 2000).

<sup>56</sup> The highway also facilitated access to areas that had traditionally been inaccessible. Some Talang Mamak villages now have a diverse ethnic and religious mix, with Javanese, Batak, Minangkabau and Chinese buying village land and sometimes marrying into these communities.

<sup>57</sup> Information based on fieldwork and discussion with WWF staff as well as interviews with the Head of Bukit Tigapuluh National Park Unit in September 1999, April and July 2000.

<sup>58</sup> Some individuals reputedly had as much as 50 ha under rubber (PKA 1999).

<sup>59</sup> In July 1999 rubber prices reached a record low of Rp 600-700 per kg. They subsequently increased to between Rp 1,300-1,600 in April 2000, but this value was still only half the cost of a kilogram of rice (Source: fieldwork).

<sup>60</sup> Interviews with the Head of Bukit Tigapuluh National Park, 15 April 2000, 21 April 2000 and 10 October 2000.

<sup>61</sup> Land that is sold to migrants will vary in price depending on the category of forest. Primary rain forest brings a lower price, anywhere between Rp 350,000 and Rp 500,000 per ha, while secondary forest may cost between Rp 1 and 1.5 million (Silalahi 1998: 19)

<sup>62</sup> Fieldwork by Potter and Badcock in Pejangki, Belangan, Aur Cina and Durian Cacar villages.

<sup>63</sup> WWF conducted surveys in 1999 and 2000 that identified the level of illegal logging in areas close to Bukit Tigapuluh National Park.

<sup>64</sup> Interview with the Head of Bukit Tigapuluh National Park, 10 July 2000.

<sup>65</sup> Potter and Badcock visited an illegal logging site with national park staff (10 July 2000) where people from the camp claiming to be 'representatives' from Sungai Akar were using heavy machinery supplied by unidentified parties to clear forests near Bukit Tigapuluh.

<sup>66</sup> WWF field reports on illegal logging (1999), newspaper articles, fieldwork and interviews with WWF and national park staff provide the basis for this description of illegal logging strategies used by some timber companies.

<sup>67</sup> The article documenting this investigation was reported in *Riau Pos* 17 July 1999.

<sup>68</sup> Interview conducted with a community leader from Teluk Jambi, 9 July 2000.

<sup>69</sup> Twenty-two local Melayu middlemen, supported by Chinese capital, channelled the timber from Bukit Betabuh to other regions. The timber harvested from the area effectively supported the operation of 12 sawmills (Nursamsu and Susanto 1999).

<sup>70</sup> The recently appointed Head of Forestry in Kuantan Singingi indicated that the district government planned to reforest the Bukit Betabuh area with rubber, *pinang* and other hard timber tree species. Kuantan Singingi authorities are considering changing the status of the area from 'Protected Forest' to some type of estate crop classification (Interview with Head of Forestry in Kuantan Singingi, 19 March 2001).

<sup>71</sup> The high volume of heavy logging trucks transporting timber to pulp and paper factories, plywood companies and sawmills has had a significant impact on the region's roads.

<sup>72</sup> Between 1996 and 1998, growth in the primary sector rose from 31.35 percent to 47.26 percent, making it the most significant contributor to the district's economy. During the same period, contraction in industry, from 22.45 percent to 16.81 percent, highlighted a general slowdown in other sectors of the district economy (CV Trace Engineering 2000).

<sup>73</sup> Interview conducted with a company official, 15 February 2000.

<sup>74</sup> Interview with the interim *Bupati* of Kuantan Singingi, 3 October 2000.

<sup>75</sup> Interview conducted with the planning staff from Kuantan Singingi, 19 March 2001.

<sup>76</sup> The interim *Bupati* of Kuantan Singingi stated that he is 'pushing the alliance of government, *adat* and religion, which he sees as three strings, which together are more powerful than one' (Interview, 3 October 2000).

<sup>77</sup> The Indragiri Hulu legislature is made up of an eclectic array of members, the majority having lower high school education and more

than half being previously involved in the private sector.

<sup>78</sup> Interview conducted with the *Bupati* of Indragiri Hulu, 15 August 2000.

<sup>79</sup> When asked whether or not the old elites could be kept from retaining power another (unnamed) *Bupati* responded frankly that it wasn't easy: 'How do you find 30 good people? If you start with the most educated, you may well find that at least some of the top three are villains and by the time you get to number four, he's not much good'.

<sup>80</sup> Interview with the *Bupati* of Indragiri Hulu, 15 August 2000.

<sup>81</sup> Administrative responsibilities were only beginning to function in April 2000, with identification cards, family cards, and birth and death certificates to be issued in Taluk Kuantan from May 2000.

<sup>82</sup> In an unusual development, only 25 seats had been allocated for the Kuantan Singingi district parliament, despite the population of the district entitling them to 30 (*Riau Pos* 3 October 2000).

<sup>83</sup> On a recent 'update' visit by Badcock to Indragiri Hulu, he found government officials sceptical that merging the formerly separate Forestry and Estate Crops Offices would benefit the district. Because so many problems in the past had been associated with both of these offices, they failed to see how a smaller, less staffed single office would be able to manage all of the complex issues that would emerge (Interview, 20 March 2001).

<sup>84</sup> In 2000, Indragiri Hulu was allocated Rp 86 billion, with Rp 40 billion dedicated to routine spending (Interview with staff from the *Bupati*'s office, 20 March 2001).

<sup>85</sup> All statistics relating to budgets and taxes in Kuantan Singingi were supplied by the Head of the District Finance Office, 19 March 2001. One might also compare the figures for Pelalawan, increased from Rp 64 billion to Rp 249 billion (Table 8).

<sup>86</sup> The new taxes levied in Kuantan Singingi are based on Law 34 of 2000, a revised version of a former tax, Law 18 of 1997. A range of district government agencies in Kuantan Singingi have collaborated and proposed a suite of new taxes recently submitted to the district legislature for review.

<sup>87</sup> There are four central components to revenues now accruing from the redistribution of resources to districts. These are from oil and gas (Rp 101 billion), 6 percent and 12 percent share; forestry, primarily from the forest taxes (*Provisi Sumbang Daya Hutan*) (Rp 850 million), 32 percent share; fisheries revenue (Rp 546 million), 80 percent share; and general revenues (*Pertambahan Umum*) (Rp 405 million) (see Table 1).

<sup>88</sup> There are three types of PBB that cover estate crops, forestry and mining; oil and gas; and village and city development activities with 64.8 percent of the tax revenue collected being retained by district authorities. Table 6 illustrates the contribution of PBB to study districts across Riau in 2000.

<sup>89</sup> Interviews conducted with provincial tax officials regarding tax reform in Riau (13 July 2000 and 21 July 2000).

<sup>90</sup> Most new forestry offices are waiting for a Governor's Decree severing the official ties with the *induk* agency. The Head of Forestry in Kuantan Singingi expects that this decree will be issued in the third week of March 2001 (Interview, 19 March 2001).

<sup>91</sup> Interview conducted with the interim *Bupati* of Kuantan Singingi, 3 October 2000.

<sup>92</sup> Interview conducted with Kuantan Singingi forestry official, 19 March 2001.

<sup>93</sup> Comments made by legislative members from Indragiri Hulu, 12 July 2000.

<sup>94</sup> Comments made by officials during interviews from both Kuantan Singingi, 19 March 2001 and Indragiri Hulu, 20 March 2001.

<sup>95</sup> In both districts the new licences are for areas of not more than 100 ha. Licences relating to NTFPs cover a range of harvestable commodities, including rattan, various resins and latexes, oils, sago, *nipah*, bark by-products, bamboo, fruit and seed from firewood, birds' nests, gaharu and honey from the *Sialang* tree.

<sup>96</sup> A team of forestry staff will be responsible for completing a technical evaluation, as well as a consultation with subdistrict officials, including the *Camat*. The completed inventory will then be evaluated by the Head of Forestry with a recommendation to the *Bupati* regarding the viability of the licence.

<sup>97</sup> For example, those harvesting timber planted by communities (*Kayu Tanaman Rakyat*, KTR) in Indragiri Hulu will incur a tax equivalent to 50 percent of the natural resource provision (PSDH) paid by industrial timber plantations (HTI). Those harvesting timber from community forest areas (*Kayu Tumbuh Alam*, KTA) must pay a similar tax, as will those clearing remaining timber in plantation areas. (These levies are designed to offset the cost to the government of organising the licensing process).

<sup>98</sup> Those wishing to apply for such licences will need to have time, access to finances, contacts within relevant government agencies and knowledge of administrative procedures. As in the past this will preclude isolated, marginal communities who are seeking to maintain or utilise timber and NTFPs. The licensing protocols that are emerging tend to favour entrepreneurs or other actors who are able to mobilise the resources necessary to succeed.

<sup>99</sup> A DPRD member from Inhu remarked of decentralisation in mid-2000, 'People have only got their hands on the tail of the beast...Now they must tease the rest of the body away from the central government before it will be possible to implement the necessary reforms'. There was a general impression that the decentralisation process was not a transparent or fluid transition, but one that required a degree of perseverance by lower political levels to ensure that they fully benefited.

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