



Governance Brief

The Impact of IPPK and IUPHHK on Community Economies in Malinau District

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Regional autonomy (OTDA) has opened up the opportunity for districts to manage their forest resources (SDH), however, the division of authority between district and central governments remains unclear. So, how and to what extent can this opportunity improve community livelihoods?

For the research presented here, data was collected to answer these questions for the case of Malinau District, where, as in other forest-rich regions, decentralization has been marked with regional government (Pemda) policies granting IPPK (timber extraction and utilization permits) and IUPHHK (forest timber product exploitation permits, better known as mini HPHs).

The research, conducted in the three villages of Long Pangin, Laban Nyarit, and Langap between April and June 2004, show these policies have not had the desired results. Communities' lack of capital and technical capacity led them to give their permits to people with better access to capital. Communities only received fees. Communities' lack of access to information and support when negotiating with these entrepreneurs resulted in agreements where the entrepreneurs enjoyed the greatest benefits while communities were left with very little.

IPPK and IUPHHK IPPK Policies

According to Minister of Forestry and Plantations (Menhutbun) Decree No. 310/1999 on "Guidelines for Granting Forest Product Harvest Permits", a HPHH (called IPPK in Malinau) is a concession to harvest timber and non-timber forest products in production forests in accordance with the amounts and species specified in the permit (Article 1 section 5) issued by a district head (Article 4 section 1) for a one-year period on a maximum area of 100 ha (Article 4 section 2) to cooperatives or individuals (Article 4 section 3).

The legal foundation for IPPK in Malinau District is Bulungan District Head Decree No. 19/1999 on "Procedures for Granting Timber Harvest and Utilization Permits in Community Forests and Privately-Owned Forests".

From April 2000 to May 2001 the Malinau District Government issued around 46 IPPKs covering a total area of 60,000 ha. In May 2001, the elected district head in Malinau stopped issuing new IPPKs and in November that year existing IPPKs were no longer extendable. An example of villagers' experiences with IPPK permits can be seen in the case of Langap village.

IUPHHK

According to District Regulation (Perda) No. 6/2001, an IUPHHK is a permit for the utilization of timber in a production forest in a particular location (Article 1 section n), issued by a district head to legal entities (cooperatives, state-owned or district enterprises, and private companies) (Article 2 section 2), with a maximum area for every permit holder of 50,000 ha and for a time period of 20 years (Article 4 section 1). Between December 2001 and March 2002, Malinau District Government issued around eleven IUPHHK permits covering an overall area of approximately 363,925 ha. Five of those eleven IUPHHKs operated actively, including one belonging to CV Gunung Sidi Sukses Makmur (CV GSSM) in Laban Nyarit village.

The community chose to cooperate with this company, despite having foregone profits in an earlier cooperation with IPPKs. The reasons for this were: a) many villagers were confused about what the model of commercial timber harvesting was after their IPPK permits had expired; b) most villagers were dependent on IPPK fees and company help, and had no preparations for when IPPK permits stopped operating; and c) villagers had little information or explanation about IUPHHKs, procedures for securing them, how large an area they covered, or how they worked. Long Pangin village had no IPPK or IUPHHK permits, and was studied as a benchmark.

The Effects of IPPK and IUPHHK and the Importance of Fees

Despite fees providing a new form of income, qualitative analyses showed earnings from IPPK fees in Langap and IUPHHK fees in Laban Nyarit were not so important to villagers, who generally considered them to be temporary. Farming was still their primary source of income and considered long term in nature. This was apparent from the small number of respondents saying that fees were their most important source of income (see Figures 1 and 2). A community leader in Laban Nyarit said, *“If a company gave a houseful of money to the villagers, it would be gone in a matter of days, but we will continue to enjoy produce from the forest and fields for generations. So, the forest and everything in it is more important and means more to us”*.

Figure 1 shows the most important income source for 53% of respondents (16 people) in Langap was farming (fields and forest); while the most important income source for 13% (4 people) was government salaries; 10% (3 people) said their

most important source of income was services (construction workers or house builders); 10% (3 people) said fees from IPPK were their most important income source; finally for 7% (2 people) their most important income sources were a kiosk and wages from companies. Figure 2 shows 57% of respondents (17 people) in Laban Nyarit stated their most important income source was their swidden agricultural fields and the forest; for 13% of respondents (4 people) it was IUPHHK fees; for another 13% (4 people) the primary source was government salaries; followed by 7% (2 people) whose most important sources of income were services and company wages; and lastly for 3% (1 person) the most important income source was his kiosk.

The high number of respondents saying their most important income source was their swidden agricultural fields and the forest shows that most people living in Malinau, particularly those in the research locations, depended on forest resources for their livelihoods, bearing in mind that almost 90% of Malinau was forest land. This forest dependency was not limited only to swidden fields and their produce, but also on the protection they provide and the ecosystems on which local people depend on directly or

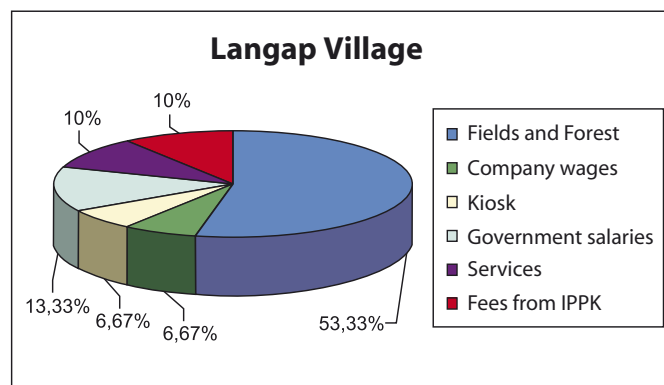


Figure 1. Percentage of respondents and the most important income source for Langap villagers

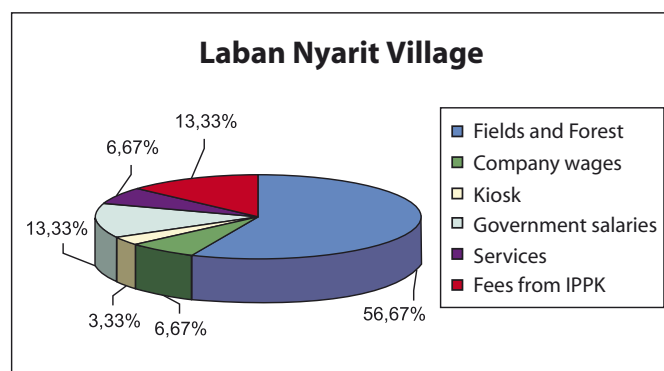


Figure 2. Percentage of respondents and the most important income source for Laban Nyarit villagers

indirectly to preserve their existence and increase their wellbeing (See Uluk, et al. 2001; Sardjono 2004). A large number of respondents said their most important income source was produce from the fields and forest because of its variety in terms of produce and services. From an economic point of view this can reduce the risk of loss from market price fluctuations, and from an ecological viewpoint it can avoid the failed harvests that can come with monoculture.

The shift in forest management to IUPHHK was expected to provide opportunities for improvements in forest management such as: more open negotiations between villagers and companies, clarification of community implementation and supervisory roles, and improved community incomes. These proved difficult to achieve. Although villagers were directly involved in negotiations, their position remained extremely weak due to their lack of comprehensive knowledge regarding IUPHHK. Regarding supervision, villagers could do nothing when a company failed to manage a forest in the way it should. Communities said that after companies commenced operations their livelihoods suffered as their hunting decreased. They had to go further to collect wood for their household needs, more pests and diseases attacked their crops in the fields, and their fish catches diminished as river water became polluted.

Impacts on Changes in Earnings and Community Economy

From interviews conducted on the perceptions of changes in earnings before and after IPPKs with ninety randomly selected respondents in three research locations, as many as 40% of respondents (36 people) said their earnings had become smaller, for 35% (32 people) was greater, 16% (14 people) said their income was the same and for 9% (8 people) income became irregular (see Figure 3). The high number saying 'smaller' was because of reduced yield from the fields, fewer available forest products and people being laid off by companies.

The survey gauged respondents' perceptions of changes in incomes from comparisons of their households' pre- and post-IPPK financial situation. Three possible answers were provided, i.e. 'better', 'the same', and 'worse'. Indicators used as standards for determining the positive or negative change in their economy were: a) how easy or difficult it was to get an income source (occupation); b) how easy or difficult it was to get forest products (timber or non-timber); c) distances involved in searching for forest products; d) growth or drop in crop yields; and e) how much forest was cleared for farming fields.

Based on the above indicators, it was found that 27 respondents (30%) stated their financial situation was better, 15 respondents (17%) said it was the same and 48 respondents (53%) said their financial situation was worse than it was before IPPKs (see Figure 4).

From perceptions of changes in earnings in each village (see Figure 5), it was discovered that in Langap 27% of respondents (8 people) said their incomes were better, 20% (6 people) said they were the same, and 58% (16 people) said they were worse after IPPK activities. The high number saying "worse" was due to villagers' increasing difficulties in gathering forest products such as rattan, gaharu (eaglewood), fruits or game; pollution of river water making it difficult for them to catch fish and get clean water; and the prevalence of pests and diseases attacking their crops in the fields.

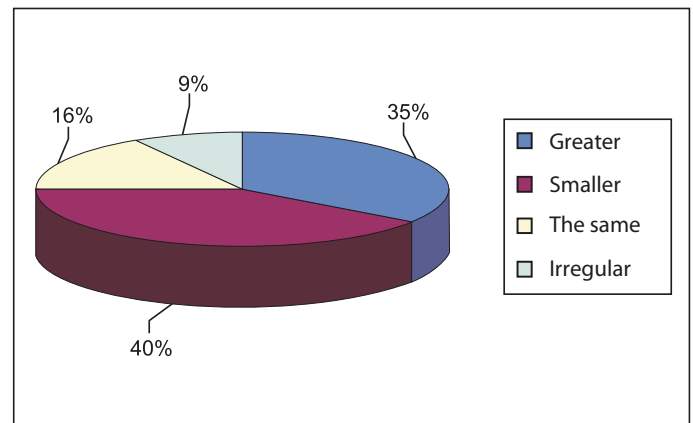


Figure 3. Respondents' perceptions of changes in earnings after IPPKs, compared to before IPPKs

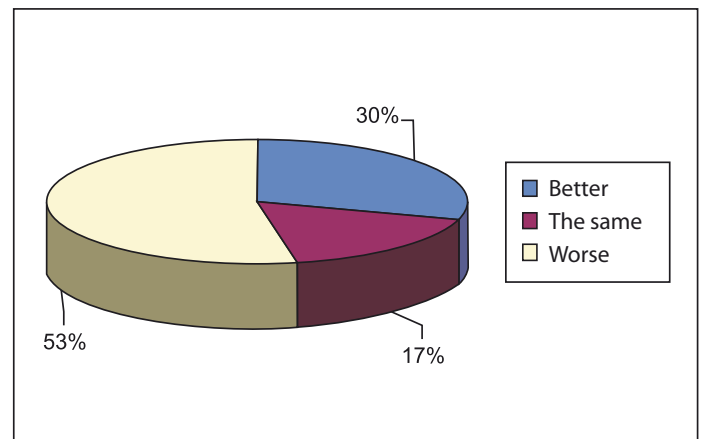


Figure 4. Respondents' perceptions of changes in their financial situation after IPPKs, compared to before IPPKs

Villagers in Laban Nyarit, felt no positive effects from the presence of the IUPHHK company operating in their forest area for about four months (February - May 2004). On the contrary, they felt a number of negative effects arising with difficulties in finding rattan, fewer hunting catches, their forest shrinking as it was cleared for farming, and their daily water source; the water in the Ran River tributary becoming polluted. These negative impacts were reflected in Laban Nyarit villagers' perceptions with 23% (7 respondents) saying their income was better, 17% (5 respondents) saying it was just the same, and 60% (18 respondents) saying it was worse. In fact the number saying their earnings were worse in Laban Nyarit (where IUPHHK activities were currently underway) was greater (60%) than in villages where no IUPHHK activities were taking place (53% in Langanp, which once had IPPKs and 40% in Long Pangin, with no IPPKs or IUPHHKs). This is due to a number of things: Firstly, post-IPPK negative effects were expected to persist and become more severe with IUPHHK activities. Secondly, the fees communities received were not continuous and were insignificant compared to the huge negative impacts. Thirdly, companies had yet to increase community involvement in forestry management and had not fully undertaken community empowerment activities.

Villagers' perceptions of economic changes in Long Pangin following IPPK activities were as follows. Forty-seven percent (14 respondents) said their economies were better, 13% (4 respondents) said the same and 40% (12 respondents) said they were worse. The majority of those saying worse were farmers highly dependent on the forest and with no other sources of income. Villagers in Long Pangin also felt a number of negative effects of IPPKs or IUPHHKs operating in the upper reaches of the Malinau River such as an increase in pests and disease in their fields, difficulties finding hunting catches, river pollution and lower crop yields. These are probably because the effects of forest resources utilization were felt even by communities far from forest areas.

The majority of villagers in Long Pangin who said their standard of living had improved after IPPK activities (their number was larger than those saying it was worse) had other sources of income besides farming as their primary income source. They got extra income from the service sector working in Malinau town centre. The village's proximity to the town and its market made it easier for villagers to market their farming produce and obtain all their daily needs at relatively cheap prices compared to villages located far from the district town.

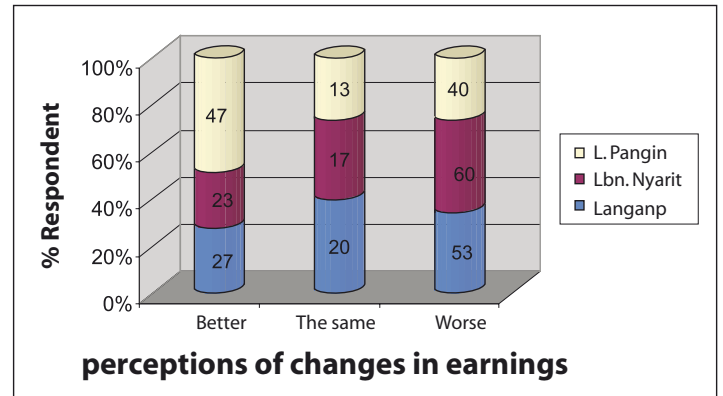


Figure 5. Perceptions of changes in earnings in each village after IPPKs, compared to before IPPKs

The main finding from villagers' perceptions was that almost 50% of respondents felt their standard of living was worse after IPPK than it was before. This shows the IPPK policy (which was over at the time the research was conducted) and the IUPHHK policy (which was ongoing) had not yet provided significant long-term increases in community welfare.

IPPKs were also a factor in the environmental degradation of forests as they were only valid for one year and led to clear cutting. It was not uncommon for IPPKs and IUPHHKs to lead to conflicts between a) villagers and negotiators with unfair and nontransparent division of fees, b) communities and IPPK or IUPHHK companies when villagers feel dissatisfied with initial agreements and c) communities with other communities over land ownership and division of profits.

What Lessons Can We Learn?

Even though IPPKs and IUPHHKs provided some profits in the form of fees to communities during their operations, in the long term these policies cannot guarantee improved welfare for these communities. Communities' ability to manage their forests is still limited by their lack of capital, capacity and knowledge. This results ultimately in the majority of profits from timber harvesting policies being enjoyed by entrepreneurs with access to capital rather than the communities themselves. Furthermore, the fees communities do receive are used more for meeting their daily needs (even luxuries) and not always for long-term investments such as savings and education.

Recommendations

1. Villagers' lack of knowledge about procedures for securing IPPK and IUPHHK permits makes them more inclined to wait and rely on approaches from entrepreneurs. Therefore, the district government should make sure communities are familiar with every policy and help communities to exchange information with each other.
2. In finalizing its policies, the district government should involve those communities affected either directly or indirectly by the implementation of those policies.
3. *The local government* should improve supervision and law enforcement when implementing forest policies to bring about more sustainable management of forest resources to suit existing community conditions and capacity.
4. When providing assistance to communities, companies should focus on community empowerment to promote independence rather than dependency on company aid, as happened with HPH concession holders and the PMDH (Forest Village Development Program) in the past. Such community empowerment activities might involve the provision of guidance and training in animal husbandry, agroforestry, plantation farming, fisheries, rice terracing, and partnerships to improve family productivity in the long term.



Photo by Oding Affandi

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