

Is decentralization good for the
environment and poverty?
Lessons from the forestry sector
in Indonesia

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This paper considers...

1. Decentralization: the Indonesian context
2. How far has Indonesia devolved management responsibilities for forestry?
3. How is decentralization affecting forest management and communities?
4. Preliminary conclusions

1. The Indonesian Context

- Previous decentralization cycle
- Centralized nature of decision-making associated with rapid exploitation & conflicts
 - erode the assets of poor and increased their vulnerability.
- 1999: decision taken from a position of weakness
- Decentralization to districts
- Political uncertainty
- A difficult and complex process



- Deforestation: up to 2 million hectares per year
- Illegal logging at unprecedented levels (up to 56.6 million cubic metres/per year)

Hope decentralization can:

1. Improve participation
2. ensure that decisions are based on local knowledge
3. reflect long term interests of local communities etc.

After 5 decades...

- no assurance of the benefits expected
- no simple recipes or formulas to guarantee success

Legal Framework

- Framework law: a compromise → ambiguities
- Implementing regulations: complex formulations
- District regulations contradict higher regulations
- Sectoral laws not yet consistent with regional autonomy law

Result: Lack of rule clarity
& role clarity → at all levels

2. Extent of decentralization in the forestry sector

- Districts:
 - share responsibilities with central government
 - powers to regulate own agencies
 - grant small concessions (up to 50,000 ha)
- Circumscribed:
 - lack power over spatial planning
 - most of forestry estate under control of concessionaires
 - or has unclear status

Relation of districts upwards

- Law weakens accountability upwards
 - Central govt has failed to set up an effective administrative apparatus for guiding the transition
 - Districts: weak ability to affect policy process in the centre
- **Conflict: Agencies at each level interpret law to support their position in struggles over jurisdiction**

Relation of district government downwards

- Law: increased accountability of district heads to local assembly
- But accountability of local assembly?
electoral model:
vote for party & party selects candidate
→ MPs primarily loyal to party
money politics:
exchange of cash and favours

3. Impact of decentralization on Forest Sector

- District government:
 - Increased responsibilities but...
 - lack tax base
 - still dependent on central allocations
 - Fiscal crisis

Improvise to stabilize administrations:
particularly to raise revenue

District Policy Process

Politicians & officials → deals with private sector

- to meet political & economic needs
- to raise district revenue & finance regional autonomy

timber rich areas:

- incentive to raise revenues via small scale concessions
- each license: 50-100 million Rp
- up to 300 small concessions
- neglect social & environmental factors

Gaining access to timber now...

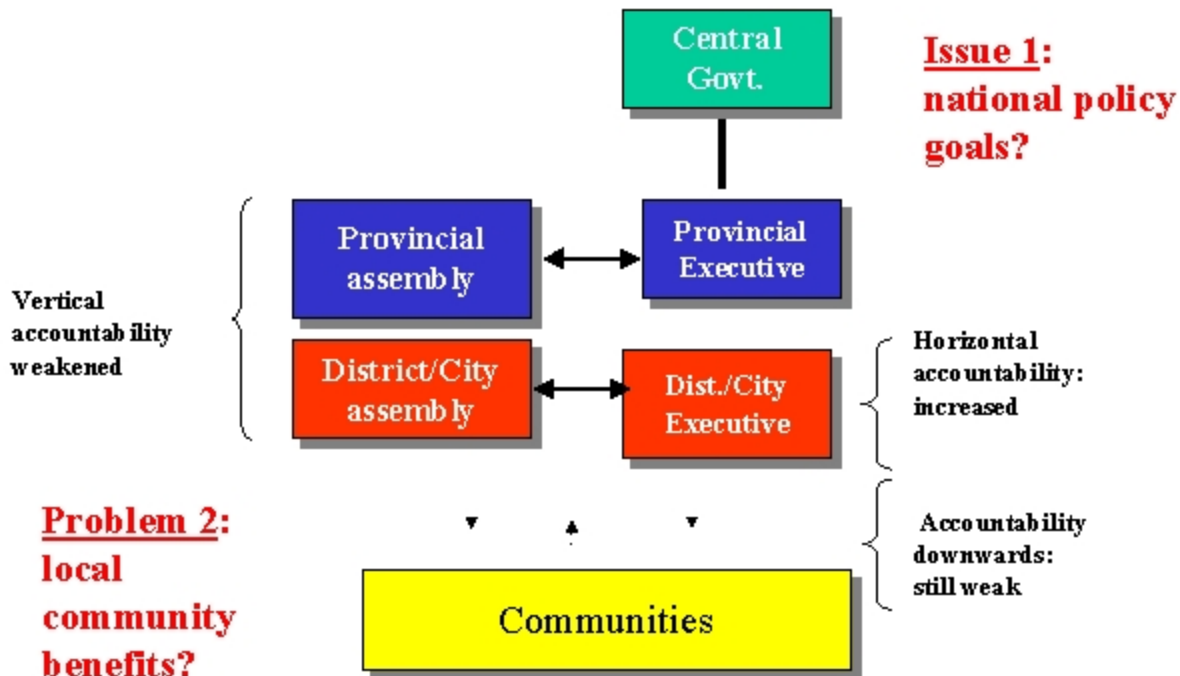
timber interests: negotiate access to forests via local timber brokers

- timber brokers negotiate horizontally with assembly and local government
- downwards with local community heads

Impact on forest dependent communities?

- local economy fails to provide stable livelihoods:
→ some log, many watch
- lack capital to process permits
- lack power to participate in decision making process
- disputes with those excluded from deal making:
conflicts with brokers, companies and government
- only benefit marginally from liquidation of timber resources

Conclusions: Accountability & Regional Autonomy





**Local Communities:
largely remain politically and economically
marginal to process**