

## Policy Brief

# Strengthening small scale forestry by reforming public sector organization

### Background:

Forest management approaches has largely developed and devolved prioritizing protection & conservation of forest, improving the logging practices, improving forest industry efficiency and forest rehabilitation. This development has brought a wide array of opportunities for small-scale landholders to enter into the supply chain. Though small in area (ranging from 0.1 ha – 25 ha) smallscale landholders have entered into **sustained timber trading process**, make up their **basic needs for livelihood**, as well as **maintaining and securing environmental services**. Small Scale Landholders have formed an association (Hutan Rakyat, Small teak plantation holders' association, CFUGs) to share experience, act as a market linkage. However, with changing paradigm, some institutional gaps and barriers

are limiting smallscale landholders receive optimal benefits from small scale forestry.



Figure 1. Private forest in west java, Indonesia

The tables 1, 2 and 3 below illustrate share of small scale landholders as an important part of supply chain whether it is timber, livelihood or securing environmental services.

*Table 1 Small Scale Landholder's status in Indonesia*

Indonesia: As one of the timber exporting country, Indonesia solidified its considerable market share of timber exports to the EU equating annual average value of \$1.2 billion USD in 2012 (European Forest Institute). Along with Voluntary Purchase Agreement (VPA) an exponential rise in annual value from export is experienced i.e threefold in the first half of 2013 compared to the same period in 2012 to \$1.53 billion USD (Ministry of Forestry). Following Indonesia's national movement initiative "sengonisasi" to encourage forest plantation in the private land that contributes to timber supply as well as forest rehabilitation; "Hutan Rakyat" (small scale landholders/private forestry with land area up to 25 Ha) have

been planting fast growing tree species such as sengon or albasia (*Paraseriantes falcataria*). Prior 1970s, the timber export was largely from natural forest. With government's relaxant policy as sengonisasi the role of Hutan Rakyat came into existence in 1970, gained momentum and boomed since 1990. The farmers of Hutan Rakyat are planting sengon/ albasia (*Paraseriantes falcataria*), jabon (*Antocephalus cadamba*), African wood (*Maesopsis eminii*) etc. and has a rotational cycle of 6-8 years. Out of 124 Million Ha of natural forest in Indonesia, around 50% is allocated for production forest. Currently, the share of Hutan Rakyat in country is 5.1 Million Ha, and around 50% belong to Java. This reflects Hutan Rakyat are important part of the country's supply chain.

*Table 2 Small Scale Landholder's status in Laos PDR*

Laos PDR: The Forestry Strategy 2020 (FS2020) endorsed in 2005 targets:

- i) improving the quality of forest resources by natural regeneration and tree planting for protection and livelihood support
- ii) providing a sustainable flow of forest products for domestic consumption and household income generation
- iii) preserving species and habitats
- iv) conserving environmental values in relation to soil, water and climate

To address shifting cultivation, indiscriminate cutting of forests by rural people (FAO 1993) and as a continued people-centric forestry plans (Hodgdon 2008); Lao PDR promoted forest plantations across the country since 1994. The plantation provision incorporated land tax abatement as in incentives. Therefore, communities in Luang Province are planting teak (*Tectona grandis*) in around 10,000 ha and selling.

Small teak plantation holders' association is established. This association is assisted by government and trained professionals to support how to manage their plantation. The association acts as a market linkage (collecting all timber in one place and supply to timber industries).

Source: FAO, 2010

*Table 3 Small Scale Landholder's status in Nepal*

Nepal: Out of 3.6 Million Ha forested area; Community Forestry (CF) encompasses 1.18 M ha handed over to 14,227 (till 2005) forest user groups to protect, manage and utilize (Department of Forests, 2005). The CF tenure lies with government while user right remains with community. Forest Regulation of 1995, forest user groups are allowed to find ways to achieve financial sustainability. The CF revenue generated through membership fee, selling for timber are largely used for community development purposes (constructing trails, culverts and irrigation canals providing scholarship to the poor students), and forest management activities. The CF is mainly for management and conservation of forest. Communities can use the forest for their requirement as per mean annual harvest stated in community forestry operational plan.

All the forest user groups as an association are voluntarily united under the umbrella of the Federation of Community Forestry (FECOFUN) to ensure their rights are protected and not curtailed by the government.

### **Issues**

1. Time consuming and long approval process: Small Scale Landholders have to undergo through a long approval process to fell the timber. At one hand the local government authority comes over issues permission ensuring the timber is from certified land. This further has to be approved by central/provincial government. The whole process has to be completed in less than a week but consuming more than 10 days in practice. Sometime there are several checkpoints to be crossed.
2. Differing regulations between one district to other: private land owners have undergone different regulations on retribution (payment made to fell timber) differs district wise: The timber felling process by is regulated by local government followed by central government. Some small scale landholders have undergone a retribution fee and some are not.
3. Small Scale landholders are felling their timber before the proper rotational cycle

### **Consequences:**

1. Issuance process/long approval process delays smallscale landholders deliver their product as well as delay in revenue collection that affects their livelihood.
2. Regulatory system at two levels and tax bracket difference effect the total benefit smallholders are receiving
3. Pre-rotational timber felling cycle practices have reduced the adequate revenue to be received by small scale landholders. Also, such practices reduced the forest cover which is not favorable.

### **Conclusions**

With the changes and devolution of forest and forestry system, small scale landholders have come a long way. More opportunities and further ways have come up along with. They are one of the major part of country's timber supply system, a drift towards maintain forest cover by addressing shifting cultivation as well as conserving forest for securing a large dimension of ecosystem services in sustaining their livelihoods. Small scale landholders have moved towards a larger market mechanism (a demand side) from

a much localized context. However, provisions like long issuance procedure for felling timber, government regulatory system at two different level and a lack of proper market information system at local level still seems a barrier for these small scale landholders to receive optimal benefits.

Association working with small scale landholders are not mainly working as a market linkage by collecting on timber under one umbrella and supporting the industries to collect in bulk. Whereas adequate market information, improved harvesting and rotational cycle information, the right price for matured timber information lacks. Thus these associations can be promoted as a local institution that strengthens local information system beneficial for Small scale landholders. Small scale landholders have a tendency of felling timber, as they need money, before the rotational cycle. Establishment of the micro finance

institution in the district would be able to pre-finance those Small scale landholders as a premium at some cost to them and help them wait till the proper rotational cycle.

### **Recommendation:**

Thus relaxation of policy under three headings are recommended:

1. Permit and provide FMU a role to deal with the permit of timber felling and release the permission. Limit the multiple check points to minimum.
2. Promote and strengthen local institutions/association and act as a local information system  
Establish a micro finance institution at local level that finances Small scale landholders and stops them felling the timber before rotational cycle.

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