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LESSONS LEARNED TECHNICAL BRIEF OPTIMIZATION OF REFORESTATION FUND IN CENTRAL KALIMANTAN

MARCH 2020



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ACRONYMS AND ABBREVIATIONS

APBD	Regional Budget
APBN	State Budget
BKAD	Regional Finance and Asset Management Agency
BPBD	Regional Disaster Management Agency
BPSKL	Center for Social Forestry and Environmental Partnerships
DAK	Special Allocation Funds
DAS	Watershed
DBH-DR	Revenue Sharing Fund of Reforestation Fund
DJR	Reforestation Guarantee Fund
DJPK	Directorate General of Fiscal Balance
DPA	Budget Execution Documents
DPRD	Regional People's Representative Council
DSP	Ready-to-use funds
DTA	Water Catchment Area
FMU	Forest Management Unit or <i>Kesatuan Pengelola Hutan (KPH)</i>
HPH	Forest Concession Rights
HTI	Industrial Forest
IUPHHK	Business License for Utilization of Timber Forest Product
IMF	International Monetary Fund
KLHK	Ministry of Environment and Forestry
PPTK	Technical Implementation Officer
PNBP	Non-tax Revenue
RENSTRA	Strategic Plan
RHL	Forest and Land Rehabilitation
RKA	Work Plan and Budget
RKPD	Local Government Work Plan
RPHJP	Long-term Forest Management Plan
RPJMD	Regional Medium-Term Development Plan
RTRW	Spatial Plan
RTH	Green Open Space
SILPA	Excess of Budget Calculation
TAPD	Local Government Budgeting Team
UU	Law

EXECUTIVE SUMMARY

The objective of this paper is to document the role of and share lessons learned from supporting the optimization of the Reforestation Fund to improve forest management within the USAID LESTARI-supported landscape in Central Kalimantan Province. This initiative supported LESTARI's high-level goals for biodiversity conservation and land-based greenhouse gas emissions reduction while also contributing to Indonesia's Nationally Determined Contribution (NDC) to reducing emissions. The processes and results were due to collaboration between the Provincial Forestry Agency of Central Kalimantan and USAID LESTARI.

Indonesia's Reforestation Fund has a long history. Beginning in the 1980s, it was called Reforestation Guarantee Fund (DJR) in the form of funds deposited to the government as collateral to ensure that forest concession holders (HPH) would carry out reforestation and rehabilitation of logged forests. Ultimately, the DJR concept turned out to be ineffective in incentivizing the concessionaires to carry out reforestation and rehabilitation activities. In 1989, the DJR was restructured into non-refundable contributions and was renamed as the Reforestation Fund (DR).

The story of the Reforestation Fund (DR) is also inseparable from the political change towards decentralization which was marked by the birth of regional autonomy in 1999. Following this change, the DR then became part of the Special Allocation Fund (DAK) transferred to autonomous regions. This change marked the transformation of DR management, which was originally fully centralized, to be divided between central (60%) and regional governments (40%). As DAK, local governments cannot use these funds other than for the specified purpose. Government Regulation No. 35 of 2002 states that DR is a fund only to be used for reforestation and forest rehabilitation as well as its supporting activities.

In 2004, there was a change in the package of regional autonomy laws as Law No. 22 of 1999 was changed to Law No. 32 of 2004, and Law No. 25 of 1999 was changed to Law No. 33 of 2004. In terms of financial management, the DR was changed from the Special Allocation Fund (DAK) to Revenue Sharing Fund (DBH) with the same formula of sharing between central and regional governments.

In terms of usage, DR follows the principle *from forest to forest*. This means that the DR collected from forest concession holders that harvest natural forest timber must be returned for reforestation of the forest and for restoring the forest and land from damage. DR management, however, experienced various dynamics from misuse of non-forest interests in the pre-reformation era to the nonoptimal use of these funds by local governments since the beginning of the reformation till the present. This was due to the limited usage of the Government Regulation explained above, a change in the Regional Government Law which transferred forest affairs from the regency/city to the province, and other technical obstacles.

Cumulatively, national revenue from the Reforestation Fund from 2014 to 2019 reached around 11 trillion rupiah and during the same period, funds transferred to regions in the form of DBH-DR reached around 4 trillion rupiah. Specifically, until 2019, the DBH-DR received cumulatively by Central Kalimantan reached around 1.23 trillion rupiah. This amount consisted of the remaining DBH-DR of regency/city which was 560 billion rupiah and provincial DBH-DR which was 679 billion rupiah. The sizeable amount of the remaining DBH-DR that settled in regional cash account was due to the very low absorption of the fund.

The government has made groundbreaking rules to overcome the obstacles of DR usage by applying State Budget Law from 2016 to the present, and regulations from the Ministry of Finance as a technical guide in order to expand DBH-DR usage. However, in practice many regions are still hesitant to optimize DBH-DR usage.

LESTARI saw an opportunity to support the Provincial Forestry Agency to optimize DBH-DR usage in Central Kalimantan as the province has the greatest potential of DBH-DR nationally. In collaboration with Provincial Forestry Agency, optimization of DBH-DR usage in Central Kalimantan has been accomplished by increasing the active role of Forest Management Units (FMU) in formulating activity plans that are relevant to the needs of forest management and forest protection in their working areas. This was also an effort to increase institutional capacity, and to provide a more certain source of funds in the context of sustainable forest management.

Through a concerted effort, the Provincial Forestry Agency succeeded in optimizing the use of DBH-DR in 2019 by drafting the activities related to forest and land rehabilitation, social forestry, forest security and forest protection, and by controlling forest and land fires with a total budget of 63.2 billion rupiah through a mechanism that precedes revised APBD of the 2019 fiscal year. This budget changed the direct expenditure structure of the Forestry Agency from 31% to 58%. In the 2020 budget year, the involvement of FMU in the drafting process of DBH-DR budgeting became more intensive. Through LESTARI support, the Provincial Forestry Agency encourages each FMU to directly draft Work Plans and Budgets (RKA), no longer through the existing divisions of the Forest Agency as in previous years. For this reason, a Technical Implementation Officer (PPTK) was elected within each FMU. This has encouraged the strengthening of FMU functions as forest managers at the site level. From the total DBH-DR budget allocation of 100 billion rupiah for 2020, FMUs – for the first time – directly manage a budget of 34.13 billion rupiah.

The optimization of DBH-DR should be continued in order to contribute to improving forest management in Indonesia. In Central Kalimantan, it is important that the Provincial Government integrate DBH-DR funded programs into their Medium-Term Development Plan and Forestry Strategic Plan for 2021-2025. It is also recommended that the Provincial Forestry Agency develop an instrument to evaluate FMU performance in managing DBH-DR, followed by a series of capacity improvements in effectiveness and efficiency in managing the fund. Nationally, the Directorate General of Fiscal Balance at the Ministry of Finance, Ministry of Home Affairs and Ministry of Environment and Forestry should all support a space for sharing between provincial governments, especially those with sizeable amounts of DBH-DR, on how to use the funds optimally. Lastly, it is important for the Ministry of Finance to develop a system for assistance, supervision, monitoring and evaluation that is accessible for local governments. This system can serve two purposes, to improve the capacity of local government to optimize DBH-DR and to enable regular monitoring of its use.

This paper consists of six main sections. First, the introduction provides a brief history and background of the Reforestation Fund in Indonesia. The second section provides an overview of Reforestation Fund in Central Kalimantan Province and challenges to its effective use. The third section elaborates on collaboration between LESTARI and the Provincial Forestry Agency to optimize the use of the Reforestation Fund. The fourth section outlines the results of this collaboration. The paper concludes with two sections explaining challenges, lessons learned, and recommendations for future implementation.

INTRODUCTION: REFORESTATION FUND, FROM FOREST TO FOREST

From Reforestation Guarantee Fund (DJR) to Reforestation Fund (DR)

The story of reforestation funds in Indonesia began in the 1980s when the government tried to ensure that the forest management by companies holding Forest Concession Rights (HPH) run in a sustainable manner. The HPH system itself began in the late 1960s to support large-scale commercial forest management which located at forest areas in Sumatra, Kalimantan, Irian Jaya (now Papua) and other islands outside Java, Madura and Bali. The Ministry of Forestry allocates HPH to state and private forest companies for a period of 20 years. The concessionaire must manage the concession area by implementing a selective logging system with a rotation of 35 years, and also by planting new trees at the logging site so that there will be new timber (CIFOR, 2011).

When it was first introduced in 1980, the Reforestation Fund was called Reforestation Guarantee Fund (DJR) in the form of funds deposited to the government as collateral to ensure that HPH holders would carry out reforestation and rehabilitation of logged forests. The guarantee deposit would be returned to the company after it had replanted the forest. If the company did not replant the forest, the Ministry of Forestry would use DJR for reforestation and rehabilitation of the HPH site (Ross 2001, in CIFOR, 2011).

The DJR concept was apparently ineffective in coercing the concessionaires to carry out reforestation and rehabilitation of the forest. A media report in 1990 stated that of the 120 concessionaires contacted, only 30 had carried out replanting at the logging sites (Wangkar et al. 1990, in CIFOR, 2011). In fact, most companies felt it was more profitable to simply let go of their deposits rather than to rehabilitate the damaged HPH locations. In addition, most companies which carried out reforestation programs complained that they were not paid in full by the Ministry of Forestry. It turns out that the Ministry of Forestry often returned only part of the DJR paid by the concessionaires (Suhardjo et al. 1988, 1989, in CIFOR, 2011). In 1989, the DJR was restructured into non-refundable contributions and was renamed as the Reforestation Fund¹.

From DAK DR to DBH-DR

The story of the Reforestation Fund (DR) is also inseparable from the impact of political change from centralization to decentralization which was marked by the birth of regional autonomy in 1999 which became effective in 2001. Following this change, the DR then became part of the Special Allocation Fund (DAK) transferred to autonomous regions². The amount of DAK DR transferred to the regions is 40% of the total DR revenue. As DAK, local governments cannot use these funds other than for the specified purpose. The use of these funds is then specifically regulated in Government Regulation No. 35 of 2002 on Reforestation Fund.

This regulation states that the Reforestation Fund (DR) is a fund for reforestation and forest rehabilitation as well as its supporting activities. It is collected from the holders of Business License for Utilization of Forest Products from natural forests in the form of timber (IUPHHK).

¹ The story of Reforestation Fund is inseparable from the story of monopoly of New Order's political economic resources. For details see Barr, et al. CIFOR, 2011. *"Financial Governance and Reforestation Funds During Soeharto and Post-Soeharto Periods, 1989 - 2009, An Analysis of Political Economy on Learning for REDD +"*.

² Article 8 of Law No. 25 of 1999 on Fiscal Balance between Central and Regional Governments

Reforestation is defined as an effort to plant forest tree in degraded forest areas such as in vacant land, reeds area or scrub land in order to restore forest functions. Forest and land rehabilitation is an effort to restore, maintain and improve the function of forests and land so that its carrying capacity, productivity and role in supporting life systems are maintained³.

Then in 2004, there was a change in the package of regional autonomy laws, where Law No. 22 of 1999 was changed to Law No. 32 of 2004, and Law No. 25 of 1999 was changed to Law No. 33 of 2004. In terms of financial management, the DR was changed from the Special Allocation Fund (DAK) to Revenue Sharing Fund (DBH) with the same formula, which was 40% for the producing regional government and 60% for the central government⁴. In terms of usage, there was no change in regulation and it still refers to Government Regulation No. 35 of 2002 on Reforestation Fund.

The End of Reforestation Fund for Regency/City Government

A decade later, there was another change in the Law on Regional Governance from Law No. 32 of 2004 to Law No. 23 of 2014. In relation to Reforestation Fund, this change had an impact on the termination of the transfer of DBH-DR to regency/city governments. This was an implication of the transfer of authority of forestry affairs from regency/city government to provincial government. The termination of this transfer was effective starting in the 2017 fiscal year. The remaining DBH-DR in regency/city can still be managed until 2022⁵.

Collection of Reforestation Fund

The source of the Reforestation Fund is from levies imposed on the concessionaires for harvesting timber from natural forests. All potential timber from logging blocks in natural forests which is utilized by the concessionaires is subject to payment. The amount paid is calculated in two ways, namely 1) by multiplying the volume of timber that will be harvested with the rate of Reforestation Fund, and 2) by multiplying the volume of harvested timber with the rate of Reforestation Fund⁶. Each HPH holding company must deposit the funds to the State Treasury at the end of first and second quarters, and at the beginning of third and fourth quarters. The amount deposited every quarter must be at least 25% of the total amount owed. After making the payment, the company must report to the Regent/Mayor. The Regent/Mayor will then report to the province, the directorate general of budget, the relevant technical ministries and the Ministry of Finance.

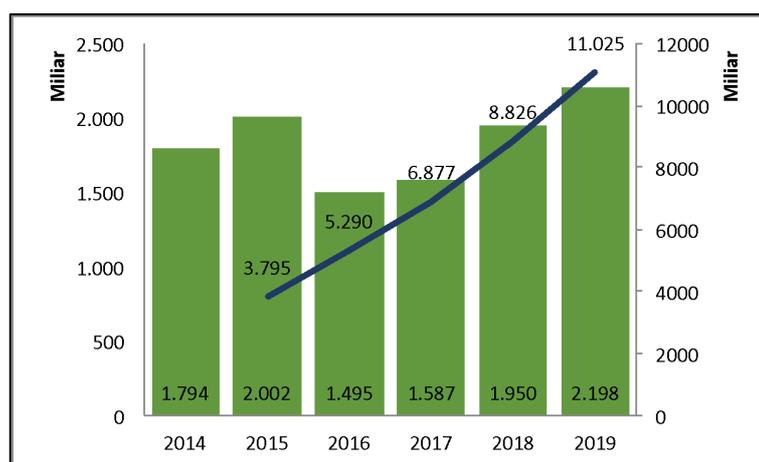
³ The definition of reforestation fund, reforestation and rehabilitation according to Government Regulation Number 35 of 2002 on Reforestation Funds.

⁴ Article 14 point b of Law No. 33 of 2004 on Fiscal Balance between Central Government and Regional Government

⁵ Letter of Director General of Fiscal Balance No. S-296/PK/2019 concerning Revenue Notification of definitive DBH-DR in 2019.

⁶ Reforestation Fund rates are regulated by Government Regulation No. 12 of 2014 concerning Types and Rates of PNPB at Forestry Ministry with a minimum of USD 0.05/m³ - USD 20/ m³ depending on timber types.

Figure 1. Trends and Accumulation of Reforestation Funds Revenue in 2014 – 2019



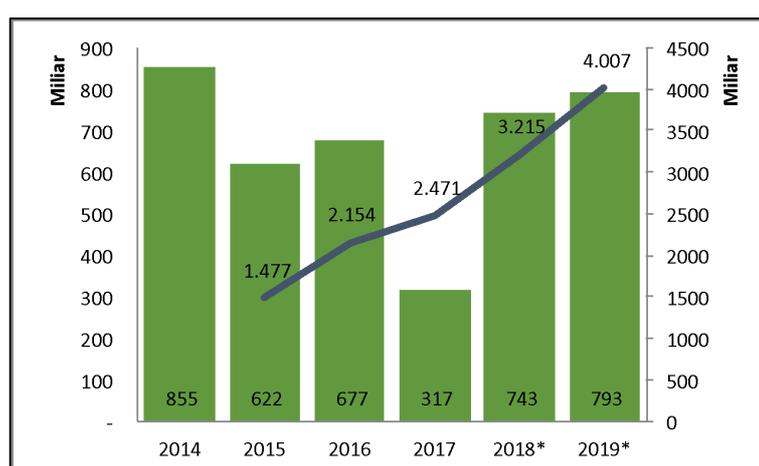
Source: the processed DJPK data in 2014-2019

Figure 1 shows the development of Reforestation Fund revenue from 2014 to 2019. From year to year, the Reforestation Fund revenues have changed an average of around 1.8 trillion per year. After experiencing a significant decline in 2016, Reforestation Fund revenues continued to increase until 2019. Cumulatively, Reforestation Fund revenues collected until 2019 have reached around 11 trillion rupiah.

Distribution of Reforestation Fund

Part of the Reforestation Fund revenue is returned to the regions in the form of Revenue Sharing Fund for Reforestation Fund (DBH-DR). Reforestation funds returned to the producing regions are set at 40% of total reforestation fund revenues, and 60% become the part of Central Government⁷. Nationally, the realization of DBH-DR transferred to the regions in the last 5 years reached around 4 trillion rupiah.

Figure 2. Trends and Accumulation of Transfer of DBH DR



Source: the processed DJPK data in 2014-2019

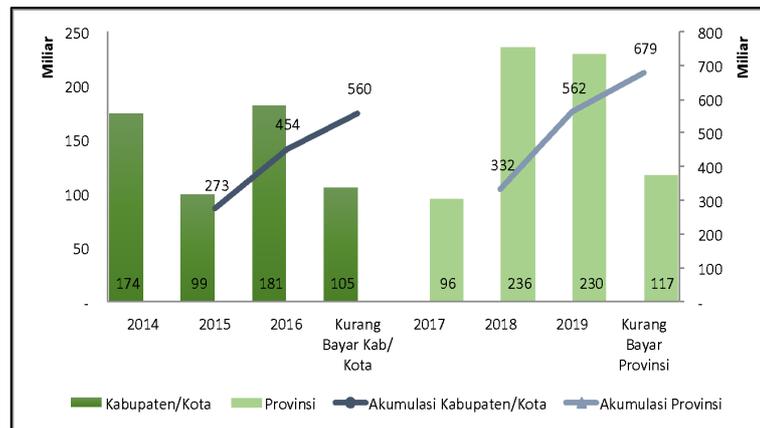
Specifically, the DBH-DR received accumulatively by Central Kalimantan until 2019 reached around 1.23 trillion rupiah, including an estimated underpayment of around 222 billion rupiah.

⁷ see Article 14 point (b) of Law No. 33 of 2004 concerning Fiscal Balance between Central Government and Regional Governments.

This amount consisted of regency/city DBH-DR amounting to 560 billion rupiah and Provincial DBH-DR amounting to 679 billion rupiah. In total, this amount was equivalent to 11 percent of total revenue of national DR or 30 percent of total transfers of national DBH-DR.

As seen from Figure 3, in line with the changes of 2014 Local Government Law, starting from 2017 the regency/city governments no longer accept DBH-DR transfers. On the contrary, starting from the same year, the provincial government has begun to receive DBH-DR transfers.

Figure 3. Trends and Accumulation of DBH-DR in Central Kalimantan, 2014 – 2019



Source: processed DJPK data in 2014-2019

Usage of Reforestation Fund

According to CIFOR notes (2011), the Reforestation Fund in 1990s was allocated for financial subsidies or capital for development of industrial forests (HTI). During the decade, the Ministry of Forestry has disbursed Reforestation Fund of around 2.4 trillion to support HTI investment through 93 joint ventures. The DR Payment for HTI development was stopped in 1999 in order to meet IMF requirements at that time. This termination lasted until 2006 (CIFOR, 2011).

In the same decade, the Reforestation Fund was also used for non-forestry purposes, that is, outside reforestation and forest and land rehabilitation activities. Based on the results of the 1999 Ernst & Young audit (in CIFOR, 2011), hundreds of millions of Reforestation Funds flowed to non-forestry activities such as PT. IPTN (aircraft industry) in 1994, the One Million Hectares Peatland Development Project in Central Kalimantan in 1995, the Takesra Family Welfare Program in 1996, PT. Kiani Kertas in 1997, Indonesian delegation fees in the 1998 SEA Games and PT. Gatari Utama Air Service.

In addition, the Reforestation Fund was used to finance infrastructure projects supported by the Ministry of Forestry such as the Ministry of Forestry office complex, CIFOR headquarters in Bogor, and housing complexes for Ministry of Forestry staff. The Reforestation Fund was even used to cover the shortage of state budget at the beginning of the 1997-1998 crisis. The 1998 crisis also marked the end of the Ministry of Forestry's authority over the management of Reforestation Fund which was managed outside APBN mechanism (off budget). As part of Indonesia's agreement with IMF, the reforestation fund was transferred to the Ministry of Finance and managed through APBN mechanism (on budget).

To ensure better governance of the Reforestation Fund, specifically to ensure the use of Reforestation Fund in the context of reforestation and RHL (rehabilitation of forests and land) and to ensure no usage outside RHL activities, the government issued Government Regulation No. 35 of 2002 concerning Reforestation Fund.

Based on article 16 of Government Regulation No. 35 of 2002 concerning the Reforestation Fund, the Reforestation Fund is used only to finance reforestation, RHL activities and its supporting activities. In general, the portion of the Reforestation Fund which belongs to the producing regions is to be used for reforestation and RHL in those places. The portion which belongs to the central government is to be directed for reforestation and RHL outside the producing areas and to finance its supporting activities.

Activities that can be funded by the Reforestation Fund include reforestation, afforestation, maintenance, plant enrichment activities, and the application of vegetative soil conservation techniques and civil engineering on critical and unproductive land. Reforestation and maintenance activities are carried out in the production forests, protected forests and conservation forests except nature reserves and national park core zones. Afforestation is carried out by developing private forests or privately owned forests, developing forestry businesses relating to forest sustainability and developing farm businesses of watershed (DAS) conservation.

The supporting activities include forest protection; prevention and control of forest fires; zoning; supervision and control; imposing, receiving and using the Reforestation Fund; nursery development; research and development; education and training; counseling and empowerment of local communities about forest rehabilitation activities.

Expansion of Reforestation Fund Usage

Since 2016, the government has adopted a policy to expand the use of the Reforestation Fund through State Budget Law. The expansion of Reforestation Fund usage is, among other factors, motivated by the following:

- To encourage an increase in the absorption of the remaining DBH-DR that settles in the regions, especially in the regencies/cities
- To finance the implementation of forestry sector program aside from reforestation and RHL and its supporting activities which were previously only funded by the central government portion of the Reforestation Fund
- To support the implementation of government priority programs related to climate change control and social forestry
- PP 35/2002 only regulates the distribution and usage of DBH-DR in regencies/cities as producing regions, but does not yet regulate the distribution and usage in provinces as a consequence of Law 23/2014 on Regional Government coming into effect
- PP 35/2002 has not yet regulated the mechanism for the use of the remaining DBH-DR at the regency/city level.

With this expansion policy, the regions are given more space to use the remaining DBH-DR which is not limited to the core activities of reforestation and RHL. However, the expansion is still within the forestry sector.

In more detail, the expansion of the use of the remaining DBH-DR is regulated in PMK (Minister of Finance Regulation) No. 131/PMK.07/2019 concerning the Use, Monitoring and Evaluation of DBH-DR of Forest Natural Resources, as an amendment to the PMK No. 230/PMK.07/2017. In the article 2 of the PMK states that DBH-DR is used for:

- Funding the activities for which usage has been determined in accordance with statutory provisions

- Supporting the program of climate change control and social forestry in the context of sustainable forest development

It is important to note that climate change control must be within the forestry sector. Therefore, climate change programs under other sectors such as energy are not included in the use of DBH-DR.

The detailed programs and activities of article 2 have been set in PMK appendix. It listed 15 programs and more than 150 types of activities that can be funded through DBH-DR. The fifteen programs are divided into 10 programs which use the Provincial DBH-DR and the remaining of regency/city DBH-DR; and 5 programs which specially use the remaining DBH-DR of regency/city.

Programs which use the Provincial DBH-DR include:

- Forest and Land Rehabilitation, including planning, implementing, monitoring and evaluating
- Forest protection and security, including dissemination, coordination, patrols in certain locations, and security patrols
- Forest and land rehabilitation technology, including RHL planning, implementation, monitoring and evaluation
- Prevention and control of forest and land fires
- Development of seedlings/nursery
- Research and development, including applied R&D, policy, and short-term experiments primarily related to the implementation of RHL and enhancing the carrying capacity of watersheds
- Short-term education and training to develop and improve the quality of community groups related to the implementation of RHL as well as increasing the carrying capacity of watersheds
- Counseling
- Empowering local communities about RHL activities through social forestry preparation schemes and social forestry businesses development in the framework of RHL
- Guidance, monitoring, and control

While the special programs which use the remaining DBH-DR of Regency/City consist of:

- Management of forest parks
- Prevention and control of forest fires
- Planting trees on the outer zone
- Planting on both sides of rivers, borders of lakes and water catchments area (DTA), around springs and groundwater recharge areas
- Procurement of soil and water conservation construction

REFORESTATION FUND IN CENTRAL KALIMANTAN PROVINCE: ANSWERING THE UNCERTAINTY

The Source of Central Kalimantan Reforestation Fund

The Reforestation Fund received by regional governments in Central Kalimantan comes from natural forests' timber that has been harvested for almost half a century by companies holding the HPH. The Reforestation Fund which is collected from these companies becomes Non-Tax State Revenue from the forestry sector and 40% of the Reforestation Fund revenue is returned to the producing regions.

Based on BPS data, nationally until the year 2017 there were 282 HPH holding companies with a total area of 20.6 million ha. More than half (62%) of these companies were operating in Kalimantan with a total area of more than 11 million ha or 54% of the total area of HPH forests. In Central Kalimantan alone, there were 61 HPH holding companies with a total area of more than 4.1 million ha (Table 1).

Table 1. Distribution of Companies and Areas of HPH in Kalimantan

Province	Number of HPH Holding Companies	Area (Ha)
West Kalimantan	24	1,133,145
Central Kalimantan	61	4,170,751
South Kalimantan	6	269,511
East Kalimantan	66	4,178,012
North Kalimantan	19	1,365,005
Total	176	11,116,424

Source: Statistics of HPH companies, BPS 2017

Although the number of companies and area is a bit smaller than East Kalimantan, but in terms of timber production, Central Kalimantan is the largest both at provincial and national level with total production in 2017 reaching 1.98 million m³ with a production value of more than 3 trillion rupiah. This means that more than one third of national timber production is produced from Central Kalimantan Province with a production value reaching 41% of the total national production value.

Table 2. Timber Production and Timber Production Value in Kalimantan

Province	Timber Production (m3)	Production Value (billion IDR)
West Kalimantan	137,980	113.50
Central Kalimantan	1,989,093	3,047.85
South Kalimantan	23,585	30.56
East Kalimantan	1,189,710	1,441.96
North Kalimantan	664,468	607.06
Kalimantan	4,004,835	5,240.93
Indonesia	5,473,814	7,503.79

Source: Statistics of HPH companies, BPS 2017

The Low Absorption of DBH-DR

In line with the amendment of Regional Government Law, starting in the 2017 fiscal year, the Central Kalimantan Provincial Government has begun to receive transfers of DBH-DR which had previously been received by regency/city governments. As explained previously, Central Kalimantan received DBH-DR with an accumulation of 1.23 trillion rupiah in 2019. This amount consisted of the remaining DBH-DR of regency/city amounting to 560 billion rupiah and Provincial DBH-DR amounting to 679 billion rupiah.

The sizeable amount of the remaining DBH-DR that settles in regional cash account was due to the very low absorption of the fund. For example, the absorption of Central Kalimantan Province DBH-DR in the 2018 budget year only reached 34% of the planned 96 billion rupiah. According to Central Kalimantan Forest Service, the Provincial Government was very careful in planning and using DBH-DR so that the planning was carried out with the DPRD approval in the revised APBD. As a result, the activity implementation of DBH-DR could only be done in the end of October. This made the budget absorption performance of the Forest Service be the lowest, based on the evaluation conducted by the Governor. The low realization of DBH-DR usage was also due to restrictions in the implementation of Provincial RHL activities which were restricted to outside of forest area.

This was in line with the results of Pattiro's study (2019). The low absorption of DBH-DR was caused partly by the strict regulation of PP 35/2002 on Reforestation Funds. According to the regulation, the DR can only be used for Reforestation, RHL and its supporting activities, while the region does not have many critical lands that should be rehabilitated. Not to mention the Regional Government Law which stipulates that planting in forest areas is only the authority of Central Government⁸.

The analysis of low performance of DBH-DR was also revealed by Resosudarmo et al. (2006 in CIFOR, 2011) that identified factors causing the low performance of DR absorption in the region. First, the delays in receiving DR which is at the end of fiscal year makes the region have difficulties in preparing accurate budgets. This then causes delays or disruptions to already-planned rehabilitation projects. Reforestation and forest rehabilitation are activities affected by the season and require timely delivery of seeds, fertilizers and other inputs so that planting can be done just before the rainy season. When funds to buy the inputs are not available in the timeframe needed, the Reforestation funds often have to be rolled over to the following year.

Secondly, according to Resosudarmo et al., during the initial period of the implementation of RHL by regional government, the capacity of the regional technical institutions responsible for carrying out the RHL was still limited, especially in terms of the number of trained staffs who have technical skills to carry out the rehabilitation projects in accordance with government guidelines. Last, the failure of a number of regions in absorbing DBH-DR was also caused by limited ability to manage the huge amount of the Reforestation Fund. For institutions whose budgets were relatively small, spending large funds such as DR through a number of projects involving active participation of local communities and farmer groups was not easy.

In addition, the prohibition on the use of DBH-DR for supporting activities of reforestation and RHL was also a factor that caused nonoptimal absorption and use of DBH-DR. With this prohibition, the regional government must obtain alternative funding sources for the supporting activities by 'socializing' the projects to stakeholders, by providing counsel or technical guidance to project participants, as well as by supervising project activities and their results. In regencies where lands are extensive and/or the locations of the project are very dispersed geographically, these activities add a significant burden to overall costs of damaged area's rehabilitation. When

⁸ Pattiro, 2019. "Terobosan Hukum Pengaturan DBH-DR"

alternative sources of funding are not yet available, the halted rehabilitation activity may reduce the effectiveness of RHL activities. (Resosudarmo et al. 2006 in CIFOR, 2011).

The aforementioned conditions cause budget absorption performance, and reforestation and RHL activities in various regions, to be generally very low. Nationally, the accumulation of DBH-DR that has not been absorbed or become SILPA (Excess of Budget Calculation) until 2018 was recorded at 4.7 trillion rupiah, consisting of 4.5 trillion in the regencies/cities treasury and 292 billion in the provinces. This amount decreased slightly in 2019 to 4.5 trillion rupiah, consisting of 3.7 trillion in the regencies/cities treasury and 839 billion rupiah in the provinces. The decrease was seen at the regencies/cities level because since 2017 there had been no more DBH-DR transfer. But there was a significant increase in the number of DBH-DR SILPA at the provincial level.

Table 3. The Remaining DBH-DR in Central Kalimantan

Region	DBH-DR Value (billion IDR)	% of National DBH-DR
Central Kalimantan Province	299.4	6.6%
South Barito Regency	6.1	0.1%
East Barito Regency	1.4	0.0%
North Barito Regency	160.9	3.5%
Gunung Mas Regency	60.9	1.3%
Kapuas Regency	107.5	2.4%
Katingan Regency	65.5	1.4%
West Kotawaringin Regency	41.9	0.9%
East Kotawaringin Regency	70.7	1.6%
Lamandau Regency	48.6	1.1%
Murung Raya Regency	58.7	1.3%
Pulang Pisau Regency	-	0%
Seruyan Regency	248.9	5.5%
Sukamara Regency	0.4	0%
Palangkaraya city	0.3	0%
Total DBH-DR of Central Kalimantan	1,171.4	25.7%

Source: S-296-PK-2019-Notification of Remaining Definitive DBH-DR 2019

The remaining DBH-DR in Central Kalimantan alone until 2019 reached around 1.17 trillion rupiah or around 26 percent of the total remaining of national DBH-DR that settled in the regional treasuries. This amount consisted of 299 billion rupiah of the remaining DBH-DR of the provincial government and 871 billion of the remaining DBH-DR spread across 13 regencies/cities in Central Kalimantan Province (see Table 3). This condition was certainly a fairly heavy responsibility for the Provincial Government, especially the Central Kalimantan Province Forest Service which is tasked to optimize the use of DBH-DR for reforestation and rehabilitation of forests and land.

Optimization of DBH-DR in Central Kalimantan

Central Kalimantan is a province with a high diversity of natural resources. About 80% of land area of Central Kalimantan is tropical rainforests covering 12.4 million ha. Based on its spatial plan, the Central Kalimantan Provincial Government has established around 3.6 million ha of

protected forest area and around 9.4 million ha of production forest area which consists of limited production forests (HPT), production forests (HP), and convertible production forests (HPA). Other-Use Areas (APL) are set at 2.6 million ha⁹.

The forest is the main contributor to both economic development and the daily needs of local communities in Central Kalimantan. However, the forest condition continues to degrade. Since 1990 to 2015, a land cover of 3.92 million ha has changed. Some of the problems identified as the root causes of the degradation are¹⁰:

- The efforts to reforest and rehabilitate land and forests as well as to utilize abandoned lands are not optimal
- The handling of PETI (Unlicensed Mining) activities is not optimal
- Still lack of urban green spaces
- Natural resources extraction that has not applied the principles of green economy
- Control of land clearing permits that has not applied the principles of green economy
- The efforts to handle land and forest fire are not optimal
- Integrated policy concerning land tenure conflicts does not exist
- Low public awareness about environmental preservation

In addition, Central Kalimantan Province has a large peatland area which covers 2,743,158 ha. Peatland with a depth of 0 to 2 meters covers an area of 1,157,163 ha, and with a depth of over 2 meters covers an area of 1,585,995 ha (Result analysis of Peatland Distribution Map, BBDSL, 2011). Peatlands in Central Kalimantan Province are prone to burning. Based on Central Kalimantan BPBD data, there were 56 instances of forest and land fire disaster in 2015. While based on KLHK data, the area of forest and land fires in Central Kalimantan Province in 2015 reached 583,833 ha. It was the largest extent of fire in the last 5 years (2014-2019). The extent of fires decreased in 2016 and 2017, to 6,146 ha and 1,743 ha respectively. But it increased again in 2018 and 2019 to 47,432 ha and 303,881 ha¹¹.

That is a brief description of forestry sector condition in Central Kalimantan Province which in general still requires various efforts to improve environmental quality and to prevent further degradation. These efforts have been announced in the 2016-2021 Central Kalimantan Province RPJMD, particularly for forestry sector, in the form of priority programs for the development of forestry affairs which include:

- Program to utilize forest resource potential
- Forest and land rehabilitation program
- Forest resource protection and conservation program
- Forest planning and development program
- Macro planning program in forestry sector and forest area strengthening

The results or performance of forestry sector development will be measured by following indicators¹²:

- Increased PNPB (Non-tax Revenue) in the forestry sector

⁹ RPJMD of Central Kalimantan Province 2016-2023

¹⁰ *ibid*

¹¹ Recapitulation Data of The Extent of Forest and Land Fire (ha) per Province in Indonesia in 2014-2019, PKHL Directorate of the Ministry of Environment and Forestry.

¹² For more details on the predetermined performance target number, see Table 9.1 Performance Indicators of Central Kalimantan Province Development in 2016-2021 RPJMD.

- Improved performance, with good status, of IUPHHK holders
- Improved rehabilitation of critical land inside and outside forest areas
- Decreased number of hotspots
- Less cases of disturbance to forests and forest products
- Improved management of FMU
- Prevention and control of forest and land fires
- Prevention, control and enforcement of illegal logging
- Increased afforestation and reforestation
- Greater role for the community in forest development (social forestry)

To implement these priority programs and to achieve the predetermined performance targets, the Forest Service requires a budget of around 37.3 billion rupiah¹³. One of the efforts currently being developed by the Central Kalimantan Forest Service to meet the budgetary needs is by optimizing the DBH-DR received by the province in line with the transfer of forestry authority from regency/city to province.

As shown in Table 3 above, Central Kalimantan Provincial Government has a DBH-DR amounting to 299 billion rupiah. This number will certainly continue to increase along with DBH-DR transfers that will be received in the coming years. For the 2020 budget year there will be around 236 billion rupiah of DBH-DR which will be allocated to Central Kalimantan Province. This means, in 2020, Central Kalimantan Province will manage a DBH-DR of around 535 billion rupiah. Therefore, efforts to optimize these funds become a very important agenda to be carried out systematically and effectively.

What is meant by efforts to optimize Reforestation Fund is an approach and a way of working that are more than just business-as-usual in managing Reforestation Fund for the benefit of broader forestry sector. This optimization is characterized by the following conditions:

- Transparent and participatory activity planning
- Increased cooperation between institutions both within the provincial government and with the central government
- Activity and budget planning that is clear, directed, integrated and measurable involving various innovations and breakthroughs to overcome obstacles both in the planning process and the activity implementation
- Incentives to encourage performance improvements in forestry sector

Through this DBH-DR optimization, Central Kalimantan Province Forest Service is expected to be able to resolve various forestry sector issues in accordance with the predetermined performance indicators. For example, in the context of increasing community participation in managing or developing the forests through social forestry schemes, community participation is expected to increase sharply through DBH-DR funding for both its pre- and post-permit programs. So far, funding for social forestry is still dominated by budgets from the Social Forestry Office and Environmental Partnership (BPSKL) of KLHK.

¹³ This number was obtained by summing up budget allocation plan for 5 priority programs of forestry sector outside the Forestry Department's internal program, which is shown in Table 8.2 Indications of Priority Programs and Funding Needs for Central Kalimantan RPJMD 2016-2021.

Optimization is also expected to increase efforts of preventing and controlling forest and land fires which currently rely on ready-to-use funds (DSP) which can only be accessed after the establishment of an emergency status.

LESTARI FACILITATION: OPTIMIZATION OF REFORESTATION FUND THROUGH IMPROVING FMU ROLE

In Central Kalimantan, LESTARI works in the Katingan-Kahayan Landscape¹⁴, which covers more than 4 million hectares in the regency of Katingan, Pulang Pisau, Gunung Mas; a small portion of Kotawaringin Timur; and Palangkaraya City. It includes peat areas (ex One Million Hectare Peatland Development Project and Sebangau National Park), as well as mineral soil areas (including Bukit Baka Bukit Raya National Park). The economy of these regions depends on forestry, agriculture, commodities, trade, services and mining sectors. Most landscapes are vulnerable to forest and peatland fires, illegal logging, forest degradation, conversion to oil palm plantations, habitat destruction, and loss of biodiversity. The unsustainable land use management continues to emit large greenhouse gas emissions and negatively impact the health and livelihoods of local communities.

The landscape in which LESTARI works is home to a variety of endemic and endangered key species. Of particular importance is the Bornean orangutan (*Pongo pygmaeus*) which faces threats from habitat destruction and poaching. It is a key species with around 35,000 individuals spread across West and Central Kalimantan.

LESTARI's vision in Central Kalimantan is to support the Government of Indonesia in reducing greenhouse gas emissions from peat degradation, deforestation and fires through improved sustainable peatland management; and to enhance biodiversity conservation through collaborative management and sustainable management of forests and conservation areas.

FMU Capacity Building

To achieve this vision, LESTARI sees the need to increase the capacity of the Forest Management Units (FMUs) as a key institution for the successful management of forest and peatlands.

In Central Kalimantan, there are 33 FMUs that manage 8.5 million hectares of forest area. Of the 33 FMUs, 16 FMUs in Katingan-Kahayan Landscape have received intensive facilitation from LESTARI. This facilitation includes assistance in the drafting of short-term and long-term forest management plans, capacity building of the FMU's human resources, collaborative forest management, forest security, and budget advocacy.

In relation to collaborative forest management schemes, LESTARI supports the implementation of the available government schemes, mainly through Minister Regulation of KLHK No 49/2016 (joint management for forest utilization) and Minister Regulation of KLHK No 83/2016 (social forestry). In addition, LESTARI builds collaboration with relevant stakeholders such as GGGI, BNF and other institutions – through FMU Center initiative – to jointly support the strengthening of FMUs in Central Kalimantan.

Optimization of Reforestation Fund Through FMU

As explained in the previous section, Central Kalimantan Province has the potential of DBH-DR reaching around 535 billion rupiah in 2020. It is of a great value for funding forestry sector

¹⁴ The term landscape here refers to the term used by LESTARI Project to delineate the boundaries of its working area. For definition, criteria and constraint of Landscape, you can refer to a project document named Landscape Baseline Analysis (LBA)

development priorities such as FMU strengthening, social forestry, forest security and forest protection through various financing schemes and instruments. To optimize the fund usage, LESTARI considers it is important to facilitate the Provincial Forest Service in planning, financing, and implementing sustainable forest and natural resource development and management programs. The facilitation activities to optimize the potential of DBH-DR in Central Kalimantan include: increasing the understanding about the regulation of expanded DBH-DR usage; technical facilitation and assistance in the drafting of 2019 and 2020 DR budgeting; facilitation of DR budgeting in the APBD through special mechanisms of preceding revised APBD; and internalization of DR optimization in the Forest Service's 2021-2025 Strategic Plan.

It is important to note that all these forms of facilitation put FMU as a central point of targeted change, which is then expected to maximize its role as a sustainable forest manager with the support from DBH DR funding that has been successfully utilized.

Increased Understanding of the Use of Expanded DBH-DR

As revealed by Central Kalimantan Province Forest Service, one of the reasons for the nonoptimal absorption of DBH-DR is local government's cautious attitude in using the funds. Therefore, an understanding of the use of these funds, specifically for planners and technical implementers at Forest Service and officials and technical implementers at FMU, is very important so that they can reduce and eliminate their doubts in planning, setting and implementing activities that are funded by DBH-DR.

LESTARI facilitated this increase of understanding through a series of meetings and discussions both individually and in groups in formal and informal forums. Meetings were held intensively and periodically in the form of workshops, focus group discussions, and informal meetings to ensure a good understanding of the use of DBH-DR.

The results of these meetings not only increased understanding of officials and technical implementers at Forest Service, but also encouraged stronger motivation and better work plans for improving the quality of DBH-DR management.

Coordination Facilitation Among DBH-DR Management Institutions

Aside from encouraging increased understanding through a series of discussions and workshops, LESTARI also encouraged optimization through increased coordination between Forest Service and FMU, including coordination with the Planning Bureau of the Ministry of Environment and Forestry (KLHK), and with the Directorate General of Fiscal Balance (DJPK) of the Ministry of Finance. The coordination was carried out in the form of workshops and meetings between Forest Service and KLHK and DJPK.

Participatory Drafting of DBH-DR Activity and Budget Plan

After achieving good understanding and strong motivation to improve DBH-DR management, the next step is to draft a higher quality of DBH-DR work and budget plan. It should be noted that Forest Service, like other agencies, is used to prepare activity and budget plan (RKA), however the drafting activity for DBH-DR is different. The drafting of RKA now involves broader participation from FMU as technical implementer that understands forest management needs at the site level, and input on RKA does not only come from administrative officials at official level.

For the first time, this participatory drafting of DBH-DR activity and budget plan was done in the fiscal year 2019. In January 2019, LESTARI started the facilitation process through workshops and technical assistance of RKA drafting. Participants in the workshop were the Head of Forest Service, the Secretary of Forest Service, all Forestry Department heads, representatives of 33 FMUs, representatives of Provincial BAPPEDA (Regional Development Planning Agency) and BPBD (Regional Disaster Management Agency). The workshop presented speakers from Directorate General of Fiscal Balance, Ministry of Finance, and KLHK Planning Bureau.

Some important take-aways resulting from the workshop are increased awareness, commitment and capacity to improve sustainable forest management by optimizing DBH-DR and FMU role in sustainable forest management; also increased cooperation and coordination between FMU and Forest Service, and between Forest Service and KLHK and Finance Ministry in drafting DBH-DR activity and budget plan.

From the drafting of this RKA, Forest Service determined a plan to use DBH-DR amounting to 63.2 billion rupiah allocated for 3 programs and 24 activities, which are: 2 activities of Forest and Land Rehabilitation Program; 14 activities of Forest Resource Conservation and Protection Program; and 8 activities of Tenure Conflict Management and Social Forestry Development and Extension Improvement Program.

From a FMU perspective, although the drafting process had already involved participation of all FMUs, there were still some weaknesses, because FMU position in 2019 RKA implementation was still limited as a locus of activity. Due to technical obstacles such as the absence of FMU nomenclature in the Forest Service Strategic Plan in the current year and the unavailability of Technical Implementation Officers (PPTK) at FMU level, the management of activities and budget was still carried out by some divisions in the Forest Service. Relevant stakeholders, especially Forest Service, BAPPEDA and BKAD of Central Kalimantan Province were aware of this condition. For this reason, LESTARI also continued to encourage the optimization of FMU role in DBH-DR management in the following budget years.

Innovation on Budgeting of DBH-DR Through a Mechanism of Preceding the 2019 Revised APBD

In parallel to the technical process of DBH-DR RKA drafting, a political process was also carried out to ensure that the drafted RKA will be adopted in the APBD. This political process needed to be carried out because the normal process of 2019 budgeting was already finished when the 2019 DBH-DR RKA was being drafted in January 2019. To include RKA into the normal APBD revision mechanism would not be effective because it was only carried out around August-October 2019. Therefore, LESTARI facilitated the Forest Service, BAPPEDA, BKAD and FMU to do an innovation/breakthrough in the budgeting of DBH-DR through a mechanism of preceding a revision of APBD.

What distinguishes this mechanism from the usual budgeting mechanism is the existence of a budgeting process that 'precedes' the planning. Normally, the budgeting process is preceded by planning process. The normal sequence is setting the RKPD (Local Government Work Plan), then drafting the KUA-PPAS (General Budgetary Policies – Provisional Budget Priorities Levels) and so on. While in this case, the DBH-DR budgeting actually preceded the planning which is the determination of policy for DBH-DR use in KUA-PPAS 2019, then the planning was integrated in the revised RKPD which became the basis for the drafting of the 2019 revised APBD.

In practice, this is done by the Forestry Service sending a letter to the Local Government Budgeting Team (TAPD) with a copy sent to BAPPEDA and BKAD. The letter explains that DBH-DR ceiling for the 2019 fiscal year is proposed as Forest Service's budget sources, also requests this matter to be submitted and specified in the discussion of KUA PPAS 2019 with the DPRD. When this was agreed to be included in KUA PPAS 2019 and stipulated in the 2019 APBD, the implementation of the RKA of DBH-DR which later became DPA (Budget Implementation Document) of DR 2019 could be carried out even though the plan has not been included in the 2019 RKPD. Through this mechanism, the Forest Service succeeded in integrating DBH-DR budget of 63,2 billion rupiah in the 2019 APBD. With a budget input of 63.2 billion from the DBH-DR, it has changed the direct expenditure structure of the forestry service from previously only 31% to 58%.

This process cannot be continuously carried out in subsequent budget years. Therefore, the Forest Service will aim for the integration of DBH-DR usage through regular planning and budgeting in the 2021 fiscal year and beyond. The integration begins with the drafting of 2021 Forest Service's Work Plan and the drafting of 2021 – 2025 Forest Service's Strategic Plan, also facilitated by LESTARI.

Innovation on Budgeting of DBH-DR Through a Mechanism of Integration in the Pure 2020 APBD Plan

Learning from the experience in 2019, the mechanism of Preceding Revised APBD could be ratified and the activities could just be implemented in August 2019. This did not provide enough time for budget absorption. Because of this, it was then agreed in the Forestry Coordination Meeting that the drafting of plans for DBH-DR usage in 2020 would be integrated into the Pure APBD Plan.

The condition was that the activity plan must be listed in Local Government Work Plan and Forest Service Work Plan, and the budget allocation ceiling had been included in the guideline of regional expenditure policy in the KUA-PPAS document.

However, this encountered an obstacle because the planned activities having the potential to be financed by DBH-DR had not been listed in the 2020 RKPD and KUA-PPAS documents. Therefore, LESTARI together with Forest Service conducted a series of consultation processes with BAPPEDA, BKAD and the Regional Secretary to find a solution so that the plan to use the DBH-DR 2020 could be integrated in the 2020 APBD Plan.

In principle, BAPPEDA was willing to accommodate the plan of using DBH-DR, the condition was that there should be a written direction from Local Government Budgeting Team (TAPD) which was chaired by Regional Secretary, and BKAD should know about this added activity.

The Forest Service then followed up by sending a letter to the Regional Secretary as the chairperson of TAPD. They also sent the copy of it to BAPPEDA and BKAD. A series of meetings and dialogues were also held between Forest Service, BAPPEDA and BKAD to develop scenario of activity formulation to fit the nomenclature, and at the same time to consult the plans of PPTK formation in each FMU as technical manager of activities and finance.

The above process resulted in gaining the approval from Regional Secretary as the Chairperson of TAPD – in written answers – which allowed the addition of special activities related to the use of DBH-DR. LESTARI then facilitated consolidation meeting and workshop for the drafting of the 2020 DBH-DR RKA together with Forest Service, BAPPEDA, BKAD, and 33 FMUs starting in October 2019. From this series of processes, the planned activities for using the 2020 DBH-DR were successfully integrated in the Pure 2020 APBD document which enacted in December 2019. The Forest Service received an activity allocation from DBH-DR with a total budget of 100 billion rupiah, in which the FMU became the PPTK and managed a budget of 34.6 billion rupiah.

Innovation on the Formation of FMU's Technical Implementation Officer

In addition to increased budget allocations, an important point of this assistance process is to increase the capacity and role of FMU in sustainable forest management by making FMU as an independent financial management unit through the formation of Technical Implementation Officer (PPTK) at FMU.

The establishment of PPTK at FMU in Central Kalimantan is a new thing. It is a breakthrough and innovation in strengthening FMU institutions. The establishment of PPTK is based on

Government Regulation No. 12 of 2019 concerning Regional Financial Management. According to this regulation, the Head of the Forest Service as a Budget User can designate a PPTK to help carry out his duties. The PPTK is tasked with controlling the implementation of activities, reporting on the progress of the implementation of activities, and preparing budget documents for implementation of activities.

The FMU PPTK formation process in Central Kalimantan was supported by key stakeholders in budget management, namely Forest Service, BAPPEDA, BKAD and 33 FMUs.

With the formation of the PPTK, the step to strengthen FMU in Central Kalimantan is more apparent. FMU is not only an object of activity but a subject of activity. FMU becomes a central point of change. Through the formation of PPTK, the position and role of FMU in managing forest areas is increasingly strengthened. Before, FMU did not have much role in preparing activity plans and budgets. They were seen just as passive 'forest guards' and to accept whatever is planned for them.

Box 1. Forest Management Unit in Central Kalimantan Province

Forest Management Unit (FMU or KPH) is the smallest management unit at site level as mandated by Law number 41/1999 articles 10, 12 and 17 paragraph (1) and is expected to be the basis for the implementation of a sustainable and equitable forest management system. The development of FMU in Central Kalimantan Province began since the issuance of Governor's Letter No. 522/2/1377/Dishut on November 30, 2011 proposing the establishment of 33 Forest Management Unit Units (KPH) in Central Kalimantan Province consisting of 4 Protection Forest Management Units (KPHL) and 29 Production Forest Management Units (KPHP). Following the issuance of Law No. 23 of 2014 concerning Regional Government, the Government of Central Kalimantan Province in April 2017 issued Governor Regulation Number 10 of 2017 concerning Formation, Organizational Structure, Duties, Functions and Work Procedures of the Forest Management Unit Technical Implementation Unit in the Central Kalimantan Provincial Forestry Service as the basis for institutional formation on 18 Regional Technical Implementation Units (UPTD) consisting of 33 FMU units as shown in the following table:

No	Name of UPTD	Unit of FMU	Size of Area (Ha)	Working Regions
1	UPTD KPHP Murung Raya Unit 1	I	1,060,601	District of Murung Raya
		II	907,043	District of Murung Raya
2	UPTD KPHP Barito Hulu	V	325,220	District of Barito Utara
3	UPTD KPHP Barito Tengah	VI	178,825	District of Barito Utara
		VIII	113,625	District of Barito Utara
4	UPTD KPHP Barito Hilir	VII	165,886	District of Barito Selatan
		XIV	51,087	District of Barito Timur
5	UPTD KPHL Gerbang Barito	IX	155,701	District of Barito Selatan
6	UPTD KPHP Kapuas Hulu	X	245,005	District of Kapuas
		XII	183,491	District of Kapuas
7	UPTD KPHP Kapuas Tengah	XI	273,187	District of Kapuas
8	UPTD KPHP Kapuas - Kahayan	XXXIII	105,372	District of Kapuas
		XXXII	185,565	District of Kapuas
		IV	7,805	Kota Palangka Raya
9	UPTD KPHP Kahayan Hulu	XV	208,524	District of Gunung Mas
		XVI	294,735	District of Gunung Mas
10	UPTD KPHP Kahayan Tengah	III	57,129	City of Palangka Raya
		XIII	177,710	District of Gunung Mas
		XVIII	140,054	District of Pulang Pisau
11	UPTD KPHP Kahayan Hilir	XXXI	369,958	District of Pulang Pisau
12	UPTD KPHP Katingan Hulu	XVII	711,379	District of Katingan
13	UPTD KPHP Katingan Hilir	XXX	251,944	District of Katingan
14	UPTD KPHP Mentaya Hulu - Seruyan Tengah	XIX	366,545	District of Kotawaringin Timur
		XX	187,102	District of Seruyan
15	UPTD KPHP Seruyan Hulu	XXI	373,909	District of Seruyan
		XXVIII	143,681	District of Kotawaringin Timur
		XXIX	196,943	District of Kotawaringin Timur
16	UPYD KPHP Mentaya Tengah - Seruyan Hilir	XXVII	229,959	District of Seruyan
		XXII	202,704	District of Kotawaringin Barat
17	UPDT KPHP Kotawaringin Barat	XXVI	104,539	District of Kotawaringin Barat
		XXV	147,520	District of Sukamara
18	UPTD KPHP Sukamara - Lamandau	XXIII	226,289	District of Lamandau
		XXIV	91,487	District of Lamandau

Source: Peraturan Gubernur Kalimantan Tengah No. 10 of 2017

RESULTS OF REFORESTATION FUND OPTIMIZATION

LESTARI facilitation within this one year to encourage the optimization of DBH-DR in Central Kalimantan Province Forestry Service has not yet produced an apparent impact on increasing sustainable forest management such as effective forest management by FMU, improved social forestry management or fewer hotspots and forest and land fires. The impact might be apparent in the next few years after various planned activities and budgets have been implemented and the institutional strengthening of FMU has run effectively.

However, the Provincial Forestry Service in collaboration with partners including USAID LESTARI have made significant strides towards an improved budgeting model for sustainable forest and land management by strengthening FMUs as agents of change to optimize the use of DBH-DR.

Out of 33 FMUs in Central Kalimantan, LESTARI directly facilitated the capacity building of 16 FMUs in drafting RPHJP. A total of 10 FMUs have had their RPHJP approved by KLHK, 5 FMUs are in the process of preparing or waiting for approval, and 1 FMU is starting to draft the 2020 RPHJP. LESTARI has also facilitated the enhancement of FMUs' human resources through a series of trainings (forest planning, planning, patrol, forest safeguards, wild plant and animal inventory, non-timber forest product business development, GIS mapping, and Forest Brigade). These trainings, in turn, will increase the capacity and performance of FMU forest management. LESTARI also assists in the process of forming partnerships between FMU and private sector and the community to manage non-timber forest product business development through various available schemes as explained earlier.

LESTARI facilitation has also succeeded in increasing the budget allocation for DBH-DR usage. In the 2019 fiscal year, it was around 63.2 billion rupiah, doubled from the 30 billion rupiah last year. While for the 2020 budget year, the DBH-DR allocation has been successfully increased to 100 billion rupiah (see Table 4 for details of activities).

Equally important is the increase in the role of FMU in budget management through innovation of PPTK formation at FMU for the implementation of the 2020 APBD. The formation of PPTK will encourage FMUs to become more empowered as forest area management institutions.

With the increasing role and capacity of FMUs, it is expected that the management of DBH-DR will become better. Furthermore, these conditions are expected to have an impact on sustainable management of land and forest areas in Central Kalimantan, which is indicated among other things by the acceleration of the implementation of social forestry, and the implementation of forest and land fire prevention that is more effective.

Table 4. Central Kalimantan Forest Service Programs and Activities Funded by DBH-DR in 2020

No	ACTIVITY	DPA 2020 (IDR)
Program of Forest and Land Rehabilitation		20,313,016,000
1	Forest Rehabilitation Planning at Forest Management Unit's area	1,817,775,000
2	Land Rehabilitation Planning (Afforestation of City Forest, Private Forest/Community Forest, Botanical Garden, Environment)	1,052,874,000
3	Land Rehabilitation Planning (at coastal area, mangrove)	2,928,838,000
4	Drafting the Land and Forest Rehabilitation Planning Documents	1,114,386,000
5	Planting and Maintenance Implementation at the current year (Po) in the context of Community Forest Development at 15 locations	12,750,000,000
6	Technical Training of Land and Forest Rehabilitation for Community Groups	649,143,000
Program for Land and Forest Fire Protection and Management		73,311,374,000
7	Forest Protection and Security at FMU area	6,947,708,000
8	Prevention and Management of Forest and Land Fire	66,363,666,000
Program for Social Forestry Extension and Development, and for Tenure Conflict Management		6,375,610,000
9	Drafting the Provincial Forestry Extension Program	176,432,000
10	Improvement of Forestry Extension Human Resources	257,000,000
11	Drafting Publication and Forestry Extension Materials	50,000,000
12	Monitoring and Evaluation of Forestry Extension Implementation	80,000,000
13	Judgement of Sustainable Coloring Competition	542,961,000
14	Fulfillment of Needs of Forestry Extension Facility and Infrastructure	1,771,140,000
15	Field School and Technical Meeting of KTH/Social Forestry	383,825,000
16	Coordination of the Working Group for the Acceleration of Social Forestry	400,000,000
17	Identification of Indigenous Forest	120,000,000
18	Settlement of Tenure Conflict within Forest Area	100,000,000
19	Dissemination of Indigenous Forest	400,000,000
20	Dissemination of Social Forestry Preparation at Site Level	221,909,000
21	Dissemination of Business Development at Site Level	218,326,000
22	Social Forestry Business Development Training	236,566,000
23	Facilitation of the Acceleration of Indigenous Forest Recognition	1,134,795,000
24	Facilitation of Social Forestry Proposal	282,656,000
Amount		100,000,000,000

CHALLENGES, LESSONS LEARNED, AND RECOMMENDATIONS

Challenges

Efforts made by LESTARI have facilitated several achievements as described in the previous section. But these achievements also triggered new challenges to improve the optimization of DBH-DR in the future. The results of the initial optimization in the form of increased budget allocation for each FMU poses a real challenge to the extent that the budget will be used transparently, accountably, efficiently and effectively by each FMU so that the actual optimization goal of fair and sustainable forest management can be achieved.

Improving the capacity of FMU institutions in good financial management needs to be a priority agenda in Central Kalimantan Province Forest Office strategic plan and work plan in the future.

In addition to financial management, capacity building in managing the implementation of activities is still needed in the coming years. The formation of PPTK in FMU conducted by Forest Service needs to be accompanied by technical assistance to ensure that the FMU can carry out its function as an effective PPTK. Of course, with increased DBH-DR allocation for FMU; other matters related to sustainable management of forest areas also still need to be developed.

Lessons Learned

The LESTARI facilitation process to optimize the use of the DBH for Reforestation Fund in Central Kalimantan Province provides several lessons learned that can be useful for decisionmakers in other provinces as well as at the national-level in Indonesia:

- For effective FMU strengthening using DBH-DR, the use of funds should be decentralized so that FMU managers have authority to plan and implement priority activities.
- The Long-Term Forest Management Plans of FMUs should be synchronized with the Forestry Service Work Plans to ensure a smooth policy basis for budget support from the provincial level to FMUs.
- The Central Kalimantan Forestry Service was able to successfully absorb and allocate the additional DBH-DR funds, and this was helpful in making up for previous shortfalls in activity budgets.
- It is not only the quantity of funds leveraged that is important but also how they are allocated and spent. Leveraging vast amounts from DBH-DR will not achieve sustainable forest management unless they are matched with quality programming and planning.
- Overall effective cooperation and coordination between the Provincial Forestry Service, FMUs and central government in managing DBH for Reforestation Fund is crucial.

Recommendations

Based on reflection from the facilitation process undertaken by LESTARI and partners to encourage the optimal use of DBH-DR in Central Kalimantan Province, these are necessary follow-up steps to ensure sustainability of the program:

- The provincial government of Central Kalimantan must ensure that the programs and activities that could be financed by the DBH-DR are incorporated in the Regional Medium-Term Development Plan (RPJMD) and in the Strategic Plan (Renstra) of the Forestry Service Agency for the period of 2021-2025, so that the activity planning can be integrated in the regional budgeting process.
- The Central Kalimantan Provincial Forestry Service Agency should develop performance assessment instruments for FMUs, after they execute their direct budget management financed by the DBH-DR. It is necessary to identify the capacity-building needs to improve the human resources involved, which also serves as a starting point to acknowledge the achievement of the FMU performance on a regular basis.
- The Directorate General of Fiscal Balance – Ministry of Finance, Directorate General of Regional Finance – Ministry of Home Affairs, and Ministry of Environment and Forestry should provide a forum to share experiences from the Provincial Forestry Service Agency in Central Kalimantan and disseminate it to other regional governments that may have the potential to receive DBH-DR, so that the use of DBH-DR can be more effective.
- The Ministry of Environment and Forestry should work with the Ministry of Finance to develop a system that provides assistance, supervision, monitoring and evaluation of programs that are easily accessible by the local government to optimize the utilization of the funds and also assess regularly the results of the DBH-DR.

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