



MINISTRY OF FORESTRY  
DIRECTORATE GENERAL OF FORESTRY PLANNING  
**DIRECTORATE OF AREA MANAGEMENT AND PREPARATION OF  
FOREST AREA UTILISATION**

## **SUMMARY**

# Forest Management Unit Development (**FMU**)

Concept, Legislation  
and Implementation



Jakarta, October 2011



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# Forest Management Unit Development (FMU)

## Concept, Legislation and Implementation

### SUMMARY

#### HISTORY

The importance of ensuring safe and conflict-free forest areas has been the dream of all foresters since the issuance of the Basic Forestry Law (Law No. 5/1967). Area security and stability are believed to be an absolute prerequisite for sustainable forest management. The need to determine boundaries for forest areas to be preserved as permanent forest was recognized by both the public and the laws and regulations. The policy for designating forest areas began with the Forest Use Consensus Plan (TGHK) in the 1980's which was used as the basis for granting forest concession permits and was later harmonized with the spatial planning process. In 1991 the establishment of Production Forest Business Unit, which also function as Forest Planning Units was regulated through Ministry of Forestry Decree No. 200/Kpts/1991. Their legal basis changed when the Basic Forestry Law (Law No. 5/1967) was replaced with the Forestry Law (Law No. 41/1999) stipulating that Forest Management Units (FMU) would be established not only in production forest,

but covering all forest areas and functions. However, up until 2007 the mandate to establish FMUs was neglected in practice, drowning in the dynamics of land politics and the political economy of forestry in which the priority of area consolidation had been shifted towards forest utilisation through concessions which divided up the whole production forest area. The consequences began being felt with the extraordinary deforestation rates for the 1997-1998 period. Having observed the weak state of forest area management in the field (*de facto* open access) decision-makers began to see the real urgency for FMU development. The issuance of Government Regulations No. 6/2007 and No. 3/2008 on on Forest System Establishment, and the Preparation of Forest Management Plan and Forest Utilisation has shown a new orientation towards forestry development that safeguards the public function of forests and realises the dream of forest areas being preserved as permanent forests as the basis for sustainable forest management.

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**Forest Management Unit Development – Concept, Legislation and Implementation**

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**Authors:**

Hariadi Kartodihardjo  
Bramasto Nugroho  
Haryanto R Putro

**Summary by:**

Barbara Lang

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## RATIONALE

Planned and unplanned forest conversion amounted to an annual deforestation rate of 1.089.560 ha in the period 2000 to 2005 with planned conversion accounting for 21% of total deforestation. With regard to unplanned deforestation it is expected that the rate will increase in the future, particularly in forest areas with more open access, in production forest without any management permit holders and in protected forest. Meanwhile, forest degradation occurs as a consequence of unsustainable practices by licence holders and through illegal logging. Of 28 million ha under natural forest concessions it is estimated that in an area of about 15 million ha a sustainable management system is applied, while in the remaining 13 million ha it is not. The area of production forest without any permit is 20 million ha. Given current industrial capacity and predicted future demand the rate of natural forest degradation in Indonesia will increase in the future, if it is not accompanied by a sustainable forest management system. In short nearly, 50% of state forest land are not managed properly and become the subject of unplanned deforestation caused by illegal activities.

### FMU - like a “house and its inhabitants”

In expert discussions about tree planting for forest rehabilitation seed procurement has been singled out as the most important ingredient for success: seeds of sufficient quantity and quality being available at the right time for the planting season. And then the trees will grow by themselves, is the underlying assumption. This view even has influenced national policy making, as in forest and land rehabilitation the greatest attention and budget are allocated to seedbed development and seed procurement.

Does anything strike one as odd about this view? Probably not, as experience of planting quality seeds in the yard around a house shows us they’ll grow “automatically” into trees. But, if it is unclear who owns the location where the seeds are grown, who will maintain and protect them, this view becomes odd, as there is a strong probability that the seeds will never grow into trees. People forget that the reason why seeds grow into trees in yards is, because there is a house along with its inhabitants. Failure of forest management in Indonesia generally results from the absence or weakness of the “house and its inhabitants”, namely the on-site forest manager, who knows and pays attention to the area, its, resources, boundaries and people’s needs.

The roots of the problem are to be found in the weak definition over rights to forest areas, which leads to a situation of tenurial conflict among state and people, and secondly, in the weakness of forestry development institutions to address the actual problems in the field, which is reflected in the absence of management institutions on site. With regard to certainty over rights to forest areas there are tenurial conflicts or potential conflicts related to forest utilization in both managed and unmanaged areas. It is estimated that there are conflicts in 17.6 – 24.4 million ha of forest taking the form of overlapping claims between state forest claims and claims from customary communities (*adat*), other local communities, village/hamlet developments and the presence of other sectoral permits that are actually located in forest areas. In addition to conflicts over forest area rights, forestry problems have become increasingly complex with the presence of institutional problems, including poor central-local government relations and prioritization of forest protection and rehabilitation over resolving root problems such as overlapping claims. Despite being mandated by Law No. 41/1999, there has been no strong and directed policy to establish a government organization that functions to manage forests in the field. Forests are *de facto* controlled by permit holders. When permits expire or are inactive, the relevant forests become open access, enabling anyone to utilise them without control, resulting in large-scale destruction. Moreover, the focus on forest management by permit holders created a situation where the government both at central and local levels did not have sufficient information over the resource potential, had no control mechanism or real basis for determining forest utilization allocations. Forest Management Unit development is a strategic solution to address this situation.

## THE CONCEPT

### Basics

Forest resources can be classified into natural landscape in the form of stock or natural capital on the one hand and goods or commodities and services such as timber, rattan, water, and various forms of environmental services on

the other. Both forms of forest resources are closely interrelated and create interdependence between two groups, namely the forest manager aiming to produce extractable goods and the utiliser of the environmental services particularly those that constitute public goods. For all types of forest benefits, their existence and preservation greatly depend on forest stands or stock which constitutes the natural wealth that needs to be protected by the owner. This role will be played by the FMU.

### Scope and characteristics of forest management in an FMU

Forest management activities aimed at producing forest products normally involve activities such as forest inventory, subdividing the area into blocks and compartments, silvicultural treatments, such as planting, thinning, cutting, etc. In an FMU, management of forest resources is not limited to these activities, because inside the FMU there may be independent companies or community groups managing forest.

Forest resource management in the context of FMU begins with the stipulation of the FMU’s long-term plan. Its objectives will be harmonized with the Central Government, Provincial Government and Regency/Municipal Government’s objectives. This long-term plan will confirm the long-term direction of permit holders, the management of other forests within the FMU, and the policies and strategies for handling the problems faced in realising the long-term plan. In practice, the FMU manager will need to consider the common needs of all parties within the FMU, such as accessibility and infrastructure, labour, information, conflict settlement, assistance, and so on. This is why various related government agencies, permit holders (if any), communities within and around the forest, non-governmental organizations and academics should all be involved in the preparation of the long-term and annual work plans. Their participation is expected to increase the likelihood of there being synergies among the activities of all parties in the particular FMU.

The FMU manager is the party that knows the most about forestry conditions on site. Consequently, while the licensing administration process is in the hands of the Central or Local Government in line with their respective authorities, the FMU manager plays a significant role in determining how communities can be ready to accept and implement the permits or how concessionaires can safely operate their businesses after receiving the permit. In this context the FMU manager may be considered as an institution that obtains social and political legitimacy from the community, with the technical and functional authority to perform forest management on site, yet holding a strategic position in realising forest management equitably and safely.

### The legal basis for FMU establishment

All forests in the territory of the Republic of Indonesia, including the natural riches contained therein, shall be controlled by the state for the greatest prosperity of the people. In the context of such control, the state shall authorise the Government to regulate and manage all things related to forests. Forest management is intended to achieve optimal, multi-purpose and sustainable benefits for the people’s prosperity.

In the interest of ensuring that economic, environmental and social functions are sustainably realised in forest management, all forest areas will be divided into regional units of a management scale in the form of FMUs (Article 17 of Law No. 41/1999).

**The following laws and regulations contain the principal pillars of the policy for establishing FMUs**

1. Law No. 41/1999 regarding Forestry
2. GR No. 44/2004 regarding Forest Planning
3. GR No. 6/2007 in conjunction with GR 3/2008 regarding Forest Use Planning, Preparation of Forest Management Plans, and Forest Utilisation
4. GR No. 38/2007 regarding Distribution of Affairs among the Central Government, Provincial Governments and Regency/Municipal Governments
5. GR No. 41/2007 regarding Regional Apparatus Organisations
6. Minister of Forestry Regulation No. P. 6/Menhut-II/2009 regarding Formation of FMU Areas
7. Minister of Forestry Regulation No. P. 6/Menhut-II/2010 regarding Norms, Standards, Procedures and Criteria (NSPK) for Forests Management in Protection FMUs (KPHL) and Production FMUs (KPHP)
8. Minister of Home Affairs Regulation No. 61/2010 regarding Guidelines for the Organisation and Working Procedures of Protection FMUs and Production FMUs in the Regions.

**Requirements of the FMU Organisation**

1. A forest management organisation that:
  - a. Is able to perform management that can produce economic value from forest utilisation that is balanced with the conservation, protection, and social functions of the forest;
  - b. Is able to develop investments and provide work opportunities;
  - c. Has the competency to prepare spatial-based planning and monitoring/evaluation;
  - d. Has the competency to protect forest interests (including the public interest in the forest);
  - e. Is able to respond to the range of local, national and global forest management impacts (for example: the forest's role in mitigating global climate change); and
  - f. Is based on forestry professionalism.
2. An organisation reflecting integration (collaboration/synergy) between the Central, Provincial and Regency/Municipal Governments.
3. The establishment of the FMU organisation shall consistently respect the presence of already existing forest utilisation units (permits).
4. The organisation's structure and specific duties and functions guarantee that it can facilitate the performance of sustainable forest management.
5. An organisation that is flexible to adjust to local conditions/typology as well as strategic environmental changes affecting forest management.

Forest management activities conducted by the FMU shall include:

1. Forest use planning (*tata hutan*)<sup>1</sup> and preparation of forest management plans,
2. Forest utilisation and forest area use in terms of monitoring and control of permit holders,
3. Forest utilisation in certain areas (*wilayah tertentu*) [area not covered by third party interests],
4. Forest rehabilitation and reclamation, and
5. Forest protection and nature conservation.

It is explained that forest management should be conducted based on noble values for the greatest prosperity of the people. In this way, the implementation of each component of forest management must consider the community's cultural values, aspirations and perceptions, as well as pay attention to the people's rights, and must therefore involve the local communities.

Forest Management Units shall consist of Conservation Forest Management Units (KPHK), Protection Forest Management Units (KPHL), and Production Forest Management Units (KPHP) depending on the dominant forest function contained therein in terms of area. A management institution shall be established in each Forest Management Unit. The Minister of Forestry shall stipulate the organisation of KPHK, while KPHP and KPHL shall be stipulated based on Minister of Home Affairs Regulation No. 61/2010. KPHP and KPHL stipulated in regions that straddle Regencies shall be stipulated in a Provincial Regulation and shall be responsible to the Governor, whereas KPHP and KPHL located within a Regency shall be stipulated in a Regency Regulation and shall be responsible to the Regent.

FMU development and funding shall be performed by the Central Government, Provincial Governments and Regency/Municipal Governments in line with their respective authorities. FMU development funds are derived from the State Revenues and Expenditures Budget (APBN), the Regional Revenues and Expenditures Budget (APBD) and/or other non-binding funds according to the laws and regulations.

**Main duties and functions of the FMU and of the regional forest services (Dinas)**

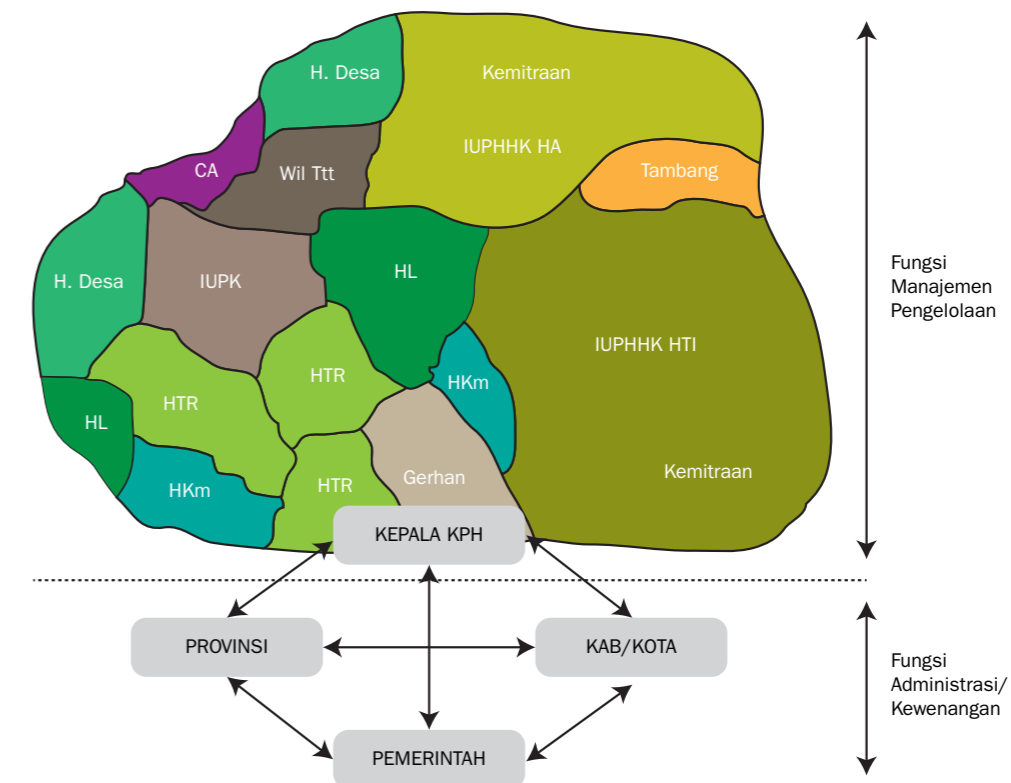
Performance of the FMU's main duties and functions consists of the performance of forest management on site/in the field, while the main duties and functions of the Provincial and Regency Forestry Services consist of the performance of forest administration.

<sup>1</sup> Forest use planning (*tata hutan*) consists of forest inventory, subdividing the area into blocks and plots, internal boundary demarcation and mapping;

ADMINISTRATION (Performed by the Ministry, Provincial Forest Service, Regency/ Municipal Forest Service)	ON SITE MANAGEMENT (Performed by the FMU)
<p><i>Planning</i></p> <ul style="list-style-type: none"> <li>▪ National, Provincial, Regency/Municipal inventory</li> <li>▪ Forest Area Gazettement (designation, boundary demarcation, mapping, forest area stipulation)</li> <li>▪ FMU area establishment</li> <li>▪ Forestry Planning (National, Provincial and District level)</li> </ul>	<p><i>Planning in FMU area</i></p> <ul style="list-style-type: none"> <li>▪ Forest Inventory in FMU area</li> </ul>
<p><i>Management</i></p> <p>Forest use planning and preparation of forest management plan (preparation of Norms, Standards, Principles and Criteria (NSPK) and ratification of management plan)</p> <ul style="list-style-type: none"> <li>▪ Forest area utilisation and use (granting of permits)</li> <li>▪ Rehabilitation and reclamation, including community empowerment, seedbeds (if there is an FMU, this is performed by the FMU)</li> <li>▪ Nature protection and conservation (if there if an FMU, this is performed by the FMU)</li> </ul>	<p>Implementation of management in FMU area</p> <ul style="list-style-type: none"> <li>▪ Execution<sup>*)</sup> of forest use planning and preparation of forest management plan</li> <li>▪ Execution<sup>*)</sup> of forest utilisation<sup>**)</sup> and forest area use</li> <li>▪ Execution<sup>*)</sup> of rehabilitation and reclamation.</li> <li>▪ Execution<sup>*)</sup> of nature protection and conservation</li> </ul>
Research and Development, Education and Training, and Consultation	Location of research, education and training, and consultation
Supervision	Undertaking supervision in the scope of the FMU area

<sup>\*)</sup> Execution includes developing activities, controlling activities and conducting activities. Example: If there is a utilisation permit in an FMU management area, the execution function shall consist of development and control (in the context of monitoring activities). However, if no permit yet exists for the area being managed, then the FMU must conduct these activities.

<sup>\*\*)</sup> Forest utilisation includes: area utilisation, environmental services utilisation, timber forest product utilisation, non-timber forest product utilisation, forest product collection. Meanwhile, forest area use concerns use for non-forestry interests (for example, mining, irrigation channels, etc.).



Forest utilisation shall be implemented based on the forest management plan developed by the FMU. This also applies to any applications and/or extensions of licenses within the FMU. For certain areas (wilayah tertentu) the Minister may assign the FMU head to organise forest utilisation, including to sell stands. Such organisation should apply the management system of a public service agency (BLU). In addition the Minister will allocate and stipulate certain areas for developing Community Plantation Forests (HTR), Community Forests (HKm) and Village Forests (HD) based on a proposal from the FMU. With the establishment of the FMU it is expected that the process of forest utilization and rehabilitation can be made efficient, because forest management within an FMU is directed towards preparing the preconditions for various licences and for other forest management activities. The FMU is expected to perform the task of preparing an area in the sense of obtaining legitimacy for the exact determination from various stakeholders (to fulfil the requirement that the area be free from conflict), and to enhance local communities capacities, as this process should be accomplished before the licensing administrative process begins. With regard

The empowerment of the local community is an obligation of the central, provincial and regency/municipal governments and its implementation is the FMU's responsibility. The Minister may stipulate the working area of HKm and HD following a recommendation from the regent/mayor and community according to the criteria defined in the FMU's management plan. The FMU head (or a designated official), together with the village institution as the village forest manager, will prepare a village forest management plan as part of the FMU forest management plan.

## ASSESSMENT OF FMU PERFORMANCE

The purpose of the assessment of FMU development performance is to measure the level of achievement in FMU development with the aim of defining future interventions for improving FMU management at the site level based on lessons learnt. There are two basic principles that must be met in the performance of FMU development, namely,

management effectiveness and FMU organisation efficiency. Management effectiveness is closely related to the purpose of the FMU (production, conservation, protection) and the FMU management process (forest use planning, utilisation, rehabilitation, protection, and conservation). Meanwhile, FMU organisational efficiency is closely related to the institutional models (UPT, UPTD, BLU, BLUD, etc.) developed, and the support from available resources (HR, funds, facilities and infrastructure). For the purpose of performance assessment FMUs could be categorised by the following typologies and their combinations: KPHK/KPHP/KPHL, under formation/already established, with adequate/inadequate resource potential.

There are eight important criteria for assessing FMU development performance, namely: (1) area stability, (2) forest use planning, (3) management plan, (4) organisational capacity, (5) inter-strata relations within government and regulations, (6) investment mechanism, (7) availability of access and community rights, and (8) forestry dispute settlement mechanism. In each typology indicators need to be developed for these criteria.

to monitoring licence holders, however, the existence of the FMU does not guarantee the efficiency of evaluation and assessment of licensing while direct control of the license holders remains in the hands of the central government, provincial government and regency/municipal government. Therefore, inter-institutional relations in forest utilisation need to be established/regulated.



## SOCIAL AND GOVERNANCE ASPECTS

Good forestry governance should be characterised by the existence of forest management institutions that illustrate balanced roles and responsibilities of the government, business community and civil society, supported by accountable policies and trustworthy law enforcement institutions. The FMU as a legal instrument to enhance the stability of forest area and guarantee the presence of a forest management institution on the ground, while mandated by Law No. 41/1999, is still considered to be a new thing in forest governance. At the site level, the establishment of FMU areas has been notable for a high level of conflict with the community – whether the customary community, the local community or members of the general public having an interest in the forest area. The establishment of FMUs based on the legal provisions on forest areas frequently clashes with the spatial planning process, which is closely related to the issue of forest area relinquishment.

Based on experiences to date, the typology of social issues within FMU areas can be grouped into the following: (1) major tenurial conflict typically characterised by a strong rights base of the community, (2) minor tenurial conflict typically characterised by control over land with a weak base of rights and often arising from poverty, (3) issues involving access to forest resources, i.e. utilization without any claim to control the land, but with historical evidence which can be rationally accounted for, and

(4) issues involving illegal activities, i.e. land control or resource utilization lacking a strong rights base or historical evidence which can be rationally accounted for. With such diverse typologies of social problems among FMUs, there is no single generic strategy capable of resolving all of these issues.

Of all the FMU areas already established, only 15 FMUs already have management institutions, all of which are in the form of technical implementing units (UPTD) of the forestry service at provincial or regency level. It appears that these UPTD organisational structures are not adequate to fulfil the basic tasks and functions of the FMU as a forest management agency. They will need to be transformed on the basis of Minister of Home Affairs Regulation No. 61/2010 to make the KPHP/KPHL organisation accountable to the Governor or Regent, rather than to the head of the forestry service. The relationship between the FMU organisation and the forestry service, other regional apparatus organisations, regional forestry agencies, and license holders, is developed based on the principles of coordination, integration and synchronisation at the locus of an FMU area. Fundamental issues likely to emerge in implementing the new organisational structure are human resource competency and funding problems, and the system of working relations between KPHP/KPHL and other agencies concerned with forestry.

### Options for strategic directives to be adopted and adjusted depending on conditions in the FMU

1. localising all areas of serious tenurial conflict into areas of non-effective production as a transitional policy, and gradually building a collaboration to optimise achievement of sustainable forest management objectives.
2. developing micro spatial arrangements together with the community in order to reach mutual agreement with the community on the utilisation norms for each spatial function.
3. recommending legal settlement through the mechanism of revising the spatial arrangements in areas of serious tenurial conflict that are unlikely to be retained as forest areas .
4. accommodating community access to forest resources by re-arranging the norms for utilising such resources in accordance with sustainability principles.
5. developing a mechanism for recognising community management rights in areas of serious/minor tenurial conflict in the context of sustainable forest management. This mechanism serves as the basis for FMU managers to prepare licensing recommendations for communities.
6. engaging in law enforcement for all issues relating to illegal activities.

## NATIONAL STRATEGY FOR FMU DEVELOPMENT

FMU development should be perceived in terms of strategy, policy, programmes and activities that are not physical site activities, but efforts to implement FMU institutionalisation so that it becomes the agenda of related parties. FMU development is about developing an institution, in terms of both the rules of the game and the organization.

Developing an institution is about developing a public good, so the issues lie in the authority, capacity and political will of the related public institutions, either alone or in terms of its capacity to organise with others.

There are three basic issues concerning FMU development, as follows:

1. Content and completeness of the legislation;
2. Mobilisation of resources, especially to plan and carry out the programmes of related parties in an integrated manner;
3. FMU organisation, and the quantity and qualifications of human resources.

With the area characteristics and issues in FMU development mentioned before, the strategy for FMU development can be formulated as follows:

*First*, at the national level, capacity building is needed in national FMU development. This strategy is intended to realise the allocation of national resources for FMU development. This strategy is applied continuously until all FMUs have been developed for all forest areas. This includes completion of legal framework and national planning along with their socialization, development of human resources, national institutional development (relating to intra- and inter-institutional roles) raising public interest in FMU development.

*Second*, focus on efforts towards FMU institutional development on the ground. In implementation, this strategy involves identifying regencies/provinces that are relatively prepared, at least in terms of political support to carry it out. The success of this second programme is expected to become a pull factor for FMU development nationwide, especially if FMU development can become a basis to promote regional economic activities in the short term. Development of Model FMUs is included under this strategy.

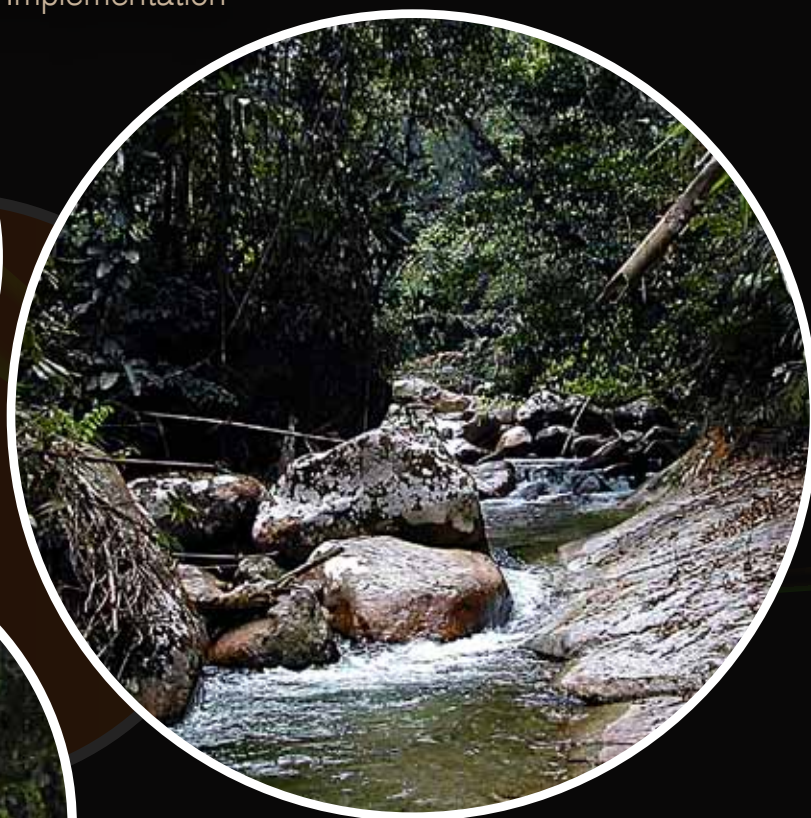


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DIRECTORATE GENERAL OF FORESTRY PLANNING  
**DIRECTORATE OF AREA MANAGEMENT AND  
PREPARATION OF FOREST AREA UTILISATION**

Gedung Manggala Wanabakti Blok VII Lt. 5  
Jl. Jend. Gatot Subroto, Senayan, Jakarta Pusat 10270  
Telp. (021) 5730288, 5730298; Email: ditwil.kph@gmail.com

# giz

Deutsche Gesellschaft für  
Internationale Zusammenarbeit (GIZ) GmbH  
Forest and Climate Change (FORCLIME)  
Manggala Wanabakti, Bl. VII, Fl. 6  
Jl. Jend. Gatot Subroto  
Jakarta 10270 Indonesia  
Tel: +62 (0)21 5720214  
[www.forclime.org](http://www.forclime.org)