

A CRITICAL LOOK ON FARMER GROUP - PRIVATE-BUSINESS COLLABORATION IN NATURAL RESOURCE MANAGEMENT: SOME OBSERVATION FROM INDONESIAN EXPERIENCE

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ABSTRACT

In the realm of Natural Resource Management (NRM) the devolution paradigm has already gain a strong foot hold. That is true even in Indonesia where centralized management of forest areas has been accepted as the most normal management approach for decades. NRM concepts like Social Forestry, Community Forestry; Collaborative State-Local Community Forest Management (*Pembangunan Hutan Bersama Masyarakat*) has been accepted even in the highest level of the government. These concepts place the local communities and private initiative into the foreground of local resource management. Unfortunately at the level of praxis the process of devolution is still hampered by many obstacles, ranging from vested interest of the dominant stakeholders of the past to the lack of legal and operational mechanism.

This paper likes to share some experience of private - local community collaboration in NRM in Indonesia. Material for this paper came from evaluation studies on the implementation of collaboration of private sector and local community in NRM, namely: the establishment of small scale private village forest (*Hutan Rakyat*); in protection of catchment area through the development of Siri culture and the distribution of small scale credit for farmers to establish field terraces. Main factors that contribute to much problem in the implementation of these collaboration type of NRM are: the half hearted devolution of the state role in the NRM; the bias toward government and private sector interests; and the unwillingness of the programs to place the local communities as an equal partner.

I. BACKGROUND

The old paradigm of Centralize Resource Management with its Centralize Resource Allocation that gives an almost monopoly to the state in managing the natural resources of a country has been forsaken. With that the related Standardized Service Delivery Programs came also under attack, shifting toward the appreciation of local specific conditions and indigenous knowledge (Korten, 1986). The idea of the delegation of natural resource management to smaller government organizational units and to local communities is become known as the devolution paradigm (Agrawal & Ostrom, no datum). In Indonesia this devolution paradigm slowly

S. Sunito: A critical look on Farmer Group – Private-Business Collaboration in Natural Resource Management: Some Observation from Indonesian Experience

become accepted since the World Forest Congress in 1978, with its slogan "Forest for the People". An array of concepts and programs which try to integrate local village communities more fully into the forest management have been developed, such as the Social Forestry (*Perhutanan Sosial*), the Development Of Forest Village Community Program (*Pembangunan Masyarakat Hutan-Terpadu/PMDH-T*), Community Forestry (*Hutan Kemasyarakatan*) (Peluso, 1990; Kartasubrata, Sunito, Suharjito, 1995). The devolution paradigm underscore the two spronged principle, where conservation has to go hand in hand with increasing benefit for local communities (Garrity, 1999). The Indonesian government pushes the principle one step further by propagating the collaboration of private-sector and local farmer communities in natural resource management. This private-business and farmer collaboration became the main principle of the watershed soil conservation and reforestation program of the Ministry of Forestry in areas outside the state forestland.

This paper try in short to share some findings of an evaluation study on several programs of watershed soil conservation and reforestation program launched by the Ministry of Forestry. The programs are the *Kredit Hutan Rakyat/KUHR* (Credit Scheme For Small Scale Forest Estate), the *Kredit Usahatani Persuteraan Alam/KUPA* (Credit Scheme For Silk Worm Farmers) and the *Kredit Usaha Konservasi Daerah Aliran Sungai/KUK-DAS* (Credit Scheme For Soil Conservation Work in Watershed Areas)

II. SHORT DESCRIPTION OF THE PROGRAMS

1. The *Kredit Hutan Rakyat/KUHR* (Credit Scheme For Small Scale Forest Estate): This program offers highly subsidized credit to farmer groups to finance the establishment of small-scale forest estate on farmer's private land. Each farmer group has to manage minimally 25 Ha. land, and the whole scheme has to cover a one-block land of 900 Ha. The program requires the collaboration of farmer groups with private-business in wood/timber related industry. The wood/timber related industry has to be within 100 Km. from the planned small-scale forest estate. The credit will be channeled through a bank but managed by the farmer group together with the private-business partner.
2. The *Kredit Usahatani Persuteraan Alam/KUPA* (Credit Scheme For Silk Worm Farmers): This program offers highly subsidized credit to farmer groups to financed the establishment of Mulberry tree fields and small housing for the rearing of silk worms. Each farmer can receive credit to establish 0,35 - 1,5 Ha. Mulberry field, which can contain 3500 up to 15.000 trees. A farmer group has to manage up to 50 Ha. land. The program requires the collaboration of farmer groups with private-business in silk thread industry. The industry will provide the farmers with silkworms and absorb the silk cocoons produced by the farmers. The credit will be channeled through a bank, but managed by the farmer group together with the private-business partner.
3. The *Kredit Usaha Konservasi Daerah Aliran Sungai/KUK-DAS* (Credit Scheme For Soil Conservation Works in Watershed Areas): This program provide credit for farmer Groups in critical watershed areas to finance the building of terraces in farmers private land. Besides financing the terraces, the credit scheme is for providing farm input, cattle and the planting of grass for fodder. The farmers

S. Sunito: A critical look on Farmer Group – Private-Business Collaboration in Natural Resource Management: Some Observation from Indonesian Experience

provide the labor and the stones for the terraces. This program does not require the collaboration with private-business, instead of that the credit will be managed by a bank.

III. THE DIFFICULT PROCESS OF DEVOLUTION

This chapter concentrates on the capability of the different programs on soil conservation and reforestation in forging participation of farmers. In doing this we follow the different programs through the identification and selection process, the planning and executing phase and the monitoring/control process. We will see how opportunities and mechanism provided by the programs are interpreted and used by the different stakeholders and its effect on the participation of farmers.

The Process of Identification and Selection:

All the three conservation and reforestation program are confronted with processes of identification and selection of the stakeholders. Two of the programs, the KUHR and the KUPA, prescribe the engagement of private-business as partners of the farmers. The private-business should fulfill the role of both bringing in the needed technology, manage the credit scheme according to the land-use planning in cooperation with the farmer groups as owners of the land, and provide the market for the product. In almost all the cases the private-business fail in fulfilling their role. There are two main factors responsible for the failure: 1) It appears, that the availability of cheap credit has stimulated private-businesses to use all kind of method to get their hands on, especially in this economic crisis situation. Which further negatively influenced the selection of the private-businesses. This lead to the second factor. 2) The end result was the appointments of private-businesses that not necessarily fulfill the requirements, but have the right connections in the bureaucracy. The requirements are such as, having a bonafide business related with woodworking or timber and minimally poses a subsidiary in the location of the KUHR program.

All the three programs include the role of the banking system owned by the Provincial Government as channeling and/or executing bank of the credit scheme. Although government owned, these bank systems are operated as private business. In this respect there is no room for other banks to play a role in these Natural Resource Management (NRM) programs.

Many of the private-businesses that have been selected for the KUHR (Credit Scheme for Small-Scale Timber Estate) program have their core business in wood related industry and timber trade. However these companies do not have the expertise in planning and cooperating with local farmers in managing the development of timber estate. Some even do not have branches close enough with the location where the KUHR programs were located. As a consequence the companies were dependent on local offices of the Forestry Department. A lacunae the Forestry Department and its branches in the Province and District level can not fulfill adequately due to lack of manpower and in many cases the right approach and attitude. In two cases - In East Kalimantan and Jambi/South Sumatra - the partner companies were up to their role. The one in East Kalimantan specialized in producing tree seedlings throughout tissue-

S. Sunito: A critical look on Farmer Group – Private-Business Collaboration in Natural Resource Management: Some Observation from Indonesian Experience

culture technology; the other being a subsidiary of an international leading pencil industry. However, both employ a radical different approach in their objective to produce timber for their needs, with radical different results, which will be dealt subsequently.

In the highly specialized character of the silk industry there is much less room for adventurous companies that only try to catch the opportunity of cheap credit. The companies that have been selected to become business partners of silk worm farmers groups were all business's in silk industry. However, a combination of wrong attitude and approach on the side of the private-businesses and interventions from the Forestry Department has resulted in a collaboration that systematically deprive the farmers of their profit. Through price monopoly and unfair treatment in classifying silkworm cocoons.

The conservation and reforestation programs were located in watershed area considered as critical or areas that need reforestation. In both cases accessibility to markets is considered important. The economic feasibility of the program is regarded as essential, both the environment as well as the farmers has to gain from the program. After all the credit has to be paid back through the increase of the productivity of the land. It is in the selection of farmers to be included in the program that the problems start. In many cases the final decision is the end result of collision of contradictory interests of the different stakeholders.

In selecting and acquiring farmer's cooperation short cut methods such as buying the service of the village head or local leaders is rather the rule than exception. Wrongly interpreted as participatory, this method results in recruitment of farmers that is biased by nepotism. This short cut method is the result of factors as follows: 1) The Forest Department and the private-businesses refuse to invest more time and manpower to set up a participatory land-use investigation as a precondition to getting cooperation from the farmers; 2) there is the misconception of village community as being homogeneous, free from conflict of interest between social classes, between hamlets or kinship groups and personal vested interests. Besides the bias by nepotism, this method of selecting and recruiting farmers results in concentration of power in the hands of certain individuals that become considered as mediators or brokers of cheap credits by the rest of the community. A condition that sets the members of the village community as dependent clientele of the village powerful, instead of active stakeholders in the conservation endeavor. In the case of the KUPA (Credit Program For Silk Worm Farmers) this short cut procedure resulted in recruiting farmers that have no any experience in silk worm farming before. A decision proved wrong in a condition where there is not enough technical supporting system available for the farmers to lean on.

In the case of East Kalimantan the partner company - in it self a qualified company - succeed in acquiring village reserve land that still stay idle without having to integrate the members of the village community in the scheme. Instead of that, the company sells the land as interests to urban people. In so doing, the company did not have to deal with local farmers in day to day operation, and operate the scheme as if a large forest estate instead of small scale forests estate run by local farmers. This

S. Sunito: A critical look on Farmer Group – Private-Business Collaboration in Natural Resource Management: Some Observation from Indonesian Experience

company policy leaves a conflict situation within the village, where the farmers accuse the village head of collusion with the company. Very probably in the long run this will grow into conflict with the company when the tree estate shows its benefit.

There are also success stories that illuminate factors that contribute to a good collaboration of private-business and farmers. The case of the pencil manufacturer that operates in Jambi and South Sumatra is such a case. Here the company takes a personal approach in their objective to ensure the availability of land and the commitment of the landowner. The pencil manufacturer manages to contract individual transmigrant farmers that have surplus land for the development of small-scale tree plantation. In this case a company succeeds in taking advantage of the already developed – physically as well as legally - agriculture infrastructure of transmigrant schemes and targeted the many transmigrant farmers that do not have the labor power as well as the money to make use of part of their land. At the other side the farmer taking advantage of the technological know-how and the marketing potential of the pencil manufacturer.

As can be observed in the cases under study, the process of selection and recruitment have created a condition - with some exceptions – where farmers have been positioned in a more or less passive role. The forming of farmers groups and land-use planning were merely done to fulfill formal requirements of a credit scheme. In the subsequent discussion on the planning and executing phases we will further explore the roles of the private-business and the Farmer Groups.

Planning And The Management Of Credit Scheme:

In all the three conservation and reforestation program of the government the whole planning process is done by the private-businesses with minimal participation of the farmer groups. As the term for the land-use planning indicates: *Rencana Definitif Kebutuhan Kelompok (RDKK)*/ Definitive Plan Of The Groups Supply Needs, it should a product of collaboration between the farmer groups and the private-business's. Moreover in many cases there is the strong feeling that the RDKK reported to the Forestry Department is regarded only as formality to fulfill the precondition for the disbursement of the credit. This far from participatory planning process resulted in trees and plants that not congruent with the interest and needs of the local farmers. On top of this in many cases, the credit in kind that the farmers got - seedlings, seeds and other farm input - were not seldom of a bad quality. In many cases farmers did not now the amount of credit they were entitled. It seems that the efficient use of the credit money do not interest the private-business's that were selected as partner in these conservation programs. There are explanations for this phenomena: 1) there are strong rumors that many companies just put the heavily subsidized credit in the bank as deposit with much higher interest rates or invest the money in other ventures that promise better and faster profit; 2) most of the private-business's do not have the expertise to manage such a credit scheme, and the low interest of the credit scheme seems to work counter productive.

S. Sunito: A critical look on Farmer Group – Private-Business Collaboration in Natural Resource Management: Some Observation from Indonesian Experience

It is not surprising that within this context, the farmers do not get much chance to developed its strength, economically as well as in their organizational potential. They merely become a passive part of the program.

This form of top-down planning can be found to in the case of the success full establishment of small-scale forest estate under the management of the pencil manufacturer. The company decides the tree species that has to be planted and the form of agroforestry that has to be developed. In this case the implementation went smooth. The main factor behind this success is the company earnest in pursuing the program due to its genuine interest in its product, that is raw material for the manufacturing of pencils. Moreover, the employee cooperative of this company invest its money in the perennials (such as cocoa) and seasonal plants (Soya beans) that form the whole agroforestry system. The product of these plants will be divided between the farmer that owns the land and the employee coop. This self interest motivate the employee coop. to act as a pressure group to ensure the quality of the seedlings of the perennials, seeds of the seasonal crops and to ensure the good care of the plants and a good price for the products. In these, the interest of all the stakeholders, including the farmer owner, came to the same point, which further results in a productive collaboration.

Mechanism of Control:

Within these entire conservation and reforestation program, the Forest Department and its branch offices in the Province- and District-level should exercise control. However observation from the field showed that almost no control has been exercised on the distribution of credits, the process of planning, the progress and quality of the conservation and reforestation activity, etc. Different factors were responsible for this situation: 1) a situation where the main stake holders were appointees from the center no effective control can be exercised; 2) in many cases the partner private-business's are powerful actors in the local power structure, with cordial relationship with the local bureaucracy; 3) In certain cases there is a competition between different divisions of the bureaucracy in managing large credit schemes related to development activities, a phenomena that kills cooperation between offices and frees any critical attitude of the offices toward the program they manage; 4) the government offices have not enough manpower and finance to set up a control mechanism.

The bank is actually in the position to exercise control in an effective way. However, within these conservation and reforestation programs, the bank is given only the task as channeling bank. Which mean that the bank only fulfills the role as cashiers that act on order. It has no right to exercise control what so ever. In the case of KUK-DAS (Credit Scheme For Soil Conservation Works In Watershed Area) the bank actually has an executing role, which mean responsible for the whole credit scheme. But at the end the bank was unable to exercise its role optimally because interventions from the Forestry Department in selecting farmer participants. As already discussed, the farmer groups is not in the position to exercise control due to its dependent position toward the other stakeholders.

S. Sunito: A critical look on Farmer Group – Private-Business Collaboration in Natural Resource Management: Some Observation from Indonesian Experience

In this situation of lack of effective control, the strongest stakeholder has virtually the freedom to pursue its objective. More so if there is a congruence of interest with powerful sections in the state bureaucracy.

IV. CONSIDERATION ON PRECONDITIONS

Observing the existing collaboration of private-business and farmers in credit scheme for conservation and reforestation programs, there are some questions to be answered. 1) Do agriculture cum conservation and reforestation program needs the engagement of private business? 2) What kind of private-business will proof functional ? 3) What kind of socio-economic preconditions are needed? 4) What can be the role of a credit scheme in agriculture cum conservation and reforestation program? The answers to these questions are necessarily limited in coverage and validity.

Based on the limited findings some observations can be made on the need and preconditions regarding the collaboration of farmers and private-business. 1) The engagement of private-business seems the most desirable - from the point of view of the business as well as from that of the local farmers - when it is conducted in a environment with good agriculture infrastructure and clear legal status. In this respect, the most unsuitable environment for private-business engagement is the marginal land, which actually need soil conservation activities the most. At the other extreme, the most suitable for private-business engagement is the large-scale transmigration scheme (in Indonesian context), where usually much land stands idle. 2) What kind of private-business? It is the private-business that has a long-term interest in the product of the collaboration that is most suitable, such as silk thread and wood processing industry. 3) It is wrong to think that farmers - private-business collaboration is just another type of agribusiness: the linking of the land-based sector with the down-stream non-land based sector. Contrary to that idea, for most of the private-business, such collaboration is a total new field of experience. Because of that, this collaboration must be regarded as a learning process for both the private-business as for the farmers, with all its consequences: the will to invest in human resources, investment in field schools and participatory appraisals and planning.

The collaboration of farmers and private-business is not to create a new form of client - patron relationship. It is therefore important for the farmers to have access to supporting system institutions, such as credit facilities, information, and access to market. The private business cannot be positioned as substitution for these supporting system institutions. Instead of that, it is their role to offer better and more efficient solutions to problems in the field of production technology, post harvest handling and marketing.

What is the role of credit facility in this context of collaboration? In the previous part it was already observed the negative effect from a large scale subsidized credit scheme. The point is how to put credit schemes in its proper place. 4) First of all it is important to emphasis that soil conservation activity and reforestation have a long-term positive effect for the owners of the particular land as well as for the public

S. Sunito: A critical look on Farmer Group – Private-Business Collaboration in Natural Resource Management: Some Observation from Indonesian Experience

ad large. In the form of a stable and clean water supply, less sediment in the water reservoirs and dams, less flooding, greener environment, etc. In this perspective instead of burdening the upland farmers with credit schemes, public investments in the watershed must be promoted. Soil conservation and reforestation activities in the watersheds have to be considered as a complex multi dimensional problem that must be tackled simultaneously in different levels. In this context, credit facility is one of the many solutions that are available. Certainly not as a starting point, but in a more advance stage where the chance of success and profit is more guaranteed. Very probably, in this role rural credit does not have to be subsidized.

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