

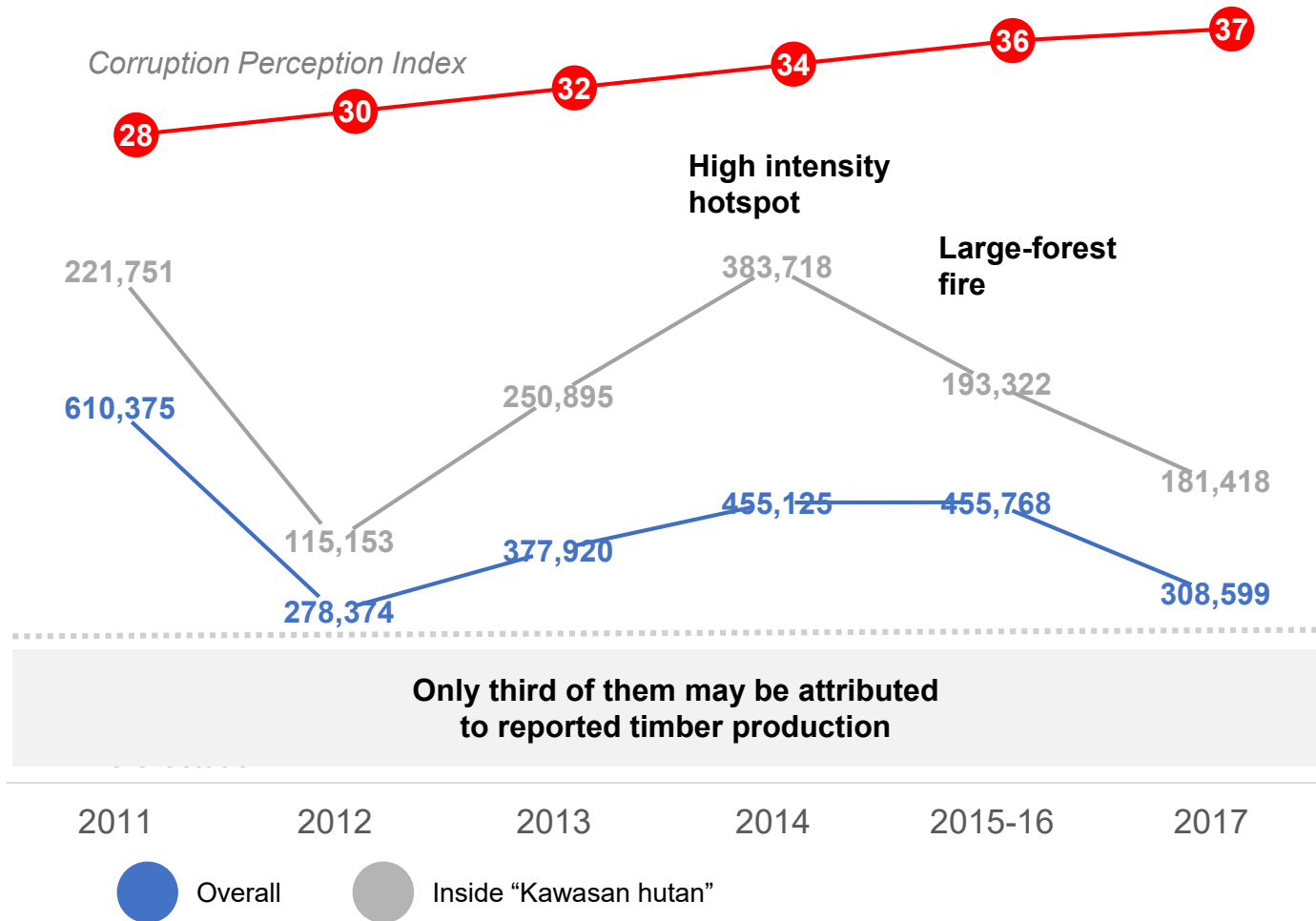
# ZERO DEFORESTATION IN ANTI-CORRUPTION APPROACH

YAYASAN AURIGA NUSANTARA

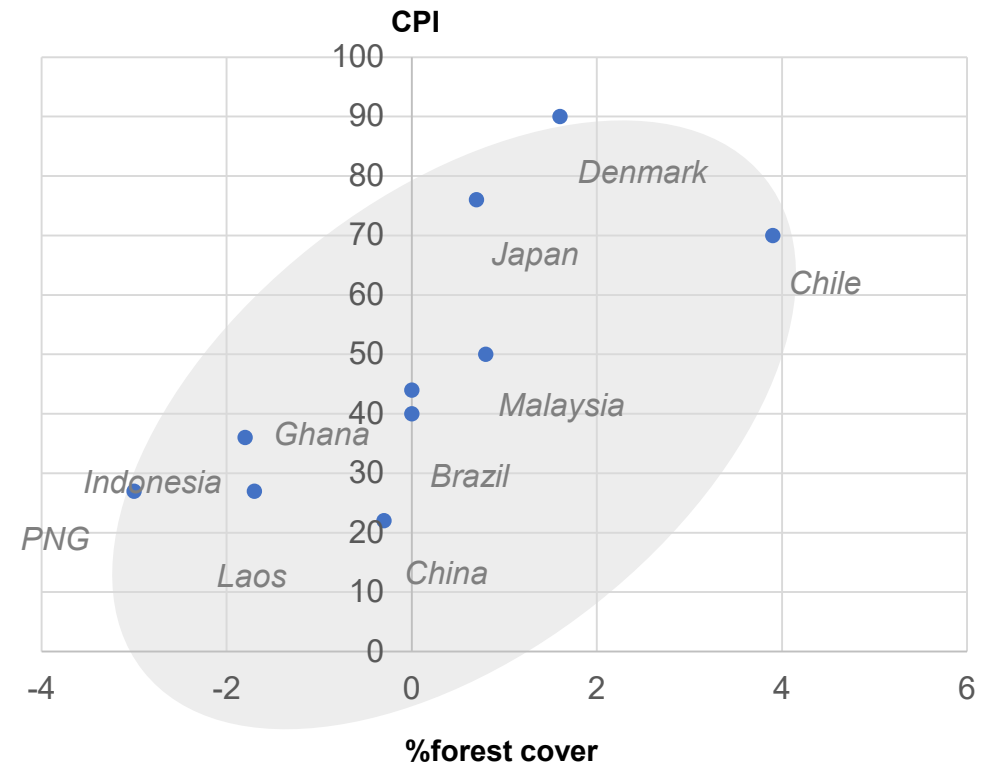
2019

# WHAT HAPPENED WHEN DEFORESTATION OCCURED

Corruption causing deforestation more than (villages) population growth (C. Koyunen and R. Yilmaz, 2009)



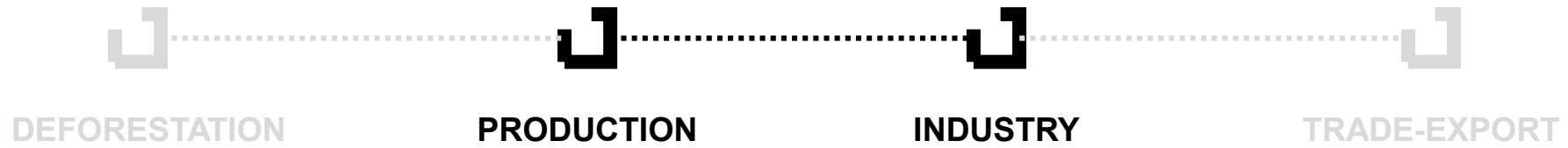
Deforestation rate and corruption generally linked to each other



Avg. deforestation rate (%) vs CPI 2010-2015 in several countries



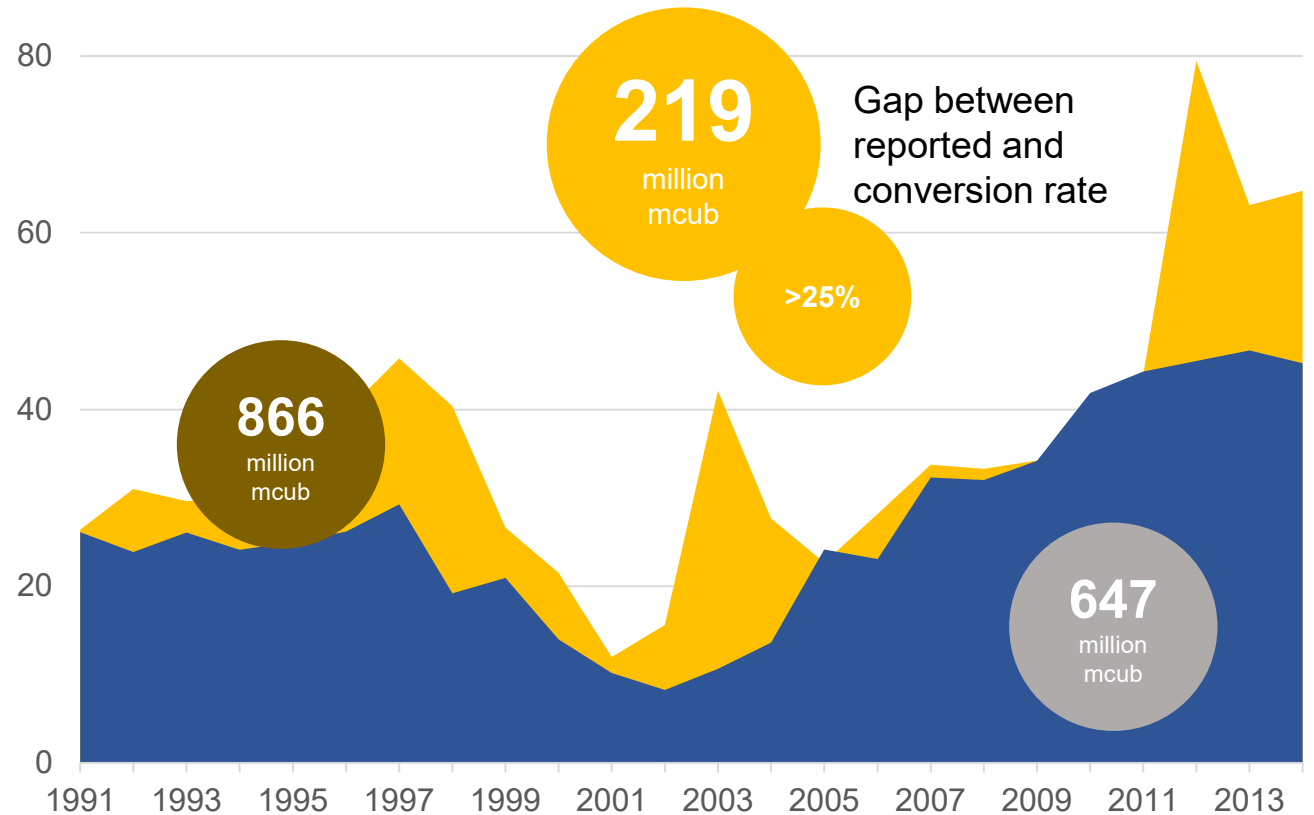
# WHAT HAPPENED WHEN GAP AND STATE LOSS



gap in consumption  
data compare to  
industrial goods

gap in system data  
RPBBI vs SIPUHH

- "Consumption" based on conversion rate
- Reported industry consumption



# WHAT HAPPENED WHEN GAP AND STATE LOSS



*Sale on one  
group affiliation  
of group holding*



*Sale on one  
group affiliation*



## OUR WORK

# ANTI-CORRUPTION APPROACH

- Supporting KPK studies
- Develop independent data-system on mapping of land-use and commodity supply-chain
- Monitoring illegal forest clearance-hotspot on forest risk
- Corruption impact assessment



### EFFECTIVE LAW ENFORCEMENT

#### Effective Deforestation Monitoring

- Learning from Brazil
- MapBiomas

#### Integrative And Integrity On Timber CoC

- Integrating SIPUHH with other data system
- Encouraging transparency of timber data



### EMPOWERING FISCAL CAPACITY ON PROTECTING THE FOREST

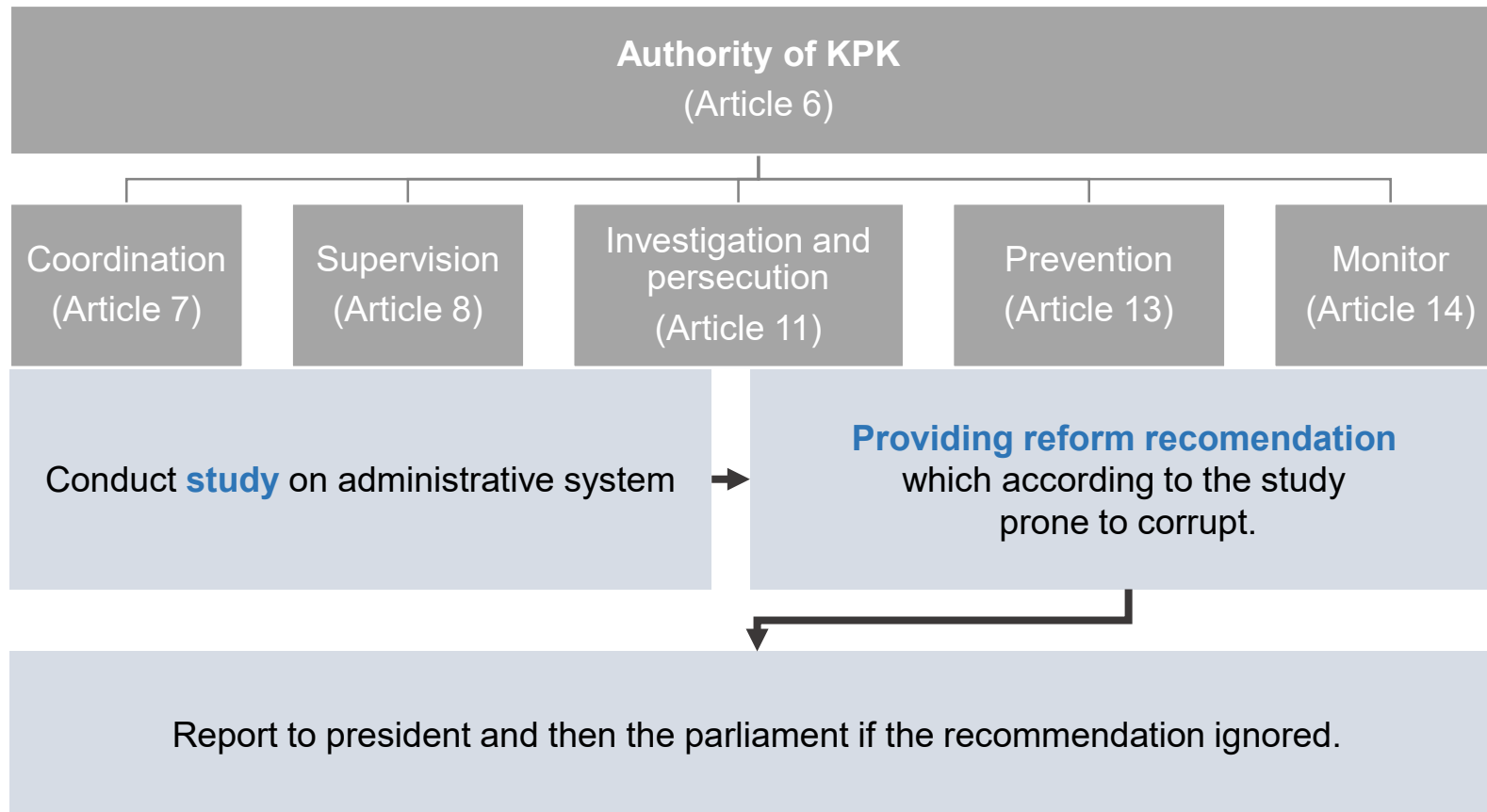
#### Fiscal transfer

- Discussion on options

#### Improving accountability on royalty use

# KPK-LED ACTION PLAN

## KPK's AUTHORITY



# KPK-LED ACTION PLAN NATURAL RESOURCES GOVERNANCE REFORM



*Corruption and governance problem in forestry sector considered wicked problem, advise the urgency of coordination between agencies as part of the reform process and the need to ensure the reform are one with impact to the outcome.*



# KPK-LED ACTION PLAN LINKING TO LAW ENFORCEMENT



Amran Batalipu  
case (2013)



Annas Ma'mun and  
Gulat Manurung case  
(2014)



Nur Alam case  
(2018)



Borak Milton  
case (2019)

2010 ————— 2011 ————— 2012 ————— 2013 ————— 2014 ————— 2015 ————— 2016-2019

Tengku Azmun  
Ja'far case (2009)

Hambit Bintih and  
Akil Mochtar case  
(2014)



Setya Novanto, Idrus  
Marham, and Kotjo  
case (2018)



KPK-LED ACTION PLAN

# FOREST GOVERNANCE SYSTEM ADMINISTRATION STUDY



**2010**

Kajian Sistem  
Planologi Kehutanan

*Forest zone has been  
an area in which large  
scale non-legitimate  
land use are  
incentivized*

**2013**

Kajian Sistem  
Perizinan Kehutanan

*Almost all of licensing  
in forestry sector,  
involving bribery and  
extortion*

**2015**

Kajian Sistem  
Administrasi Tata  
Usaha Kehutanan

*Collection of non-tax  
revenue hampered by  
moral hazard  
developed by  
regulation*

**2019**

Kajian Kebijakan  
PNBP Kehutanan

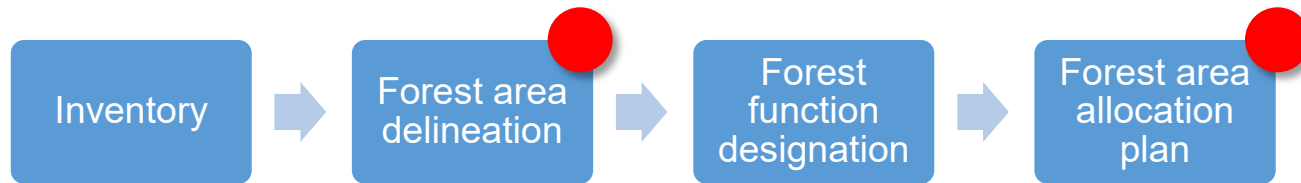
*Structure of royalty  
tariff and structure  
incentivizing moral  
hazard in PNBP  
collection*

# KPK-STUDY

## CIA ON FOREST PLANNING

### Weak criteria to control forest conversion, allows transactional process.

- *In general all forest allowable to be converted, without specific deliberate decision making process.*



### Weak forest area designation, both legally (11%) and legitimately.

- *Conflict resolution and access to natural resource and land are not considered on the process of forest area delineation and designation.*

### No single standard map on forest area.

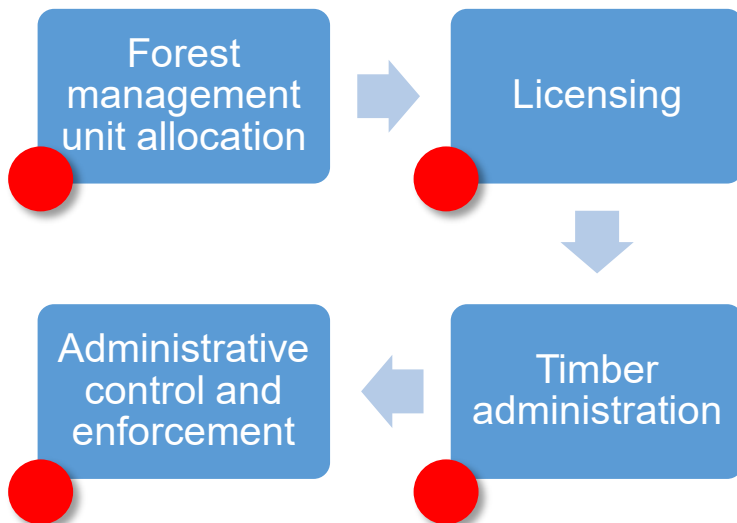
- *There are no clear legal instrument to explain forest area in one single map.*
- *Inventory has never been updated prone to information asymmetry.*

On 2010, KPK conduct a study on forest planning, the background was that forest area uncertainty has been a loophole for discretionary licensing process. The common practices on licensing in forest area was to obtain illegal forest resources economic value – whereas then the conversion became also uncontrollable. The key recommendation to this study:

- (1) Ensure a rational and deliberate decision making in forest conversion.
- (2) Improve forest area legal and legitimate status, in which will no longer serve as 'loophole' in transactional land-based licensing.

# KPK-STUDY

## CIA ON FOREST LICENSING



**Every phase of licensing is recognized as hotspot for bribery and extortion.**

- *Bribery and extortion occurred with various policy loopholes, including abstract decision making criteria, unregulated standard of public service, and overlapping norm between the laws.*

***'For every illegal costs, encourage also illegal sourced income.'***

- *Admittedly, respondents of the study mentioned that such informal costs often compensated with more revenue – even more often in illegal manner. The study found that the transaction cost would cover at least 680 million IDR to 22 billion IDR for each concession holder annually.*

While engaging reform in forest planning, KPK use the *'policy window'* to also bureaucratic reform in forest exploitation and use licensing. From various on site monitoring and evaluation in previous process, KPK found more and more information on corruption in licensing bureaucracy.

Using the variable from [Corruption Impact Assessment] developed by ACRC (Korea Anti Corruption and Civil Right Commission), KPK study (2013) found **at least 18 out of 22 regulation in licensing administration is prone to corrupt**. The key recommendation to this study is:

- (1) Reduce bureaucratic loophole and cut informal costs to licensing administration.
- (2) Encourage a rational and deliberate decision making in licensing process and control.

## KPK-STUDY

# CIA ON FOREST REVENUE COLLECTION

Rent-seeking behaviour as underlying for corruption in forestry sector might still prevail despite reducing regulatory loopholes. As risks of enforcement low, the superfluous rent provide larger incentives to corruption. The study on forest resource based revenue finds (2015) that the policy in collecting revenue not only provide perverse incentives to rent seeking behaviour but also conditions for disincentives in governing forest resource sustainably. This study recommends on:

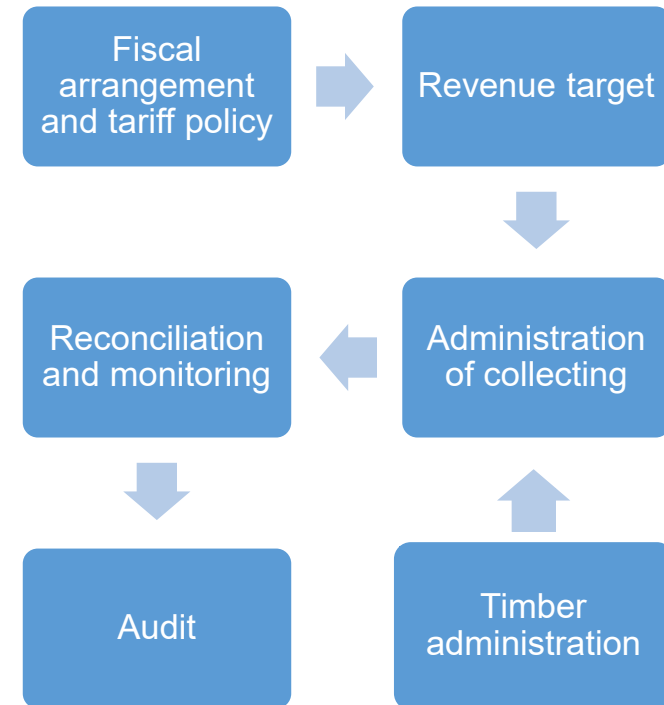
- (1) Preventing corruption by reducing uncaptured rent value by the state.
- (2) Encourage a rational and deliberate decision making in fiscal policy to allows a positive incentives on managing the forest sustainably.

### **Government provide no credible data to verify revenue collection and setting target policy.**

- *Almost all information on forest resource provided by concessionaire, assymetrical information occured on weak verification process for the reported data.*

### **Accountability of the forest governance is weak.**

- *Despite managing large areas of forest, government has no specific mechanism to provide accountability of the targets and outcome. No verification on how the government should have collected from managing the forest.*



### **Revenue policy providing incentives for rent-seeking.**

- *Forest business blessed with indirect subsidies as revenue tarriff never adjusted since 1990s despite increasing market price.*

# KPK-LED ACTION PLAN

# FOREST GOVERNANCE REFORM



## KEY RECOMMENDATION

1. Improve forest gazettement
2. Encourage the One Map Policy
3. Strengthen bureaucracy in licensing process
4. Integration of SIPUHH and Post-Audit as oppose to person-to-person monitoring
5. The use of National Forest Monitoring System as law enforcement instrument

## MILESTONE ACHIEVEMENT

1. 80% of forest gazettement
2. Indicative One Map of Kalimantan Tengah
3. 60% of bribery-informal cost reduced in licensing process
4. SIPUHH integration with PNBP – case on Papua
5. Regulatory harmonization map and conflict resolution on national inquiry

And,  
**the corruptors now fight back!**