

## Analysis of Foreign Grants for Forestry Development Before and Amid the Covid-19 Pandemic

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### *Abstract*

The decline in economic growth in Indonesia also has an impact on the forestry sector and puts pressure on the performance of the forestry sector. Innovations and breakthroughs are needed to accelerate the pace of forestry development that is adaptive, credible, competitive, and transparent, especially in the aspect of financing development in the forestry sector. One alternative to development funding in the forestry sector is through foreign grants. Therefore, a study is needed to analyze the impact of the foreign grant project on forestry development in Indonesia, especially during and after the Covid-19 pandemic. The data collection in this study was carried out by literature studies, field observations, organizing coordination meetings and focus group discussions (FGD) and then analyzed using quantitative descriptive methods using a quadrant analysis approach. The results of this study indicate that: 1) project performance from the budget side has not shown consistent results compared to the plan; 2) foreign grant project support in the forestry sector has a strategic role in the development funding policy framework as well as supporting national development targets and regional development at the project site, however, foreign grant project support has not been fully aligned with the national development plan; 3) the Covid-19 pandemic has become an obstacle in implementing foreign grants, especially at the site level; 4) the implementation of foreign grant projects before and during the Covid-19 pandemic had a positive impact on forestry development in Indonesia; dan 5) the benefits of foreign grant project activities get a positive response and are well received by the community. There is still a need to improve the quality of performance in the management of foreign grants, both in terms of planning and program implementation. This is needed to achieve national priority development targets, support economic recovery and improve forest management at the post-Covid-19 pandemic in Indonesia.

**Keywords:** public rental housing program policy; relocated residents; public rental housing; rent overdue.

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## 1. Introduction

The 2020-2024 National Medium-Term Development Plan (RPJMN) in the forestry sector contains the results of the identification of several strategic activities and projects within the national priorities that are implemented to achieve the development goals in the forestry sector in the 2020-2024 period. Overall, funding for these strategic activities and projects will not be able to be met from the existing State Revenue and Expenditure Budget (APBN) and Regional Revenue and Expenditure Budget (APBD). Considering these conditions, innovation and breakthroughs are needed to accelerate the pace of development that is adaptive, credible, competitive, and transparent, especially in the aspect of financing development in the forestry sector.

The implementation of strategic activities and projects in the forestry sector in the first year of the 2020-2024 RPJMN was faced with the disastrous condition of the Covid-19 pandemic which resulted in a decline in economic conditions, increased poverty and unemployment and caused additional pressure on the fiscal capacity of various countries in the world, including Indonesia. The Covid-19 pandemic is expected to cause a slowdown in the national and world economy and allow contraction to occur, making it a formidable challenge in achieving the average economic growth target of 5.7-6.0 percent per year as stated in the 2020-2024 RPJMN. On the other hand, the Covid-19 pandemic has also affected the physical implementation of grant activities in the field due to social restrictions and the digital communication system transition is still happening. For activities that cannot be done online, it will be hampered due to the limitation issue.

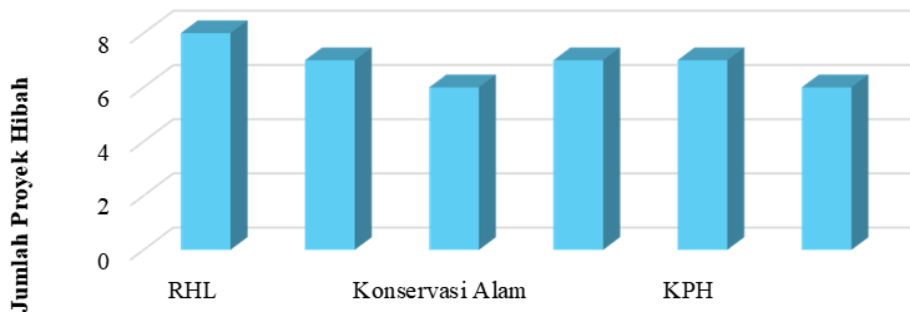
The decline in economic growth in Indonesia also has an impact on the forestry sector and puts pressure on the performance of the forestry business sector. Therefore, it is necessary to optimize the utilization of various other sources of financing that can be used. One alternative to development funding in the forestry sector is through foreign grants. Foreign grants come from several countries and international organizations that support efforts to achieve national development targets by referring to Government Regulation Number 10 of 2011 concerning Procedures for Procurement of Foreign Loans and Receipt of Grants and Regulation of the Minister of National Development Planning/Head of Bappenas Number 4 of 2011 concerning Governance Method of Planning, Submission of Proposals, Assessment, Monitoring, and Evaluation of Activities Funded from Foreign Loans and Grants (PHLN).

The number of foreign grant projects until 2021 is 55 grants spread across 12 echelon I work units (UKE) of the Ministry of LHK, as many as 25 grants are direct grants in the form of goods and services, 18 grants are direct grants in the form of cash, and 13 grants is a planned grant. Of the 13 on-going planned grants within the scope of the Ministry of Environment and Forestry, as many as 10 grant projects are in the forestry sector, consisting of 7 bilateral foreign grant projects and 3 multilateral projects with the type of cash-planned grants. The following is a brief description of the planned forestry sector grant project.



**Figure 1.** Distribution of grant projects within the scope of KLHK  
**Source:** KLHK, 2023

Projects implemented through foreign grant support are support for development in the RPJMN 2020-2024. Most of the thematic National Priorities in the 2020-2024 RPJMN for Forestry have been supported by foreign grant projects, including: forest and land rehabilitation; nature conservation; forest industry development; agrarian reform (TORA and PS); and forest and land fire control (karhutla) is shown in Figure 2.



**Figure 2.** The support for foreign grant projects in thematic national priorities  
**Source:** Bappenas, 2023

The purpose of this study is to analyze more deeply the impact of foreign grant projects on forestry development in Indonesia, especially amid the Covid-19 pandemic and in the context of community economic recovery after the Covid-19 pandemic. The following are further targets of this study: 1) availability of data and information on forestry development plans and targets and the role of foreign grants in the forestry sector in achieving national development targets (RPJMN, Renstra/RKP); 2) identified the impact of foreign grant project activities on forestry development in the pre-pandemic period and in the context of community economic recovery after the COVID-19 pandemic; and 3) formulate a strategy for accelerating the implementation of HLN project activities and

performance in the context of economic recovery and improvement of forest management at the post-COVID-19 post-pandemic level as well as synchronizing central and regional development plans. This study is expected to provide recommendation for policy makers in managing of foreign grants in the forestry sector to be better.

## **2. Literature Review**

### **2.1. Foreign Grant**

Based on Government Regulation Number 10 of 2011 concerning Procedures for Procurement of Foreign Loans and Receipt of Grants, foreign grants are any state revenue, both in the form of foreign exchange and/or foreign exchange converted into rupiah, or in the form of goods and/or services obtained from the provider. foreign grants that do not need to be repaid. For the grant income, the government gets direct benefits, which are used to support the tasks and functions of Ministries/Institutions (K/L) or forwarded to the Regional Government, State-Owned Enterprises (BUMN), and Regional-Owned Enterprises (BUMD). The following are the principles of receiving foreign grants.

1. It is carried out in a transparent, accountable, efficient and effective manner, with prudence, not accompanied by political ties, and does not have a content that can disrupt the stability of state security.
2. Prioritizing equality in the implementation of cooperation.
3. Prioritizing national interests in all aspects, including political, economic, socio-cultural aspects, as well as defense and security.

### **2.2. Planned Grant**

Article 48 paragraph 2 of Government Regulation 10 of 2011 explains the definition of a planned grant is a grant that is implemented through a planned mechanism, starting from the submission of activities funded from grants, inclusion in the List of Details of Grant Activities (DRKH) from the Ministry of National Development Planning/Bappenas, signing of grants, inclusion in APBN and Budget Documents (including registration of grants) as well as disbursement of funds through the Office of Service and State Treasury (KPPN) as the State General Treasurer (BUN) in the regions, and for further accountability. The following are the types of grants that can be planned: 1) grants given to prepare and/or assist loans; 2) grants that have been included in the planning document mutually agreed between the Government and the Grant Provider; 3) grants that require matching funds; 4) grants implemented by Non-Governmental Organizations (NGOs) through the Government; 5) grants in the framework of inter-agency cooperation with foreign grant givers abroad.

### **2.3. Policy Direction for Forestry Sector Development**

National development planning includes the implementation of macro planning for all government functions covering all areas of life in an integrated manner within the territory of the Republic of Indonesia. National development planning consists of development planning compiled in an integrated manner by K/L and development planning by local governments in accordance with their respective authorities as stated in the 2020-2024 RPJMN document which is prepared to accommodate all sectors that contribute to development, one of which is forestry and water resources conservation. The following are the three main indicators of forestry development for 2020-2024.

1. Establish and protect 65 million hectares of national protected areas with high biodiversity and carbon stocks and not exceeding the carrying capacity and carrying capacity.
2. Overcoming inequality in the use of forest areas by the community by providing access and/or assets to the community covering an area of 10 million hectares.
3. Meet the national wood production supply of at least 60 million m<sup>3</sup>/year.

#### **2.4. Alignment of Central and Regional Development in the Forestry Sector Sourced from Foreign Grants**

Based on Minister of Environment and Forestry Regulation Number P.2/MENLHK/SETJEN/KEU.3/1/2016 concerning Guidelines for Scope of Grant Management of the Ministry of Environment and Forestry, forestry grant planning must refer to the KLHK Strategic Plan to support the achievement of Program Performance Indicators (IKP) and Activity Performance Indicators (IKK) of Ministry of Environment and Forestry. Regarding the manuscript of the planned grant agreement that has been approved and signed, the Executing Agency (EA) together with the grantor makes an activity plan and it is stated in the plan document, including:

1. Overall Work Plan (OWP) which is prepared based on the strategic plan or strategic plan of the executing agency and contains an outline of overall plan for implementing the grant activities during the validity of the relevant NPH, including the annual budget withdrawal plan; and
2. Annual Work Plan (AWP) which is prepared in the year prior to implementation and is used as the basis for budgeting in the APBN for the following year.

#### **2.5. Performance Analysis**

Performance analysis has been proposed by Martilla and James to measure the performance of work variables whose development will be focused on, including strategies for achieving them. The analysis used is the division of variables into grids that show critical levels and developments over time. This analysis is commonly used to see which variables are important and which are not important in order to plan future performance improvements.

In addition, the results of performance analysis can be used as a basis for forecasting. Forecasting can be used to see patterns and trends of future change. According to Maryati (2017), forecasting can provide the following benefits:

1. Determine goals and plans;
2. Determine budgeting plans;
3. Determine decision making; and
4. Identifying crucial variabls and risk mitigation.

### **3. Methods**

#### **3.1. The Data Used**

The data collected in this study were obtained through several methods such as field observations, organizing coordination meetings and Focus Group Discussions (FGD) involving various related parties as well as browsing various library references that are in accordance with the topics in this study. Quantitative data used for analysis is data on planned foreign grants. The implementation of data collection also involves several activities to obtain supporting information through secondary sources such as grant planning

documents and grant implementation reports from the Ministry of Environment and Forestry

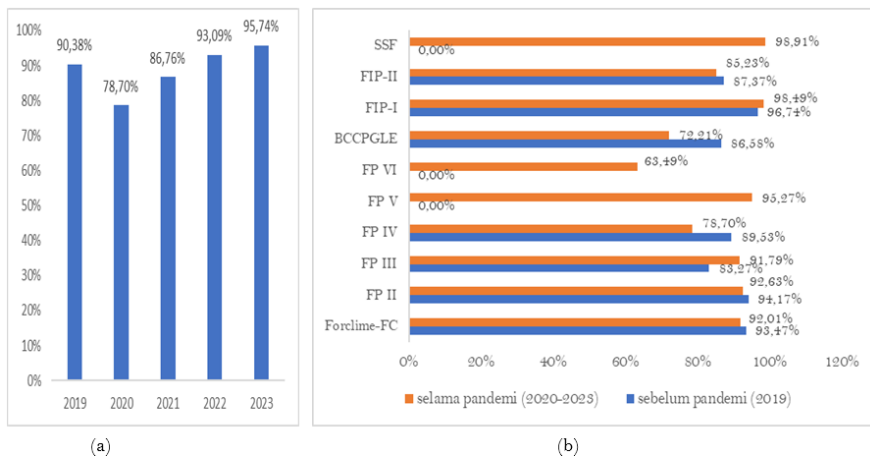
**3.2. Analysis Tools and Techniques**

Data analysis in this study uses quantitative descriptive analysis method, namely describing a phenomenon, events, symptoms, and events that occur factually, systematically and accurately. Primary data sources come from the results of correspondence requests for supporting data, field observations and FGDs. The quantitative analysis used is a quadrant approach.

**4. Discussions**

**4.1. Evaluation of Foreign Grant Management Performance**

Performance evaluation is a process to provide information about the extent to which budget absorption has been achieved through the form and management that is carried out periodically on the grant budget. The period measured in this study is over a span of 5 years (2019-2023) with the consideration that 2019 is the last year before the Covid-19 pandemic, while 2020-2023 is the initial period of the pandemic.



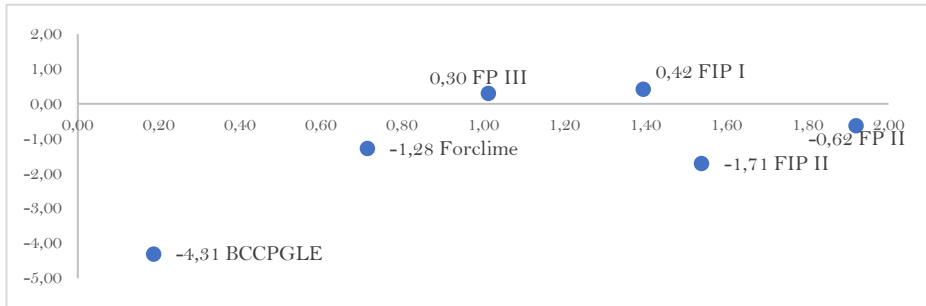
**Figure 3.** Total realization of budget performance (a); Foreign grant budget plan and realization, fiscal year 2019-2023 (b)

Source: KLHK, 2023

In general, the budget performance of forestry grant projects within the scope of the Ministry of Environment and Forestry obtained quite good results during 2019-2021. Data displayed on Figure 3 shows that the percentage of budget performance was 90% in 2019, then briefly decreased at the beginning of the Covid-19 pandemic in 2020 to 79%, and again increased to 87% in 2021. In detail, each project also experienced a similar trend in that the pandemic resulted in a slowdown in budget performance. The condition of the Covid-19 pandemic that took place in early 2020 until 2021 became an obstacle to the implementation of grants, especially at the site level in connection with the policy for the Enforcement of Community Activity Restrictions (PPKM) issued by the central government and regional governments. There are 3 (three) projects whose performance cannot be compared because

in 2020 and 2021 they have just started, namely: FP V; FP VI; and SSF. However, the comparison has considered the condition of the project variables on the overall performance.

Martilla and James (1977) have found an analytical method to determine the attributes of variables whose performance can be prioritized or not. This analysis method is an approach in knowing the variables and attributes used to intervene to improve the performance of the targeted or prioritized variables or vice versa.

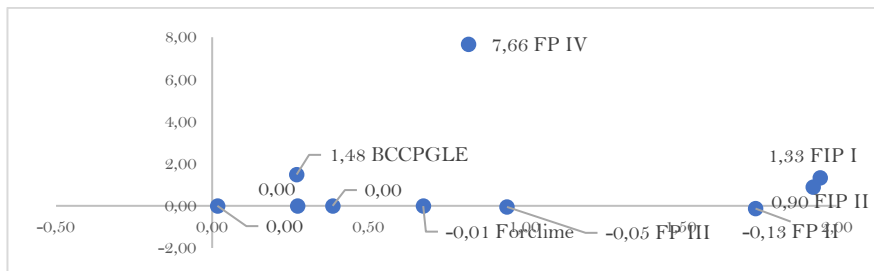


**Figure 4.** Composition of the use of the foreign grant budgets before the Covid-19 pandemic

Source: KLHK 2023, processed

From Figure 4 above, before the Covid-19 pandemic led to the beginning of the Covid-19 pandemic, the trend of budget use for each project tended to decrease, except for the FIP I and FP III projects. This is because the FIP I Project has almost completed the physical work plan in 2019 and leaves a work plan that is both regulatory and administrative in nature in 2021 and 2022. Furthermore, the FP III Project also experienced an increase in the use of the budget because it was mostly used to finance physical construction to support the achievement of project targets in selected villages and payment for consulting services and research collaborations to be carried out in the 2021-2022 period.

In the FP IV Project, there was an increase in the use of the budget by approximately 294 index points (not defined in Figure 4), because in 2019 there was not much use of the budget because it was still in the preparation and alignment stage of the work plan. In 2020, the FP IV Project experienced a significant increase in budget usage from IDR134,459,025, - in 2019 to IDR7,585,430,379, - in 2020. The use of the FP IV Project budget in 2020 is mostly used for procurement of goods and services for operational support and payment for consulting services.

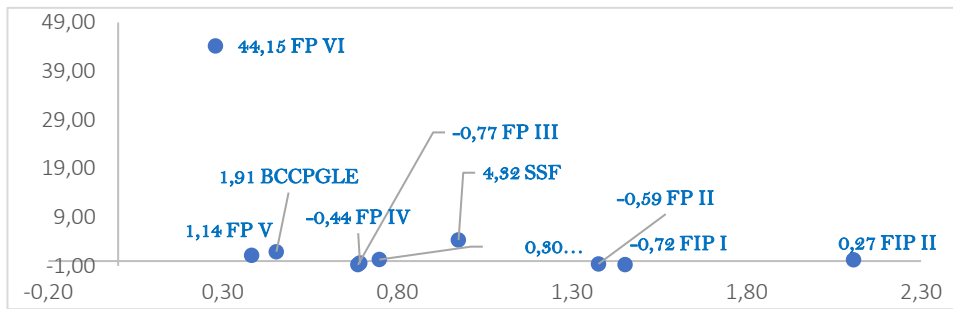


**Figure 5.** Composition of the use of foreign grant budgets use beginning the Covid-19 pandemic 2020-2021

Source: KLHK 2023, processed

During the Covid-19 pandemic that occurred in 2020 and 2021, in fact there were no fluctuations in the use of the budget for most projects, this was because the adaptation of project implementers was quite good. Adaptations made by the activity component are considered capable of responding to the challenges of the Covid-19 pandemic, such as: reduction of direct (face-to-face) physical activities to online meetings; diverting budget resources to Covid-19 recovery programs/activities; and optimization of information systems and coordination of the parties through information technology. In the FP IV Project, the increase in budget use during the Covid-19 pandemic was due to the need for payment of consultant services in 2021 and the procurement of goods for project implementers in the regions.

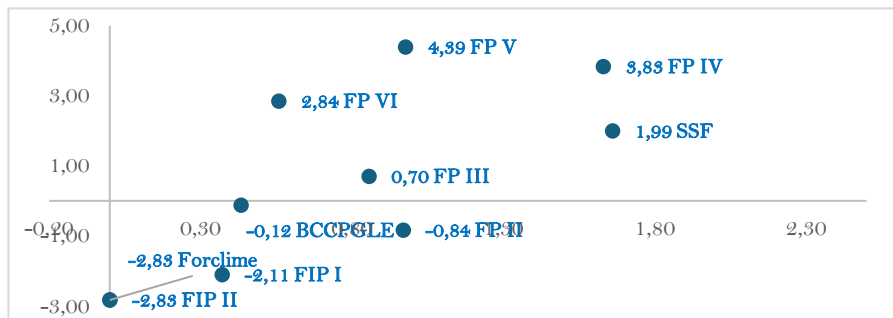
In Figure 5 above, there are 3 projects that have an index of zero (0), namely: FP V; FP VI; and SSF because the project implementation will only start in 2021 so it cannot be defined graphically. However, all three projects have started their initial performance in 2021 quite well. The FP V project will start in 2021 with a budget of IDR9,356,457,203,-; FP VI project with a budget of IDR575,026,291.-; and the SSF Project with a budget of IDR13,223,501,390,-.



**Figure 6.** Composition of the use of foreign grant budgets use during the Covid-19 pandemic 2021-2022

Source: KLHK 2023, processed

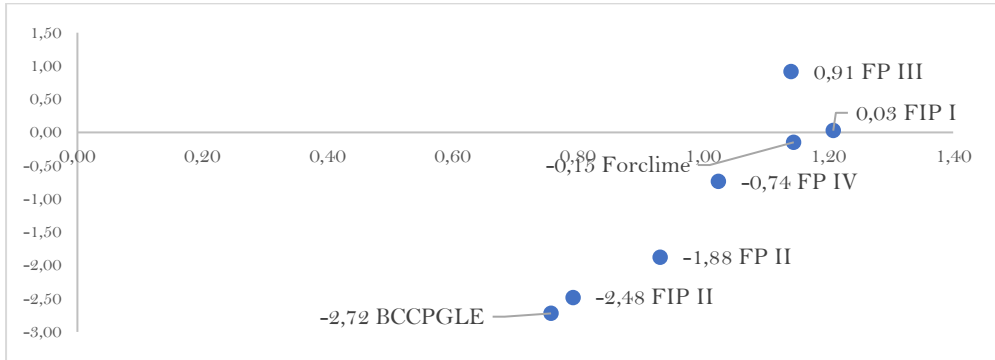
If we look at the end of the pandemic, it is known that the project has improved its budget performance. There are several projects whose budget performance has decreased, this is because the project will complete its duration in 2022-2023



**Figure 7.** Composition of the use of foreign grant budgets use at the end of the Covid-19 pandemic 2022-2023

Source: KLHK 2023, processed

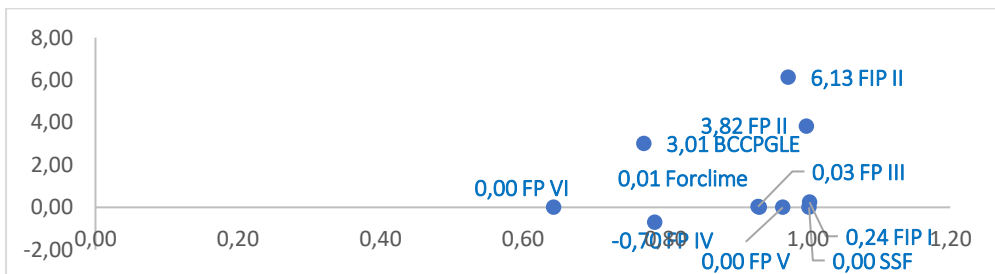




**Figure 8.** Budget performance of foreign grant budgets before the Covid-19 pandemic (2019-2020)

Source: KLHK 2023, processed

When viewed in terms of budget performance, during the transition period before the Covid-19 pandemic to the beginning of the Covid-19 pandemic in 2020, there were two projects that experienced increased performance, namely the FP III and FIP I Projects. This is because in each of these projects the use of the budget is more physical, such as planting and supporting construction at the selected location/village. In addition, the use of the budget does not deviate much from the plan due to more precise planning calculations so that execution becomes optimal. On the other hand, as has happened on all lines, the Covid-19 pandemic has also reduced project implementation performance due to limitations and adaptations that need to be anticipated, thus affecting budget performance because it cannot be executed optimally.

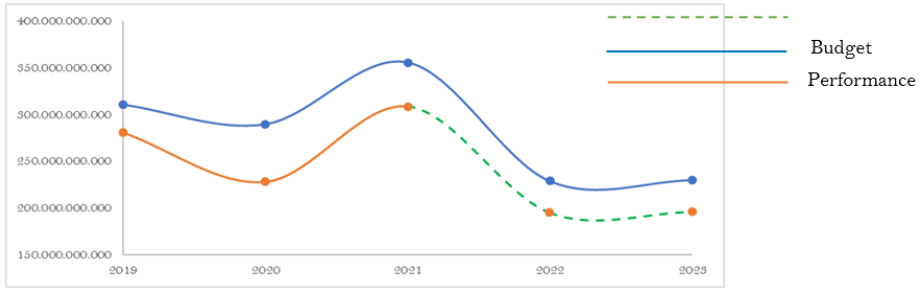


**Figure 9.** Budget performance of foreign grants amid the Covid-19 pandemic 2020-2023

Source: KLHK 2023, processed

In Figure 9 above, there is an anomaly in the achievement of budget performance. In some projects, during the Covid-19 pandemic 2020-2023, especially in 2021, there has been an increase in project implementation budgeting proposals. Furthermore, the increase in the project budget has not been accompanied by budget performance. This happened to the BCCPGL Project, FP II Project, and FIP II Project.

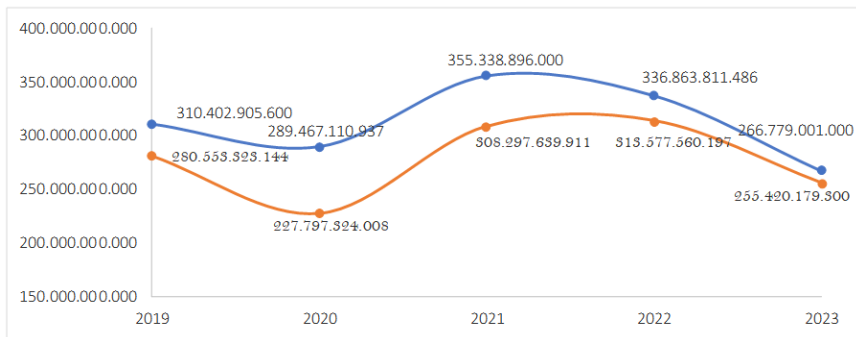
On the other hand, the budget for FP V, FP VI, and SSF Projects cannot be determined on the graph because they do not have a comparison in 2020 or in other words, new projects will be executed in the 2021 fiscal year. Nevertheless, the three projects experienced a positive trend in terms of budget performance and the amount of budget implemented during the Covid-19 pandemic.



**Figure 10.** Projected performance of foreign grant budgets before and after the Covid-19 pandemic

**Source:** KLHK 2023, processed

Figure 10 above is a projection made during the pandemic conditions in 2020-2021. It can be seen that the projected use of the budget can be made more efficient following pandemic trends. However, in reality the projection has changed as in Figure 11. This is due to efforts to accelerate development through increased grant funds. On the other hand, the projected gap between budget and realization still occurs whether during a pandemic or not.



**Figure 11.** Budget performance of foreign grant budgets before and after the Covid-19 pandemic

**Source:** KLHK 2023, processed

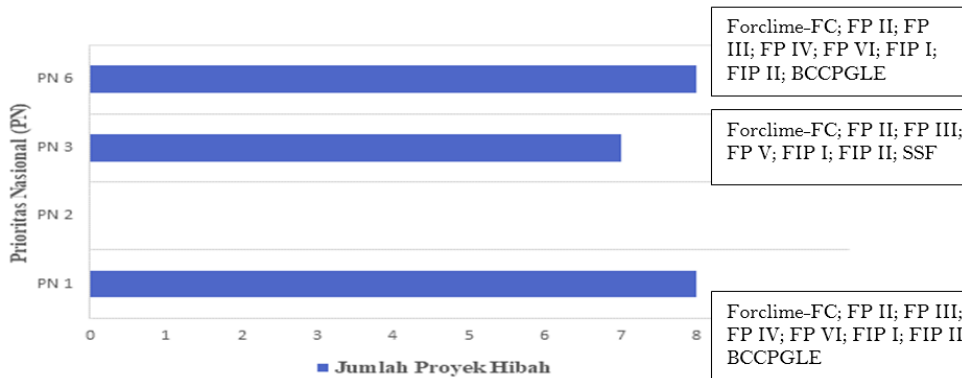
Based on data on budget usage and budget performance that has been analyzed, budget performance is always below the predetermined target both before the pandemic and during the Covid-19 pandemic. Looking at these conditions, it can be projected that future budget performance after the Covid-19 pandemic is suspected to tend not to change much. You can see a picture of the projected budget performance for a planned foreign grant project in the forestry sector in Figure 11. Budget performance projections tend to be smaller in terms of the gap between the plan and the realization of performance. This can be expected because the project implementers have been able to adapt well in anticipating the Covid-19 pandemic and increase efforts to maximize performance in the following years.

**4.2. Synchronization of Overseas Grant Projects with RPJMN 2020-2024**

Alignment of grant project support in this study aims to find out support for programs and activities sourced from foreign grants in supporting the national forestry development targets as set out in the 2020-2024 RPJMN. In general, the role of the forestry sector

supports 4 of the 7 national priorities that are the reference in the preparation of the overall work plan and annual work plan for each grant project within the scope of the Ministry of Environment and Forestry. The results of the identification of potential grant project support in national priorities can be seen in Figure 12.

The role of the forestry sector in supporting National Priority 1: Strengthening Economic Resilience for Quality Growth is contained in 2 priority programs related to increasing water availability and increasing value added jobs in the real sector and forestry industry supported by 8 priority activities. In these priority activities, there are PN projects that better describe the role of the Ministry of Environment and Forestry along with the results of the identification of potential grant project support as shown in Table 1.



**Figure 12.** Potential grant project support in National Priorities 2020-2024

Source: Bappenas 2023

**Table 1.** The Role of KLHK and the potential for grant project support in PN 1 RPJMN 2020-2024

No	Priority Activities/ National Priority Project	2024 Goals	Work Unit (Es I)	Grant Project
<b>Priority Activities: Consolidation of protected function areas covering an area of 65 million hectares</b>				
1	High environmental services inventory	7 ecoregions	Ditjen PKTL	Forclime-FC
2	Participatory protection and security of national protected areas	4,500 villages in and around conservation areas	Ditjen PKTL; Ditjen KSDAE	Forclime-FC; FP II; FP III; BCCPGLE; FP IV; FIP I
<b>Priority Activities: Sustainable forest management covering an area of 34.7 million hectares in production forest areas</b>				
3	Optimization of forest products and environmental services	30 million m <sup>3</sup>	Ditjen PHL	FIP I; FIP II

No	Priority Activities/ National Priority Project	2024 Goals	Work Unit (Es I)	Grant Project
4	Strengthening Forest Management Units (KPH)	110 KPH	Ditjen PHL; Ditjen KSDAE; Ditjen PDASRH	Forclime-FC; FP II; FP III; FP IV; FP V; FIP I; FIP II
<b>Priority Activities: Maintenance, restoration and conservation of water resources and their ecosystems including revitalizing lakes and green infrastructure</b>				
5	Forest and land rehabilitation	420.000 ha	Ditjen PHL; Ditjen PDASRH	Forclime-FC; FP II; FP III; FP IV; FP VI; BCCPGLE; FIP I; FIP II
6	National priority lake revitalization/rescue	15 national priority lakes	Ditjen PDASRH	FP II; FIP I
<b>Priority Activities: Improvement of integrated upstream-downstream agriculture-based processing industries, maritime, and non-agro</b>				
7	Forestry-based industry development	60 million m <sup>3</sup>	Ditjen PHL	Forclime-FC; FP II; FP III; FP V; FIP I; FIP II; SSF
<b>Priority Activities: Increasing the competitiveness of destinations and the tourism processing industry, including nature tourism, supported by supply chain strengthening</b>				
8	Development of 25 Forest Areas to Support Priority Tourism Destinations	25-unit priority natural tourist destinations	Ditjen KSDAE	FP IV; FIP I

Source: Bappenas 2020

In National Priority 3, the role of the forestry sector is related to Improving Quality and Competitive Human Resources, the role of the forestry sector is stated in the “Poverty Reduction” and “Improvement of Productivity and Competitiveness” Priority Programs”. Several priority activities have been prepared in order to support the achievement of the two priority programs which are realized through agrarian reform and social forestry activities which are the keys to poverty alleviation and efforts to optimize the role of forest resources which cannot be separated from the professional management of human resources in it, effective and efficient. The priority activities in PN 3 are reduced to national priority projects accompanied by the results of the identification of potential grant project support which are overall shown in Table 2.

**Table 2.** The role of KLHK and the potential for grant project support in PN 3 RPJMN 2020-2024

No	Priority Activities/ National Priority Project	2024 Goals	Work Unit (Es I)	Grant Project
<b>Priority Activities: Business intermediaries and social impacts</b>				
1	Counseling and/or assistance for environmental and forestry community groups	800 units KTH/LP2UKS	BP2SDM	Forclime-FC; FP V; FIP I; FIP II
<b>Priority Activities: Agrarian Reform</b>				
2	Tora control and ownership arrangement (including forest area release)	600.000 ha	Ditjen PKTL	Forclime-FC
<b>Priority Activities: Social Forestry (PS)</b>				
3	Community forest area management	4 million ha	Ditjen PSKL	Forclime-FC; FP II; FP III; FP V; FIP I; FIP II; SSF
<b>Priority Activities: Industrial cooperation-based vocational education and training</b>				
4	Reform of Vocational Education and Training	7.473 people	BP2SDM	FIP II
5	Strengthening the Competency Certification System	7.000 people	BP2SDM	FIP II

Source: Bappenas 2020

The role of the forestry sector in supporting National Priority 6. Building the Environment, Improving Disaster Resilience, and Climate Change are contained in the three Priority Programs. In the priority program "Improving the Quality of the Environment", the forestry sector plays a role in preventing, overcoming and recovering pollution and damage to natural resources and the environment. In the priority program "Improving Disaster and Climate Resilience", the forestry sector supports the priority activity "Improving Climate Resilience". Meanwhile, in the "Low Carbon Development" priority program, the forestry sector supports the "Sustainable Land Recovery" and "Low Carbon Coastal and Ocean" priority activities. Details of priority projects in each priority activity along with the results of identification of potential grant project support can be seen in Table 3.

**Table 3.** The role of KLHK and potential grant project support in PN 6 RPJMN 2020-2024

No	Priority Activities/ National Priority Project	2024 Goals	Work Unit (Es I)	Grant Project
<b>Priority Activities: Prevention of Pollution and Damage to Natural Resources and the Environment</b>				
1	Prevention of Biodiversity Loss and Ecosystem Damage	65 million ha	Ditjen KSDAE	BCCPGLE; FP II; FP III; FP IV
2	Provision of Biodiversity and Ecosystem Data and Information	70 million ha	Ditjen KSDAE	BCCPGLE; FP II; FP III; FP IV
<b>Priority Activities: Recovery of Pollution and Damage to Natural Resources and the Environment</b>				
3	Habitat Restoration of Endangered Species	1,8 million ha	Ditjen KSDAE	BCCPGLE; FP II; FP III; FP IV
4	Increase in Population of Endangered Species of Wild Plants and Animals	10 million ha	Ditjen KSDAE	BCCPGLE; FP II; FP III; FP IV
<b>Priority Activities: Increasing Climate Resilience</b>				
5	Protection of Coastal and Marine Sector Vulnerabilities	1.250 ha	Ditjen PDASRH; BSI LHK	FP VI
6	Water Resistant Protection in Climate Risk Areas	20.000 ha	Ditjen PDASRH	Forclime-FC; FP II; FP III; FP IV; FP VI; BCCPGLE; FIP I; FIP II
<b>Priority Activities: Sustainable Land Recovery</b>				
7	Land Forest Rehabilitation and Reforestation	420.000 ha	Ditjen PDASRH; Ditjen PHL	Forclime-FC; FP II; FP III; FP IV; FP VI; BCCPGLE; FIP I; FIP II
8	Reducing Deforestation Rate	310.000 ha/year	Ditjen PDASRH, Ditjen PHL, Ditjen KSDAE	Forclime-FC; FP II; FP III; FP IV; FP VI; BCCPGLE; FIP I; FIP II
<b>Priority Activities: Low Carbon Coastal and Marine</b>				

No	Priority Activities/ National Priority Project	2024 Goals	Work Unit (Es I)	Grant Project
9	Inventory and Rehabilitation of Coastal and Marine Ecosystems	26 locations	Ditjen PDASRH; BSI LHK	FP VI

Source: Bappenas 2020

Most of the thematic National Priorities in the 2020-2024 RPJMN in the field of Forestry and Water Resources Conservation supported by grant projects include forest and land rehabilitation, nature conservation, forestry industry development, agrarian reform (TORA and PS), and forest and land fire control (karhutla).

**4.3. Impact of Implementing Foreign Grants at the Site Level**

The Covid-19 pandemic has had a negative impact from a social and economic perspective. However, the Covid-19 pandemic has had a positive impact when viewed from an environmental aspect. The achievement of the implementation of the KLHK scope of grants during the pandemic also had a positive impact, especially on the FIP I Project. The achievements of project implementation in the context of improving environmental aspects are marked by the contribution of real physical activities in the field such as forest and land rehabilitation activities (agroforestry), social forestry and other efforts to support emission reductions and deforestation rates. Meanwhile, one of the positive impacts on social and economic aspects is realized through empowerment and active involvement of local communities in project locations which also increases the income of community groups. The implementation of project activities carried out independently with the community can be an alternative source of income for the community, in addition to participating in advancing and preserving their own area.

Data and information on the impact of grant implementation at the site level were also obtained through discussion activities and field visits at the location of the FP II grant project in Jambi Province aimed at supporting the development and implementation of strategies for biodiversity conservation and integrated watershed management within the national REDD+ framework. The implementation of this program lasts for 7 years from 2016 to 2022 with locations, among others, in Tebo Regency, Merangin Regency, Bungo Regency, Sarolangun Regency and Kerinci Regency. The positive impact of project implementation in environmental aspects is realized through ecosystem restoration activities and forest security patrols carried out by the implementing agency (IA) of the Kerinci Seblat National Park Center (BBTNKS) as well as the management of conflicts between animals (elephants) and humans carried out by the Center for Conservation of Nature Resources (BKSDA) Jambi.

The implementation of the FP II Project also has a positive impact on social and economic aspects through agroforestry activities carried out by the Batanghari BPDASHL in the Air Falls Village which has an area of 18 hectares with the types of cinnamon, suren, and coffee. During the discussion in the field, the Chair of the Telang Kuning KTH and the Head of the Kerinci KPH appreciated the assistance provided through the FP II Project, namely not only agroforestry activities carried out but also the assistance of productive economic tools in the form of coffee production machines along with the training provided.

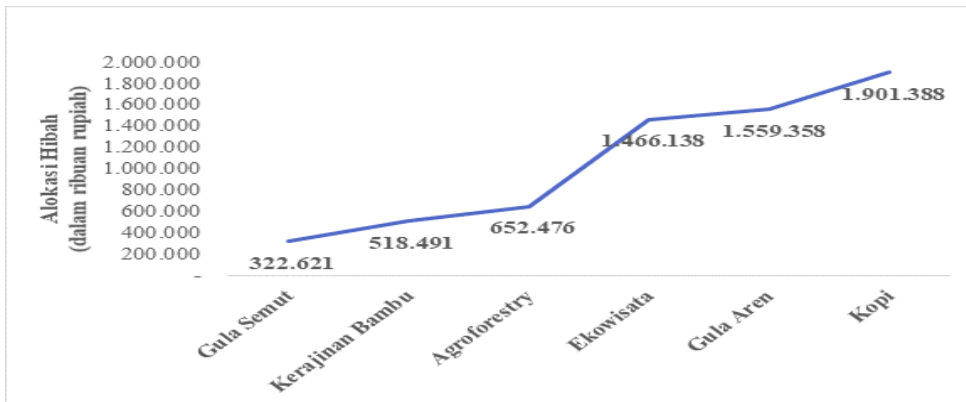
Currently, coffee and cinnamon plants have been successfully processed and marketed so that people can earn income for their daily lives. The implementation of other activities that have a positive impact on improving the community's economy is the development of rafting ecotourism in Seberang Merangin Village, which is one of the training programs initiated by BBTNKS together with the Kerinci Regency government with village community groups by utilizing forest ecosystem environmental services in the form of natural tourism services on the Batang Merangin River. The form of activity provided by BBTNKS through the FP II grant budget is the facilitation of training and procurement of ecotourism infrastructure such as rubber boats, helmets, buoys, and paddles used for rafting tours.

One of the keys to the project's success in environmental, social and economic aspects is that most of the activities in the FP II Project are carried out self-managed with village communities. This has a positive impact not only on environmental sustainability but also on improving the community's economy and employment. On the other hand, institutional strengthening is also an important focus in project implementation. This is realized by strengthening the Jambi Province Watershed Management Coordination Forum (DAS Forum) which consists of various parties and is cross-sectoral in managing regional watersheds in Jambi Province. Project implementation at the site level, which is supported by the DAS Forum, Jambi Provincial OPD to related Regency/City OPDs, makes this project integrated upstream-downstream, on the other hand, the relatively good budget realization performance also makes this project effective in achieving grant outputs and outcomes.

The positive impact of the grant project achievement was also obtained from the results of discussions and field visits to the Forest Investment Program II (FIP II) project "Promoting Sustainable Community Based Natural Resources Management and Institutional Development" with grant funding from the World Bank and DANIDA located in West Nusa Tenggara Province. The FIP II project is part of Indonesia's forest-based investment program that supports priority investments in addressing the drivers of deforestation. The World Bank and DANIDA have allocated USD 22.42 million to support the national program to improve forest governance, particularly in 10 KPHs in 8 selected provinces. This project is a planned grant and therefore managed by the on budget on treasury mechanism or by the APBN mechanism and was launched on 3 October 2016 by the Minister of Environment and Forestry. This project aims to strengthen institutions and capacities to improve decentralized forest management governance in the smallest forest management units within the FMU organization, and which results in better forest-based community livelihoods in the target areas.

In general, the group business investment model supported by the FIP II project grant in the West Rinjani KPH area is realized through group business development by optimizing the natural resources and potential in the village in the form of processing non-timber forest product (NTFP) commodities such as coffee, palm sugar, bamboo, palm sugar, empon-empon agroforestry. Group business development is also pursued by environmental services to support sustainable ecotourism. This grant assistance is also supported by the community self-help budget of around 10-20 percent of the allocated grants. Collaborative funding is one of the keys to successful business investment while increasing the interest and income of the community while maintaining forest sustainability. The allocation of project grant funds along with the group business development model is shown in Figure 14 below.





**Figure 13.** Project grant allocation graph and group business development model

Source: Bappenas 2023

Based on Figure 14, the largest support in group business development investment is realized through coffee processing and the smallest is palm sugar processing. Most of the assistance for developing NTFPs in increasing the utilization and conservation of forest areas is allocated in the form of productive economic tools, such as the provision of facilities and infrastructure and capacity building for human resources at the local KTH and BUMDes.

Positive results from the impact of the FIP II Project were also obtained through discussions and field visits in the working area of the Batulanteh KPH Balai, to be precise at KTH Buin Sekedit and KTH Sinar Pulas, Sumbawa Regency. Implementation of project activities in KPH Batulanteh consists of components 3.1 (more advanced FMU management); component 3.2 (community empowerment activities in KPH); and component 3.3 (support to selected FMUs in the development of monitoring services and training support for KPH groups). Based on the discussion led by the head of KTH Buin Sekedit, information was obtained regarding the support of the FIP II Project in the development and processing of candlenut NTFP products through the provision of infrastructure and productive economic tools (production house, drying floor, pecan crusher machine, scales, candlenut seeds, lawn mower).

The community also feels the assistance of the FIP II Project through the Batulanteh BKPH in processing candlenuts from raw goods to the production of finished goods which provide added value to the product and increase people's income. Infrastructure assistance and productive economic tools facilitated by the FIP II Project include honey harvesting equipment, honey water reducing equipment, packaging bottles, labels, setup and trigona colonies, dehumidifiers, coffee seeds, candlenut seeds, airtight glass cabinets, and so on. Project support does not only focus on the production process but also on the marketing process of NTFP products processed by community groups. Project assistance is expected to be able to realize community self-reliance and be sustainable even after the project has ended. On the other hand, FIP II Project support for FMUs is manifested in terms of staff competency improvement, development of SMART KPH applications, and active support of KPHs in collaborating and partnering with KTHs that drive activities at the site level.

## **5. Closing**

### **5.1. Conclusions**

Foreign Grants are one of the alternative sources of funding in the forestry sector to accelerate the pace of forestry development that is adaptive, credible, competitive, and transparent. The grant project also plays a role in achieving national development targets in the forestry sector, especially before the Covid-19 pandemic and in the context of community economic recovery after the Covid-19 pandemic. Here are some conclusions from this study.

1. Grant project support has a strategic role in filling funding gaps and achieving national priority development targets that have been identified to achieve National Priority 1, 2 and 6 targets in the 2020-2024 RPJMN.
2. In general, the budget performance of forestry grant projects within the scope of the Ministry of Environment and Forestry obtained quite good results during 2019-2021. The percentage of budget performance was 90% in 2019, then briefly decreased at the beginning of the Covid-19 pandemic in 2020 to 79%, and again increased to 87% in 2021 and increase above 90% in 2022-2023.
3. Based on data on budget usage and budget performance that has been analyzed, budget performance is always below the predetermined target both before the pandemic and during the Covid-19 pandemic.
4. The implementation of grant projects before and during the Covid-19 pandemic had a positive impact on forestry development and was well received by the community in terms of environmental, social, and economic aspects as well as to realize good governance and innovation in forestry development and human resources. competitive. Active community involvement in grant project implementation is one of the keys to project success at the site level.
5. Improving the quality of grant management is needed by the government as a form of accountability for the implementation of the APBN, the basis for policy making, communication of development achievements to the community, increasing public trust and development partners to the government, as well as a manifestation of the government's commitment to implementing good governance.

### **5.2. Recommendations**

Foreign grants have a positive impact on improving forest governance and filling the development gap in the forestry sector as described in the previous chapter. Therefore, there is a need for a recommendation in managing foreign grants in the forestry sector, as follows:

1. It is necessary to optimize the alignment of grant project support in the national development plan, both in the 2020-2024 RPJMN and the 2020-2024 Ministry of Environment and Forestry Strategic Plan and the current year's Renja-K/L.
2. The government's policy in responding to the Covid-19 pandemic can be circumvented by carrying out a transformation in the implementation of grant project activities.
3. It is necessary to optimize and improve the quality of grant project management performance through innovative activities and capacity building of human resources involved in the project by taking into account the realization of the performance (financial and physical) of the grant project.
4. Implementers of foreign grant projects are expected to continue to increase the number of beneficiaries from the implementation of grant project activities by prioritizing the community and implementing units at the site level. In addition, it is necessary to ensure the sustainability of programs and activities after the project period ends in the preparation of an exit strategy.

### 5.3. Limitations

Further studies are needed on the achievement data of the targets set by foreign grant projects compared to the performance targets of the work units as project implementers. This comparison will make the objectivity of project success more accurately measurable, so that the contribution of foreign grant projects to the APBN unit can be seen clearly in the context of forestry development in each activity component unit.

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