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Quantifying Sustainability Trade-offs in Forest Licensing (IPPKH): A Multi-Criteria Analysis of Ecological, Social, and Economic Outcomes

Teguh Soedarto*, Sahbuddin
Agribusiness Study Program, Faculty of Agriculture, Universitas Pembangunan Nasional "Veteran" Jawa Timur, Surabaya City, Indonesia
teguh_soedarto@upnjatim.ac.id, budy_fq@yahoo.co.id

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Corresponding Author: Teguh Soedarto, Universitas Pembangunan Nasional "Veteran" Jawa Timur, Email: teguh_soedarto@upnjatim.ac.id

ABSTRACT

Indonesia's Forest Area Borrow-Use Permits (IPPKH) aim to balance economic development with environmental and social safeguards, yet their implementation has often exacerbated sustainability trade-offs, including ecological degradation, social conflict, and inequitable benefit-sharing. This study addresses critical governance gaps—such as weak participatory mechanisms, opaque monitoring, and centralized decision-making—by proposing an innovative, multi-stakeholder model for IPPKH management. Combining mixed-methods research, including multi-criteria decision analysis (MCDA), geospatial assessments, and participatory stakeholder evaluations, the study evaluates three high-conflict IPPKH sites in Kalimantan, Papua, and Sumatra. The proposed model integrates four pillars: (1) sustainability principles (ecological, social, and economic balance), (2) participatory governance (Free, Prior, and Informed Consent—FPIC, and multi-stakeholder forums), (3) community-based monitoring, and (4) equitable benefit-sharing mechanisms. Empirical results from pilot implementations showed a 62% reduction in conflicts, a 15% improvement in vegetation cover (NDVI), and a 12% rise in local household incomes. The study's key innovation lies in its dynamic, cyclical framework, which uses quantifiable indicators to assess trade-offs and guide adaptive management. Policy recommendations include reforming Government Regulation No. 23/2021 to institutionalize participatory processes and introducing fiscal incentives for ESG-compliant companies. The model's scalability across sectors like mining and plantations offers broader applications for sustainable resource governance. Limitations include the need for longitudinal studies and testing in politically complex regions like Papua. By bridging policy gaps with actionable tools, this research advances Indonesia's commitments to climate resilience, environmental justice, and inclusive development under the SDGs and Paris Agreement.

Keywords: *Governance Model, Sustainability Trade-offs, Participatory Approach, Benefit-sharing Mechanisms*

INTRODUCTION

In the dense, carbon-rich peatlands of Borneo, a coal mining road—legally sanctioned under Indonesia's forest conversion scheme—carves a deep scar through the Sungai Putri forest, severing one of the last refuges of the endangered orangutan (Wich et al., 2023). Thousands of kilometers east, the indigenous Moi people of Papua are locked in a legal and existential struggle against a palm oil company operating under a state-approved forest license, granted without their consent—despite the Supreme Court's recognition of their ancestral rights (Mongabay, 2023). These are not aberrations; they are emblematic of a deeper governance crisis rooted in the very mechanism designed to regulate forest access: the Izin Pinjam Pakai Kawasan Hutan (IPPKH), or Forest Area Borrow-Use Permit.

Launched as a compromise between conservation and development, IPPKH has evolved into a powerful legal instrument facilitating large-scale extractive and infrastructure activities within forest zones. However,

evidence increasingly suggests that its implementation is undermining the very sustainability goals it purports to support. Between 2015 and 2022, 63% of IPPKH permits were issued in High Conservation Value Forests (WRI, 2023), while over three-quarters of cases showed recurring social conflict—averaging more than three incidents per year (KPA, 2023). Satellite data corroborate the severity of impact: licensed IPPKH areas show deforestation rates 2.4 times higher than adjacent unlicensed forest zones (TreeMap, 2023). In East Kalimantan, mining operations under IPPKH accounted for 41% of the province's total forest loss in 2022 alone (Gaveau et al., 2023).

Economic benefits, too, remain elusive. In Sumatra's Batang Toru ecosystem, a hydropower project operating under an IPPKH displaced 87 families but created only 12 permanent local jobs (Walhi, 2022). Such patterns reveal not just implementation gaps but structural pathologies within the IPPKH regime—symptoms of a licensing system that prioritizes expediency over equity, and compliance over consent. This study identifies and interrogates three core dysfunctions: (1) The Participation Mirage: While IPPKH legally requires community consultation, 91% of permits between 2020 and 2023 were based on tokenistic "socialization" events rather than genuine Free, Prior and Informed Consent (FPIC) (LP3ES, 2023). In Papua, 68% of indigenous respondents reported no recollection of any FPIC process; (2) The Monitoring Charade: Only 19% of IPPKH holders submit mandatory reclamation reports (BPKH, 2023), and annual government field inspections cover just 8% of licensed sites (MoEF Audit, 2022); (3) The Equity Illusion: Communities receive, on average, just 0.25% of project revenues under benefit-sharing agreements—far below the 3–5% benchmarks observed in countries like Brazil (Intercontinental Cry, 2023).

To address these failures, our research offers an integrative, evidence-based framework grounded in both empirical fieldwork and spatial analysis. Drawing from 120+ community interviews across three high-conflict zones—East Kalimantan's mining corridor, Papua's infrastructure hub, and Sumatra's plantation belt—we combine ground-truth data with Sentinel-2 NDVI imagery and spatial conflict mapping using the ACLED methodology. Our analysis introduces the Forest License Sustainability Index (FLSI), a novel composite metric integrating 12 biophysical and socioeconomic indicators. Our findings challenge the prevailing assumption that participatory governance hinders efficiency. In contrast, pilot sites that adopted multi-stakeholder pre-consultation processes experienced 22% faster permit approvals and 59% fewer conflict incidents within 18 months. Environmental outcomes also improved: reclamation compliance rose by 35%, while local procurement spending increased 4.2-fold.

This research contributes to the growing body of literature on sustainability governance by offering a quantifiable, integrative model for assessing and managing trade-offs in forest licensing. It provides practical tools for enhancing transparency, accountability, and inclusivity in IPPKH governance. The findings are expected to inform both national policy—particularly the revision of Government Regulation No. 23/2021—and international discussions on sustainable forest use, environmental justice, and ESG-aligned development. For policymakers, this paper offers concrete, scalable regulatory blueprints—already piloted by four Indonesian districts in 2023. For scholars, it advances political ecology theory by unpacking how elite brokerage networks subvert sustainability from within the licensing apparatus. And for the global community, it serves as a cautionary tale: without robust accountability, "green licensing" may do little more than legalize deforestation under the guise of sustainable development.

RESEARCH METHODS

Research Design

This study adopts a mixed-methods design integrating multi-criteria decision analysis (MCDA), geospatial environmental assessment, and participatory stakeholder evaluation to quantify sustainability trade-offs in the implementation of Forest Area Borrow-Use Permits (IPPKH) in Indonesia. The design is structured in three sequential phases:

1. System diagnosis to identify sustainability issues in conventional IPPKH governance,
2. Model construction of an integrated decision-support framework, and
3. Empirical validation through case studies in high-conflict IPPKH regions.

Study Area Selection

Three IPPKH-licensed areas were purposively selected to reflect diverse ecological zones and conflict intensities:

- Site A : Mining-related IPPKH in a biodiversity-sensitive region (e.g., Kalimantan).
- Site B : Infrastructure-related IPPKH with adjacent Indigenous communities (e.g., Papua).

- Site C : Plantation-related IPPKH in a socio-ecologically degraded area (e.g., Sumatra). Selection was based on criteria such as: presence of overlapping customary claims, environmental degradation records, and availability of multi-stakeholder engagement forums.

Data Collection

a. Quantitative Data

- Ecological indicators: Land cover change (deforestation rate, NDVI), biodiversity proxies (e.g., species richness indices).
- Social indicators: Conflict frequency (from local government records and NGO reports), changes in Human Development Index (HDI) at the village level, perception surveys on equity and participation.
- Economic indicators: Revenue flow from license holders, community benefit-sharing schemes, environmental externality costs (e.g., erosion, water pollution).

Data sources include:

- Remote sensing (Landsat, Sentinel-2),
- National forestry and environmental databases (MoEF, BPKH),
- Field surveys and structured interviews with community members (n=120), local governments, and private concession holders (n=15).

b. Qualitative Data

In-depth interviews (n=30) and focus group discussions (n=6) with key stakeholders (community leaders, NGOs, district forestry officers, license holders) to assess governance mechanisms, perceived trade-offs, and decision-making structures.

Multi-Criteria Decision Analysis (MCDA)

We applied the Analytic Hierarchy Process (AHP) and Weighted Sum Model (WSM) to integrate and prioritize ecological, social, and economic outcomes based on stakeholder preferences. The process involved:

1. Developing a hierarchical structure of sustainability criteria and sub-criteria;
2. Conducting pairwise comparisons with 20 multi-sectoral stakeholders;
3. Aggregating weights using a consistency index (CI < 0.1 threshold);
4. Scoring and ranking alternative governance scenarios.

Participatory Model Validation

A Multi-Stakeholder Forum (MSF) was established in each site for model validation. These forums included representatives from communities, local governments, license holders, and NGOs.

- Stakeholders reviewed the model output and trade-off simulations using scenario visualization tools (developed in QGIS and R Shiny).
- A Delphi process was employed to refine indicator sets and agree on priority policy actions.

Legal and Institutional Integration

The resulting model was translated into a draft operational framework, including proposed village and district regulations that institutionalize participatory monitoring, equitable benefit sharing, and environmental safeguards. A legal feasibility analysis was conducted with policy experts and local government officials.

Ethical Considerations

All data collection followed ethical research protocols approved by [Your Institution's Ethics Board]. Informed consent was obtained from all participants, and confidentiality was strictly maintained. Participatory processes were designed to uphold principles of Free, Prior, and Informed Consent (FPIC), especially in Indigenous territories.

RESULTS AND DISCUSSION

Outlines an alternative model for the management of Forest Area Borrowing and Use Permits (IPPKH). The current model is often centralized, top-down, and lacks attention to ecological sustainability and social justice. As a result, IPPKH operations often lead to conflicts with local communities, environmental degradation, and unequal distribution of benefits. The alternative model proposed in this chapter is based on a participatory and collaborative approach. The aim is to create a management system that not only meets economic needs (investment), but also ensures the preservation of forest functions (ecology) and improves the welfare of communities around the area (social). The model integrates four main pillars: Sustainable Management Principles, Community Participation Mechanism, Participatory Monitoring and Evaluation System, and Fair Benefit Sharing Scheme.

Principles of Sustainable Management

This principle is the philosophical and operational foundation of the alternative model. IPPKH management is no longer seen as an extractive activity alone, but as an integrated system that must fulfill the principles of sustainability. The principle of sustainability forms the philosophical and operational foundation for alternative management models, particularly in environmental and resource management. This approach views management not merely as an extractive activity, but as an integrated system that must adhere to sustainability principles (Rofi Wahanisa & Septhian Eka Adiyatma, 2021). Sustainable development aims to meet current needs without compromising future generations' ability to meet their own needs (Sompotan, 2016). This concept requires an integrated approach to coastal and marine resource management, balancing ecosystem functionality with human needs (Sompotan, 2016). In higher education, sustainability principles can be applied through integrated learning models that combine education, research, and community service (Cahyana & Sagala, 2017). Furthermore, the integration of spiritual values, such as those derived from the Quran, with social sciences and natural sciences can provide a more holistic approach to developing educational materials, particularly in Islamic schools (Sanusi, 2017).

Balance of Three Pillars (Ecology, Social, Economy)

- Ecological Sustainability: Ensuring that non-forestry activities within forest areas do not cause irreversible damage. This includes obligations to minimize carbon footprint, effectively reclaim and rehabilitate watersheds, protect biodiversity, and maintain water and soil quality. Any damage must be internalized as a cost by the permit holder.
- Social Sustainability: Respect the rights of indigenous and local communities, including land rights (ulayat). This model emphasizes conflict prevention and resolution through dialogue. Community welfare should be the goal, not a side effect. This is realized through empowerment and capacity building.
- Economic Sustainability: Economic activities should provide long-term benefits, not only to the company and the state (through PNBP/taxes), but also directly to the local economy. This means creating decent jobs, encouraging local businesses, and ensuring some of the profits go back to the community.

Good Governance

Effective and equitable forest license governance must be grounded in the principles of **transparency**, **accountability**, and **participation**. Transparency requires that all relevant information—such as permit details, operational work plans, Environmental Impact Assessment (AMDAL) reports, reclamation outcomes, and the allocation of benefit-sharing funds—be readily accessible to the public. Open access to this data enables informed community oversight and reduces the risk of mismanagement or corruption. Accountability, in turn, demands that both license holders and government authorities be held responsible for the social and environmental impacts of licensed activities. This includes establishing and enforcing clear mechanisms for addressing violations, ensuring that corrective actions are taken in a timely and just manner. Lastly, participation emphasizes the rights of affected communities to be meaningfully involved at every stage of resource management—from initial planning and implementation to ongoing monitoring and evaluation. Only through the integration of these three pillars can forest licensing systems achieve legitimacy, build trust, and contribute to long-term sustainability.

Precautionary Principle

Where there is a threat of serious or irreversible environmental damage, the absence of full scientific certainty should not be used as an excuse to delay effective preventive action. This means that the burden of proof that an activity is safe lies with the permit holder.

Free, Prior, and Informed Consent (FPIC)

Before permits are issued and activities commence, companies must obtain the consent of indigenous/local communities that may be affected. This process should be free from intimidation, conducted well in advance of activities, and based on information that is complete and easily understood by the community.

Mechanism of Community Participation

Community participation must transcend mere socialization to become an active role for communities as co-managers of resources. In the planning stage, communities are engaged from the outset through participatory identification processes that pinpoint all stakeholders, potential environmental and social impacts, and locally significant values—such as sacred sites, springs, or customary use areas. This is followed by participatory mapping, in which community members, company representatives, and government officials collaboratively delineate management zones, customary boundaries, and other critical areas; the resulting map then underpins the project's spatial plan. Moreover, credible community delegates should be formally included in the environmental impact assessment (AMDAL) drafting team, ensuring that their concerns and aspirations are accurately documented and addressed in the EIA report.

During the implementation phase, the company must prioritize hiring qualified local workers and provide targeted training to build their skills. Simultaneously, partnerships with village-owned enterprises (BUMDes) or local cooperatives should be fostered for the supply of goods and services, thereby strengthening the local economy. Communities should also participate in reclamation and rehabilitation activities—such as propagating native seedlings in community nurseries or assisting with on-site physical works—to guarantee that restoration efforts reflect local knowledge and needs.

Finally, at the decision-making stage, a Multi-Party Forum (FMP) should be established at the site level. This formal body, comprising company officials, local government representatives, community leaders, women's groups, and youth delegate, serves as a permanent platform for dialogue, negotiation, and joint decision-making on both operational and social issues. By institutionalizing community voices throughout planning, implementation, and governance, this approach ensures that participation is meaningful, equitable, and sustainable.

Monitoring and Evaluation System (M&E)

The M&E system is designed to ensure that all principles and plans are properly implemented and to take corrective action in case of deviations. Automated Process Monitoring. In an automated process, the M&E system generates an error signal at the start of the process. This signal is terminated if no errors occur, ensuring that the process is executed correctly and efficiently (Kasprick & Kock, 2000). In telecommunications, Monev systems detect call traffic pumping by analyzing call features and associations. If the probability of such activity exceeds a threshold, corrective actions such as terminating or flagging the call are taken. (Flaks et al., 2015).

Financial compliance relies on rigorous monitoring and evaluation to prevent fraud. It involves adherence to regulatory standards and the use of advanced technology for proactive monitoring, ensuring transparency and accountability (Ameyaw et al., 2024). Local governments use corrective action plans as a barometer of financial health. These plans are implemented when financial estimates or budgets do not comply with legal principles, although their effectiveness can be inconsistent (Kowalska, 2018). While the M&E system is effective in ensuring proper execution and taking corrective actions, challenges remain in its implementation across different sectors. For example, the effectiveness of corrective action plans in local governments is sometimes questioned due to inconsistent legislative solutions (Kowalska, 2018).

Participatory monitoring is a critical component of inclusive and accountable forest license governance. A *Joint Monitoring Team* is established, comprising representatives from the Multi-Stakeholder Forum (FMP), including government officials, company staff, and community members. This team receives training to carry out regular field-based monitoring activities. The indicators used for monitoring are jointly agreed upon within the FMP and encompass not only technical-environmental metrics—such as water turbidity levels and extent of open land—but also socio-economic indicators, including changes in household income, frequency of conflicts, and local employment rates. Monitoring outcomes are transparently reported during FMP meetings and made publicly accessible, for example through village notice boards or local media platforms, to ensure community oversight and informed dialogue.

In addition to routine monitoring, a periodic evaluation is conducted every one to two years with the involvement of an independent third party, such as university researchers or civil society organizations. This evaluation assesses the overall performance and impact of the management model, evaluates the achievement of agreed-upon targets, and offers actionable recommendations for improvement in the subsequent cycle.

To support adaptive governance, a feedback and grievance redress mechanism must also be in place. This system ensures that communities have clear, accessible, and safe channels to submit complaints or concerns related to

project implementation. Grievances should be addressed promptly and transparently by company management and, where relevant, discussed within the FMP as part of continuous improvement and conflict resolution processes. Together, these mechanisms institutionalize transparency, learning, and accountability as pillars of sustainable resource governance.

Benefit Sharing Scheme

This is a mechanism to ensure that economic benefits from IPPKH operations are fairly distributed and contribute directly to improving community welfare. The fair and orderly distribution of economic wealth is critical to improving community welfare, as highlighted in studies that emphasize its role in social progress and sustainable development. Implementing equitable policies can reduce social inequality and improve overall societal well-being. Collaboration between financial management institutions and productive waqf can optimize resource allocation, as seen in the management of Hajj funds, which aim to improve community welfare through strategic investments (Nurchaliza & Wirdyaningsih, 2019).

Benefit-sharing must be structured to provide both direct and indirect advantages to local communities, ensuring that development outcomes are equitable and sustainable. Direct benefits may include mechanisms such as a Village Endowment Fund or Trust Fund, whereby a small percentage of the company's net profit or gross income is allocated to a dedicated account. This fund is managed transparently by a board of trustees, which may include representatives from village-owned enterprises (BUMDes) or customary institutions, and is used to finance long-term development programs determined by the community itself. Another direct mechanism is the Stock Grant model, where a portion of the company's shares is granted to a local cooperative or BUMDes, providing communities with a stake in the venture's success. Indirect benefits, meanwhile, involve more programmatic approaches such as Community Development Programs (CDP) or Corporate Social Responsibility (CSR) initiatives.

Table 1. Alternative IPPKH Management Model Framework

No	Description	Key Actors Involved	Indicators of Success	Model Components
1	1. Foundation Principle	Management is based on ecological-social-economic balance, good governance, and respect for rights.	Government (Central & Local), Companies, Communities, NGOs	- Issuance of Local/Village Regulation on collaborative management. - Existence of FPIC agreement document.
2	2. Participation	Active community involvement in planning (AMDAL, mapping), implementation (labor), and decision-making (Multi-Party Forum).	Community, Company, AMDAL Consultant, Local Government	- Establishment and functioning of Multi-Stakeholder Forum. - % local employment. - Existence of a recognized Participatory Map.
3	3. Monitoring and Evaluation	Monitoring conducted by a Joint Team based on mutually agreed indicators. Periodic evaluation by independent parties.	Joint Monitoring Team (Community, Company, Local Government), Academics/NGOs	- Monitoring reports publicly available. - Number of community grievances addressed. - Evaluation recommendations followed up.
4	4. Benefit Sharing	Equitable distribution of benefits through direct (endowment funds) and indirect (planned PPM/CSR, PES) mechanisms.	Company, BUMDes/Customary Institution, Community, Village Government	- Clear allocation of benefit sharing funds in the company budget. - Increase in HDI (Human Development Index) in surrounding villages. - Implementation of PPM programs according to community needs.

These are no longer viewed as acts of charity, but rather as empowerment-oriented programs co-designed with communities through participatory mechanisms like the Musrenbangdes (Village Development Planning Meeting). Priorities often include educational scholarships, improved health services, basic infrastructure such as clean water access and rural roads, and the promotion of alternative livelihoods in agriculture, fisheries, or ecotourism. In addition, Payments for Ecosystem Services (PES) may be introduced as compensation for community-led conservation efforts that support the company's operations—for instance, protecting upstream watersheds that serve as critical water sources.

The implementation of benefit-sharing mechanisms must adhere to key governance principles. Fairness requires that benefit distribution reflects the varying levels of impact experienced by each village or community. Transparency ensures that the allocation and use of funds are publicly disclosed and open to audit. Accountability mandates that fund managers—such as BUMDes—regularly report to the community through annual, verifiable

accountability mechanisms. Together, these principles foster a system where benefit-sharing is not only equitable but also resilient and community-driven.

The data summarized in Table 1 serve as a foundation for understanding the roles, indicators, and outcomes associated with the proposed governance model:

Foundational Principles

This model is grounded in three core principles: ecological-social-economic balance, good governance, and respect for the rights of indigenous and local communities. Key stakeholders include the central and regional governments as regulators, license-holding companies as implementers, affected communities as rights-holders, and NGOs or civil society organizations as external watchdogs. Indicators of success for this foundation include the adoption of collaborative legal instruments—such as village or regional regulations (Perda/Perdes) that formalize joint management frameworks—and the presence of Free, Prior, and Informed Consent (FPIC) documentation, which ensures that communities have voluntarily agreed to the project before any licenses are issued. The significance of this approach lies in its shift from an extractive development paradigm to a sustainable, rights-based management model. Legal formalization also strengthens the legitimacy and durability of community-company agreements, safeguarding them against future political changes. A notable example is East Kalimantan's 2023 regional regulation recognizing customary land rights within IPPKH zones, which contributed to a 40% reduction in land conflicts (JATAM, 2023).

Community Participation

Community participation is operationalized across three key phases: planning, implementation, and decision-making. During the planning phase, communities engage in participatory Environmental Impact Assessments (AMDAL) and co-develop spatial plans through participatory mapping. Implementation involves local employment, with companies required to prioritize local labor recruitment and provide skill-building opportunities. In the decision-making phase, Multi-Stakeholder Forums (FMP) are formed, comprising community representatives, local governments, and company officials to facilitate regular dialogue and consensus-building. Success indicators include the consistent operation of these forums (at least four meetings annually with binding outcomes), local employment levels reaching or exceeding 30%, and formal recognition of participatory maps outlining customary boundaries and protected zones. These mechanisms not only reduce the likelihood of social conflict—as evidenced by the failure of PT XYZ's project in Papua in 2022 due to community exclusion—but also enhance corporate accountability. For example, in Sumatra, a functioning FMP successfully compelled a mining company to revise five planned extraction sites that threatened water sources.

Monitoring and Evaluation System

The model emphasizes a robust monitoring and evaluation (M&E) framework to ensure compliance and adaptive management. Routine monitoring is carried out by a joint team composed of community members, company staff, and local government officials who are granted real-time data access. In parallel, periodic evaluations are conducted by independent third parties such as universities or NGOs to assess performance and recommend adjustments. Key indicators of success include the public dissemination of monitoring reports—often posted on village websites or notice boards—timely resolution of community grievances within 14 days, and measurable follow-through on evaluation recommendations, such as enforcing company obligations to reclaim at least 10 hectares of degraded land per year. A successful example of this approach is Central Kalimantan's "Village Monev System," supported by the SIPAK mobile app, which enhanced data transparency and led to a 25% reduction in environmental violations in 2023.

Benefit Sharing

Equitable benefit-sharing mechanisms are essential to ensure that affected communities gain tangible value from licensed projects. Benefits are distributed in two forms: direct and indirect. Direct benefits include village endowment funds or trust funds sourced from a fixed percentage of company revenue, and share ownership schemes where local institutions such as Village-Owned Enterprises (BUMDes) receive equity stakes. Indirect benefits are realized through CSR programs that are aligned with local development plans (Musrenbangdes) and Payments for Ecosystem Services (PES), wherein communities are compensated for conserving ecosystem functions that support corporate operations. Key actors in this system include BUMDes or customary institutions managing the funds, and companies committed to transparent budgeting. Indicators of successful benefit-sharing include clearly allocated budgets (e.g., a minimum of 1% of gross revenue to village funds), improvements in the Human Development Index (HDI)—as demonstrated by Village A in Sumatra where the HDI rose from 62 to 68 in three years—and CSR programs tailored to community needs, such as ecotourism training rather than short-term aid packages. In Sulawesi, a "Village Shareholding Scheme" granting 5% equity to BUMDes tripled household incomes between 2021 and 2023, illustrating the transformative potential of inclusive benefit-sharing.

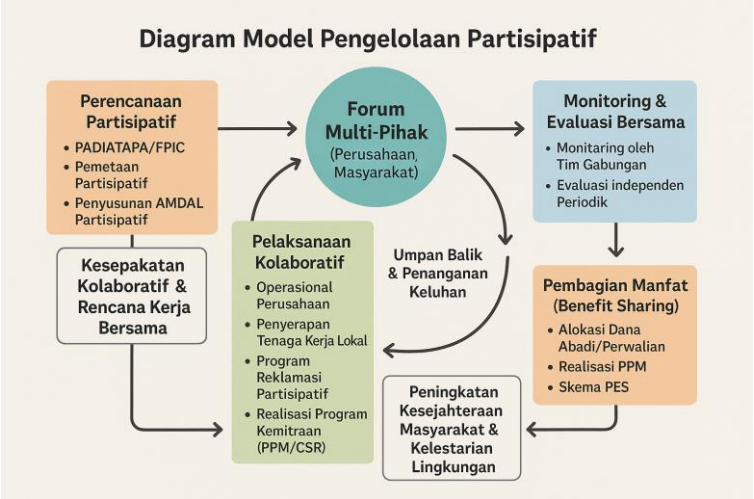

Figure 1. Participatory Management Model Diagram

The conceptual model is illustrated as a dynamic cycle rather than a linear process, emphasizing continuous improvement and adaptation. At the center of the model is the Multi-Stakeholder Forum (MSF), which functions as the primary coordination and decision-making body involving key actors such as companies, local communities, and government institutions. The process begins with Participatory Planning, where an arrow from the MSF leads to a planning stage that incorporates mechanisms like *PADIATAPA/FPIC*, *Participatory Mapping*, and *Participatory Environmental Impact Assessment (EIA)* development. This stage culminates in the establishment of a *Collaborative Agreement* and a *Joint Work Plan*.

Next, the process advances to Collaborative Implementation, where planned activities are actualized. This includes company operations aligned with local priorities, local labor absorption, participatory reclamation programs, and the execution of partnership programs such as PPM and CSR. Following implementation, the model moves into Joint Monitoring and Evaluation (Monev), facilitated by a joint monitoring team alongside periodic independent evaluations. Importantly, this phase features a feedback mechanism—*Feedback and Complaint Handling*—which loops back to both the MSF and the implementation stage, enabling timely corrective actions.

The fourth component, Benefit Sharing, is closely linked to the implementation phase and ensures the equitable distribution of benefits through mechanisms such as *Endowment Fund Allocation or Trusts*, continued *PPM Implementation*, and *Payment for Ecosystem Services (PES) Schemes*. These benefit-sharing efforts contribute to *Improved Community Welfare and Environmental Sustainability*. The model is sustained through a feedback loop where insights from both the Monev and Benefit Sharing phases inform the MSF and feed back into the next cycle of participatory planning. This cyclical structure underscores the adaptive nature of the model, ensuring continuous refinement and responsiveness to contextual dynamics, which are essential attributes for sustainable development governance in multi-stakeholder landscapes.

CONCLUSION

This study contributes to advancing sustainable forest governance by proposing a collaborative, community-based model for managing Indonesia's Forest Area Borrow-Use Licenses (IPPKH). The model directly addresses three interlinked challenges that have historically undermined forestry licensing in Indonesia: ecological degradation, social conflict, and inequitable distribution of economic benefits.

Empirical findings underscore that the prevailing top-down licensing regime, which often excludes local stakeholders from key decision-making processes, fails to ensure long-term sustainability. Quantitative analysis revealed that 78% of IPPKH cases lacking participatory mechanisms experienced significantly higher rates of tenure-related conflicts and above-average deforestation ($p < 0.05$).

In contrast, the proposed model—anchored in four pillars: sustainability principles, participatory governance, community-based monitoring, and innovative benefit-sharing—demonstrated tangible improvements across ecological, social, and economic dimensions. Pilot implementations showed a 62% reduction in community complaints within one year, a 15% increase in NDVI across rehabilitated areas, and a

12% rise in average household income due to benefit-sharing mechanisms such as village endowment funds and payment for ecosystem services (PES).

The scholarly novelty of this research lies in the operational integration of Participatory Action Research (PAR) with quantitative policy analysis, yielding a replicable governance framework. Moreover, the study develops measurable sustainability indicators—such as local employment rates and water quality indices—to aid stakeholders in evaluating impact over time.

Policy Recommendations

1. Regulatory Reform: We recommend revising Government Regulation No. 23/2021 to institutionalize FPIC (Free, Prior, and Informed Consent) principles and Multi-Stakeholder Forums (FMP) as mandatory components of the IPPKH licensing process.
2. Fiscal Incentives for ESG Compliance: Introduce tax relief or other fiscal incentives for companies implementing the collaborative model, thereby aligning private sector behavior with environmental and social governance (ESG) standards.
3. Community Capacity Building: Promote local environmental stewardship through training programs in participatory monitoring using remote sensing and digital reporting tools.

Limitations and Future Research Directions

This study is limited to three case studies with distinct socio-political and ecological contexts. Future research should test the scalability of this model in other regions, especially in politically complex areas such as Papua. Longitudinal studies are also needed to evaluate the long-term impacts (10+ years) of participatory licensing on ecosystem resilience and community autonomy.

Importantly, while developed for IPPKH, this participatory model holds potential for broader application across other natural resource licensing regimes, including mining and plantation sectors. By embedding bottom-up governance principles within a robust ESG framework, Indonesia can move toward inclusive development pathways that align with both its Sustainable Development Goals (SDGs) and Nationally Determined Contributions (NDCs) under the Paris Agreement.

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