

Transformation of the Forestry Partnership in the Java Forest: A Study of Community Institutions Lancar Jaya after the Designation of Forest Areas with Special Management

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ABSTRACT

The Forest Village Community Institution (LMDH Lancar Jaya) is formed to carry out forestry partnerships in forest areas managed by Perum Perhutani. Along with the designation of this forest area as Forest Areas with Special Management (KHDPK), this institution and its forestry partnerships must be transformed. This study analyzes the timeline and performance of forest village community institutions to describe potential factors for the readiness of partnership transformation. Two theoretical approaches were used in this research: Situation-Structure-Behavior-Performance developed by Schmid (1987; 2004) and Jones' organizational capacity to produce value (Jones, 2013). The method used was qualitative descriptive, timeline, and content analyses. Research data and information were collected through in-depth interviews and document analysis. This study concludes that the performance of LMDH Lancar Jaya is efficient as an independent and active institution. This performance is driven by significant capital. Good social capital is a strong network of trust in management, solid stakeholder relationships, the ability to choose institutional alternatives that suit their characteristics, minimal transaction costs, and the ability to provide market certainty with interlock transactions. This article recommends the necessary conditions for the transformation of a legal business entity by maximizing inputs for investment capacity in the form of capital, raw materials, human resources, business knowledge, and customers, which is supported by input conversion, administrative fulfillment, and cooperative facilitation of transformation.

Keywords: forestry partnerships, institution, KHDPK, partnership transformation, social forestry

INTRODUCTION

Forest partnerships face complex challenges in the international context, such as ensuring equitable resource access for local communities and indigenous people. These partnerships often grapple with conflicting stakeholder interests that can hinder the implementation of sustainable forestry practices. Moreover, global issues such as climate change, deforestation, and biodiversity loss have exerted additional pressure on these partnerships. This necessitates a more transparent, inclusive, and sustainable approach in forest management, integrating local knowledge with conservation and development goals (FAO & UNEP, 2020; Sunderlin et al., 2005)

In the current local situation, the Forest Village Community Institution (LMDH) Lancar Jaya was established in 2005 to carry out partnerships with the state-owned company Perum Perhutani in forest areas under its control (Albaniarty, 2018). However, such a scheme for forestry partnerships does not always satisfy expectations. Typical problems can be identified in many forest areas managed through this partnership scheme, including low participation, uneven intensity, and differences in perception and position between partners, which is considered asymmetric to the point of disharmonious relations between partners, including Perhutani, Village administration, LMDH, and other parties (Anggiani & Hikmawan, 2022; Rosyadi & Sobandi, 2014; Sari, 2016; Sunarso, 2022; Zain et al., 2021) The issuance of various regulations occurs almost every year by the Government and Perum Perhutani, such as the initial regulations with Ministerial Regulation No. 31/2001 concerning the Implementation of Community Forests, Directors' Decree Number 1 of 2002 concerning Guidelines for Timber Forest Production Sharing, to Ministerial Regulation Number 83/2016 concerning Forestry Partnerships, as well as various community participation programs, have not stopped this problem. This situation is a symptom of problems with the policy, as well as the implementation of the policy itself.

Currently, new forestry partnership regulations have been issued by the Minister of Environment and Forestry owing to policies related to Forest Areas with Special Management (KHDPK). KHDPK is a forest area whose management, including social management and partnerships, is taken over from Perhutani to be fully managed by the Ministry of Environment and Forestry. It covers \pm 1,103,941 ha to be removed from Perhutani's working area and be returned to the Ministry of Environment and Forestry (SK.287, 2022 concerning Determination of Forest Areas with Special Management in Parts of State Forests in Production Forest and Protected Forest Areas in the Provinces of Central Java, East Java, West Java, and Banten).

Given this context, while various other LMDHs have many problems, the LMDH Lancar Jaya is categorized as active-independent. The performance of LMDH Lancar Jaya has been stated to be quite sound by various previous studies, such as the activity of its members, having productive businesses both inside and outside the area, namely, cooperatives, reducing conflict, improving ecology, and increasing welfare (Albaniarty, 2018; Perhutani, 2020; Pramono et al., 2019; Saputra et al., 2019). However, previous research on LMDH Lancar Jaya focused only on evaluating performance and did not examine the situation and structure. Various studies have been conducted to evaluate the performance of LMDH which can be refined with institutional and behavioral theories of Situation-Structure-Behavior-Performance (SSBP) (Nugroho, 2016; Schmid, 1987, 2004). This is because the analysis of the situation and structure that drives the behavior of actors at LMDH Lancar Jaya can be used to encourage the discovery of critical factors, such as transaction cost issues, regulations that hinder, and behavior that hinder the performance of the LMDH Lancar Jaya partnership according to its characteristics. These factors can be reviewed more deeply to learn lessons learned in the partnership process, especially when preparing to face the latest social forestry policies. This approach explains that performance results can be seen based on the influence of behavior, which is influenced by the structure and situation (Nugroho, 2016; Schmid, 2004; Schmid, 1987). Situation description is a characteristic of an item's physical and biological characteristics. Meanwhile, structure describes the relationships between people that determine their relative opportunity sets. Ostrom et al. (1994) explain that structural variables are described in terms of position, boundaries, authority, aggregation, scope, information, and payment rules (Schmid, 2004). Behavior is the response and reaction of economic actors to the institutional environment they face and the resulting economic performance (Nugroho, 2016; Schmid, 2004; Schmid, 1987). This study can also help strengthen or add to the statement of this institutional approach.

Factors that previously constituted LMDH strengths could encourage partnership transformation in the KHDPK area. Thus, LMDH partners with Perhutani's land-use access permit and become a legal business entity. This is stated in Ministerial Regulation P.4/2023 concerning Social Forestry (PS) Management at KHDPK, explaining the transformation of LMDH into a Social Forestry Group (KPS) business entity as a cooperative or village-owned business entity—a savings and loan cooperative in Ngancar Village as a productive business outside the forest area. However, Article 10 of P.4/2023 concerning PS Management in KHDPK states that cooperatives in new partnerships operate in agriculture, horticulture, animal husbandry, and forestry. These factors need to be analyzed to determine the potential for LMDH Lancar Jaya to transform into a business entity and become a legal entity. However, long before that, it was also necessary to understand and accept new partnership cooperation rules. Therefore, we can determine which steps are needed by looking at the initial reaction.

Previous research concluded that LMDH performance was considered active-independent amidst various other LMDH's performance, which was not good and was indicated as a KHDPK area. In addition, the argument from the SSBP approach that partnership performance is influenced by behavior, which in this research is influenced by structure and the presence of situational factors, is formulated as follows: (1) What is the timeline of partnership events at LMDH Lancar Jaya and the factors that influence its performance, including actor behavior towards the partnership structure and the situation? (2) What is the initial response and behavior regarding the minister's policy regarding KHDPK and Perhutani's work areas? (3) What factors have the potential to transform LMDH Lancar Jaya into a legal business entity?

METHODS

This study utilizes the grand theory of the Situation-Structure-Behavior-Performance (SSBP) approach developed by Schmid (2004) to analyze the dynamic interaction between situation, structure, behavior, and performance in the context of forest partnerships. The primary focus is on the changes in forestry regulations and policies, including the Social Forestry policy in KHDPK areas and Perhutani's partnership transformation rules, which have altered the partnership structure and influenced the behavior of various actors, such as LMDH, village governments, cooperatives, and investors. This study evaluates these changes across different periods to understand key policy issues and the process of their formulation, providing insights into the factors influencing the success of partnerships and institutional capacity for partnership transformation. By analyzing the local characteristics of LMDH, communication relationships, forest resource characteristics, technology, resource usage, partnership contracts, transactions outside formal structures, and the roles and influences of various actors, this study offers a comprehensive overview of the factors affecting partnership efficiency and preparedness for partnership transformation within the institutional context of forestry partnerships. Figure 1 illustrates the flow of thought used in this study.

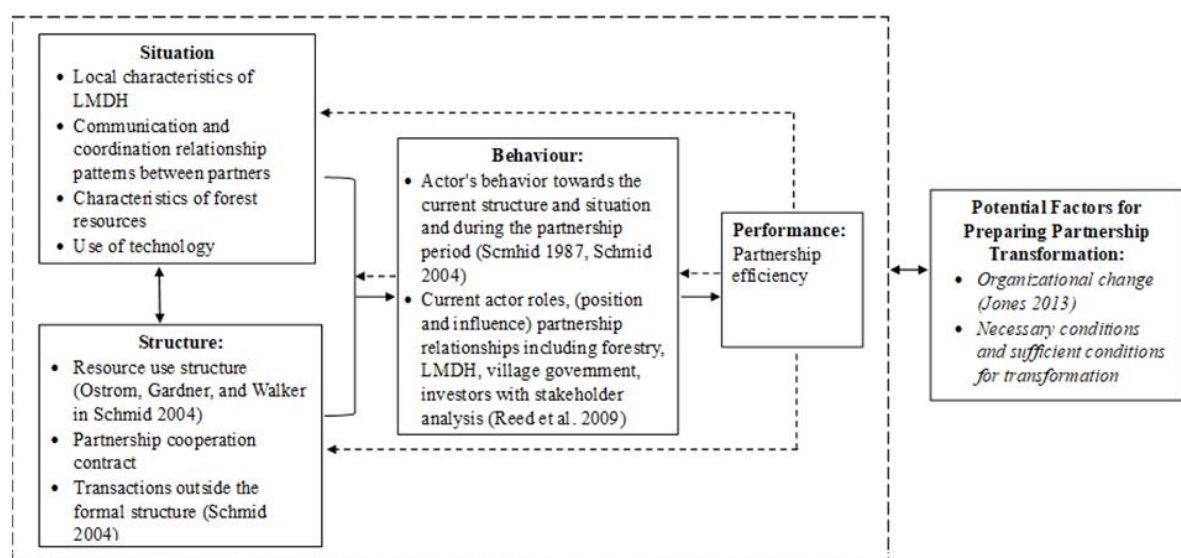


Figure 1. Research and theoretical framework

The primary data were collected in May 2023 with a focus on LMDH Lancar Jaya in Forest Management Resort (RPH) Pandantoyo, Forest Management Unit Section (BKPH) Pare, and Forest Management Unit (KPH) Kediri, located in Ngancar Village, Ngancar District, Kediri Regency, East Java Province (Figure 2). This is because LMDH Lancar Jaya is an active, independent, effective member participation, productive cooperative, conflict reduction, ecological benefit, and welfare enhancement (Albaniarty, 2018; Perhutani, 2020; Pramono et al., 2019; Saputra et al., 2019). In addition, based on the indicative map of the KHDPK area, the determination of forest areas with special management and LMDH is included in this area. Thus, it can provide information on the factors required to achieve efficient partnerships and institutions facing ongoing partnership transformations.

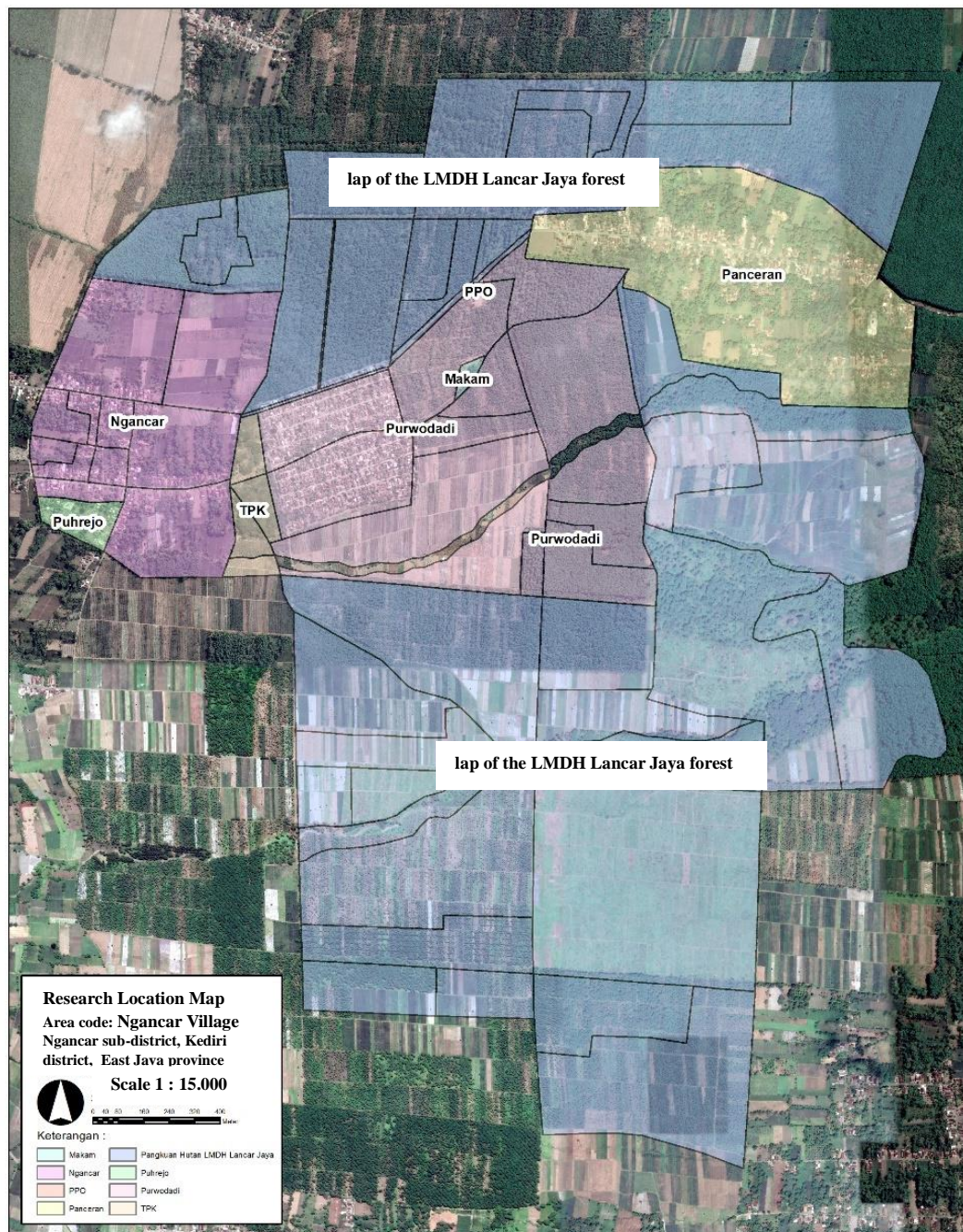


Figure 2. Map of research location in Ngancar, East Java

In general, this study uses descriptive qualitative analysis. This technique is based on the interpretation of data obtained from document reviews and in-depth interviews. Interviews were conducted with 12 informants, including the Head of the Pandantoyo Forest Management Resort, Pare Forest Management Unit, Foreman, Head of the Social Forestry Sub-Section, Investor PT Bina Megah

Indowood, Village Head, Chair, administrators, and members of the LMDH. Interviews were conducted in-depth interviews with key informants. The deepening was considered complete after information saturation was obtained, which was indicated by repeating the information many times during the follow-up interviews. Informants were selected according to the following criteria: intensive and long enough to be involved in partnership activities, engaged in the environment, and have the opportunity to be interviewed. The results of interviews between interviewees and the discovery of various other documents were matched to avoid bias (Bungin et al., 2012). Additionally, timeline analysis was used to describe LMDH breastfeeding over time. The results of this analysis produce a timeline divided into two parts (Adriansen, 2012). The analysis technique involved deconstructing and rearranging stories from interviews by examining cause-and-effect patterns. This pattern can be constructed using the SSBP. Analysis of LMDH readiness was carried out descriptively and qualitatively based on transformation needs by Ministerial Regulation No. 4/2023 concerning Social Forestry Management in Forest Areas with Special Management. The stages analyze this preparation; the organization can create value for products or services from inputs and the conversion process (Jones, 2013). Content analysis from Bungin et al. (2012) was also used for regulations and documents or archives that support the discussion.

RESULTS AND DISCUSSION

The Timeline of LMDH and Its Influencing Factors

LMDH Lancar Jaya has followed a long-term partnership process. Like other LMDHs, LMDH are influenced by various policies issued by Perhutani and the Government. Apart from various policies that allow LMDHs to respond to emerging programs, this also affects the performance of each LMDH.

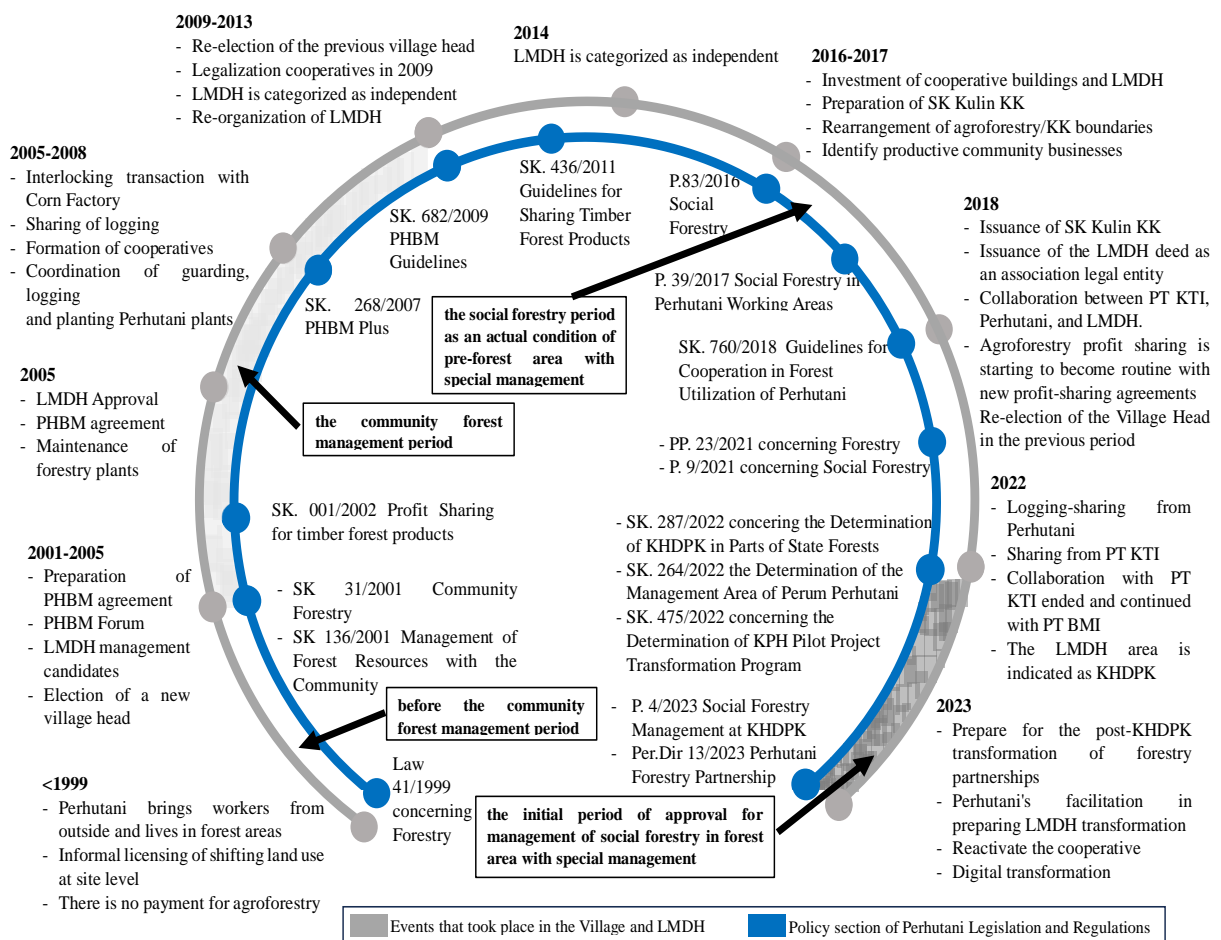


Figure 3. Timeline of village and LMDH events and policy rounds of Perhutani laws and regulations

Figure 3 shows that LMDH Lancar Jaya can survive and adapt to travel and regulations that apply formally and informally as well as identify the factors that influence them, divided into four periods. First, before the community forest management period; second, the community forest management period; third, the social forestry period as an actual condition of pre-forest areas with special management; and fourth, the initial period of approval for management of social forestry in forest areas with special management. Each period contains the LMDH performance, which is influenced by various situations and typical structures that influence the behavior and choices made by actors. In the period before the KHDPK policy, explanations were made in more detail to describe the current situation before the transformation occurred and to describe the potential that would help prepare for the transformation.

Period Before Community Forest Management Period (< 1999)

In 1974, Perhutani initiated the MALU (Mantri-Lurah) program as a social program. In 1982, it was developed into the forest village community development program, and in 1986, the term Social Forestry was born (SK 268/2007). The situation of forest resources at this time was illegal logging, the survival rate of plants was low, and the resources of Perhutani to guard the forest were also quite limited. Meanwhile, the village needed more road access, building assets, and economic problems. During this period, communities tended not to be institutionalized, and policies and programs related to community involvement in forests were not as detailed as they are today. Therefore, there was no requirement to share the results of plants planted on Perhutani land. However, the community's need for access to land is very high; most of the population are farmers, especially the Magesaren are people who are people brought in by Perhutani to help Perhutani's field business activities and are loaned land to live in the middle of the forest area.

These various situations and structures encourage people to continue farming pineapple as the main crop and several other crops, such as chilies and tomatoes. Initially, many people cultivated in the Perhutani area, namely RPH Pandantoyo, who were magesaren people currently incorporated in Purwodadi Hamlet. At least, the magesaren have been cultivated for approximately 70 years. At that time, partnership performance needed to be better established. Perhutani allowed much land to be cultivated without formal rules and profit-sharing to avoid social conflict.

Community Forest Management Period (2001 – 2015)

The situation of Community Forest Management (PHBM) coupled with the changing demands and developments of the reform situation (SK 268, 2007). The Board of Directors issued rule 136/2001 concerning Joint Community Forest Resource Management Article 19 states the establishment of a communication forum for forest resource management with the community at the unit level to help shape it. Article 20 states that village communities must be composed of economic, social, or cultural groups. The value of various proportions is determined jointly according to the value and proportion of production factor inputs contributed (Article 21, paragraph 2 and paragraph 3)

In 2002, revenue-sharing rules were contained in Decree No. 1/2002 on the Guidelines for Timber Forest Revenue Sharing. Article 9 states that institutions are entitled to profit-sharing after exercising rights and obligations three years after the approval of the cooperation agreement. Various formal regulations were implemented in 2005 by forming a forest village community institution called LMDH Lancar Jaya. A cooperation agreement was signed the same year. Unfortunately, during this period, the synergy between the local government and stakeholders was not maximized; various activities were still based on forestry activities and focused on business targets rather than social ones. Thus, although various structures and policies have been made to encourage PHBM performance, the performance still needs to be improved, such as the non-implementation of profit-sharing activities.

In 2006-2007, an evaluation of the PHBM program was conducted, facing various obstacles until the reissuance of a new regulation on PHBM, specifically SK 268/2007, on Guidelines for Community Forest Resource Management Plus (PHBM Plus). This regulation included an evaluation of the PHBM's success, introducing the LMDH classification system with categories such as Beginner, Young, Intermediate, Independent, and also classified Perhutani officials as having poor, moderate, or good

credentials (Article 16). In addition, it is necessary to have a Village Forest Area and the application of profit sharing (Article 4).

A 27-year-old village head was elected, serving three terms until 2022. The Village Head succeeded in resolving the problem of village-building assets. The existence of PHBM and profit sharing, which provide capital for institutions, encourages the economic improvement of the villagers in the community. The capital brought many changes; it was used for various PHBM activities, including LMDH assets in the form of LMDH offices and cooperative offices.

The LMDH cooperative was inaugurated in 2009 and was legalized in 2010 by the cooperative office. This cooperative is a productive business located outside the forest area, with a savings and loan business unit called the Lancar Jaya Forest Village Community Cooperative. The cooperative's capital comes from member savings, shared funds, bank loans, and loans from Perhutani KPH Kediri's Bina Lingkungan Partnership Program (Figure 2). In the 2008s, cooperation with corn factories, both Sibi and Sigenta seeds, was carried out with the help of the LMDH secretary, the younger brother of the elected village head.

In 2011, a new policy related to revenue sharing was issued through Decree No. 436/2011 of the Timber Forest Revenue Sharing Guidelines. Article 12 states that the utilization of sharing funds should be carried out for forest security, empowerment of cooperative institutions, infrastructure development, health and education, community social assistance, productive business institutional development, monitoring and evaluation, and others not regulated in the previous regulation. In 2012, the LMDH secretary was elected as the chairman of the LMDH, and the LMDH secretary was elected as the chairman of the LMDH and re-elected in 2017 and 2022 for three periods. The allocation of shared funds is then organized into a work plan, and annual reporting is conducted. In 2012, the LMDH officially entered into a cooperation agreement from July 14, 2012, to July 14, 2022, with financial assistance to orphans in the "Budi Luhur" foundation once a year. In 2013, an LMDH Profile was compiled, which helped in cooperation activities to introduce LMDH branding to stakeholders and LMDH archives.

The various behaviors of LMDH administrators and members encourage LMDH Lancar Jaya to improve their performance. This is shown by its achievements in biophysical activities, such as protecting Perhutani plants and the environment, the economy with the identification of productive businesses and cooperatives, and social activities, such as assistance to orphanage foundations. The SK 268/2007 rules concerning PHBM Plus Guidelines and SK 682/2009 concerning PHBM, which evaluates and categorizes LMDH, LMDH Lancar Jaya is categorized as an Active-Mandatory LMDH institution.

Social Forestry Period (2016 – 2022) – An Actual Condition of Pre-KHDPK

Situations. Similar to the forest status during the PHBM period, the forest status in Perhutani's working area was state forest. Meanwhile, in property rights regime theory, the type of ownership of forest resources in the LMDH Lancar Jaya falls under common property. Affandi et al. (2021) state that common property is collective ownership, where the rights of access, utilization, and management belong to a group of clearly defined subjects, such as group members, customary communities, and certain cooperatives or organizations. The characteristics of state forest resources in LMDH Lancar Jaya are categorized as common resources (CPRs). This categorization can be seen from the utilization permit granted to the LMDH, which de jure will close the opportunity for other groups to utilize it, as well as the utilization of forest resources that are difficult to exclude by other parties, as illustrated by Perhutani's and the community's utilization of forests. The method used was qualitative descriptive, timeline, and content analyses. Research data and information were collected through in-depth interviews and document analysis. This study concludes that the performance of LMDH Lancar Jaya is efficient as an independent and active institution. This performance is driven by significant capital. Good social capital is a strong network of trust in management, solid stakeholder relationships, the ability to choose institutional alternatives that suit their characteristics, minimal transaction costs, and the ability to provide market certainty with interlock transactions. This article recommends the necesactable), located in a large area, scattered, and far from the reach of supervision.

The area of HPD LMDH Lancar is ± 515 ha for 1500 members with an altitude of 555 mdpl, a temperature of 27 degrees Celsius, and is a production forest with Sengon as the primary plantation, which is a suitable ch. The community's high dependency on Perhutani land is because most of its livelihoods are in the agricultural sector, but it does not own private land (Ngancar Village Profile, 2023). In addition, four hamlets in Ngancar Village were located near the HD. Technology, population, resources, and imagination are relevant to institutional change (Schmid, 2004). Unfortunately, there are only four Perhutani human resources at the field level for all business activities in the Resort Pandantoyo area, while the LMDH has sufficient administrators. LMDH administrators and Perhutani officers can use technology to help coordinate activities.

The patterns of the partner relations were excellent. The LMDH management can communicate effectively and quickly. The involvement of the village head helps management, which is supported by the Village Head and the Chairman of the LMDH, who are brothers. However, this situation can encourage nepotism and poverty traps for the most productive members, who cannot exploit new opportunities. Foremen, Perhutani, and community leaders on the board are respected. The chairman was assisted by a working group with tasks based on Hamlet. In addition, this situation encourages LMDH to build relationships with various parties to obtain considerable capital for the institution and not only source it from one party (Figure 4). This capital helps the LMDH carry out its function of distributing its benefits as an association body, as shown in Figure 4.

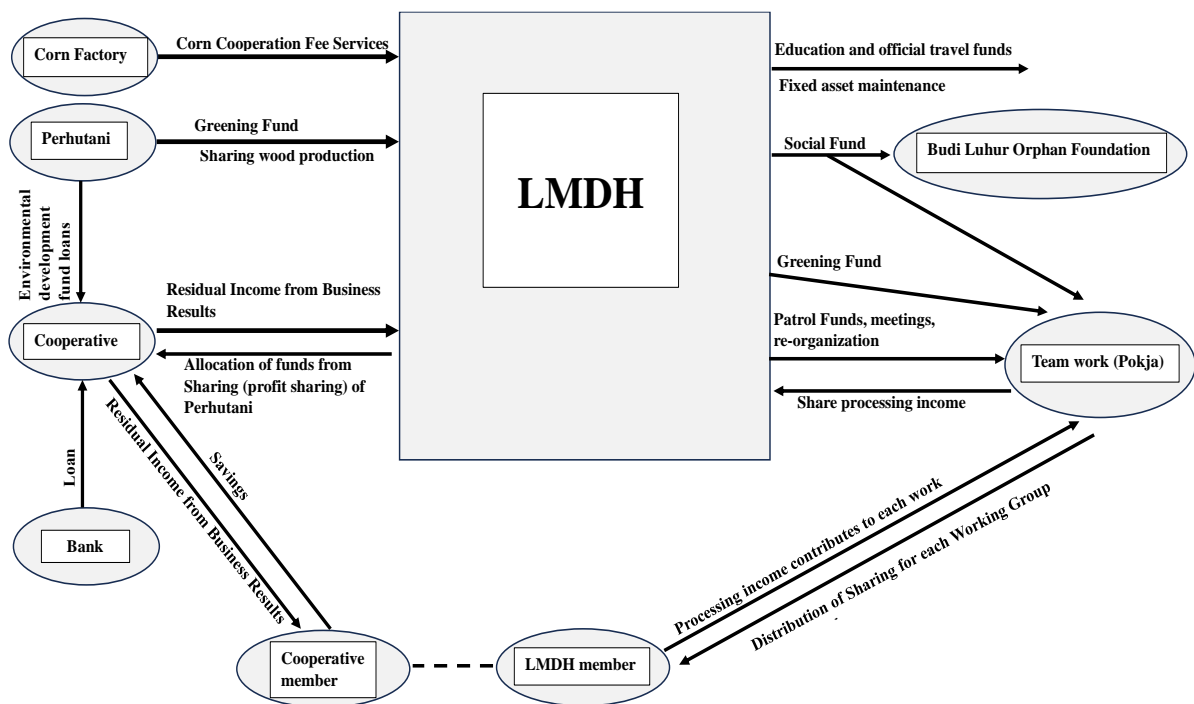


Figure 4. The flow of funds diagram in LMDH Lancar Jaya, Ngancar, East Java

Structure. The LMDH organizational structure adapts management positions according to the requirements of forestry partnerships. While bylaws specify essential roles such as chairman, secretary, treasurer, and security, additional positions such as vice chairman, board of consideration, and working groups representing each hamlet are necessary. Informally, at least two individuals from previous management continued to ensure a smooth transition in the next LMDH period. Elections were carried out by deliberation and culminating in voting according to the end of the previous term of office. Deliberations and elections are attended by every element of the organizational structure, including a minimum of 100 ordinary members who must be present.

The management authority encompasses coordinating members involved in logging and planting activities and addressing issues by summoning the affected members. The decision to replace the LMDH chairman after the three terms is an informal practice that facilitates the transition and achieves the desired outcome when re-electing the chairman.

Administrative efficiency in LMDH is maintained through organized information access, socialization efforts, and activity reports. Representatives from each hamlet attend meetings to disseminate information about new programmes from Perhutani, villages, and other partners.

The chairperson's sense of responsibility leads to the implementation of alternative profit-sharing rules. Contrary to formal regulations based on harvest results, LMDH Lancar Jaya adopts a fixed annual payment of IDR 150,000.00 for profit sharing. The formation of a social forestry business group following regulations since P.83/2016 and continued with P.9/2021, enables the LMDH to institutionalize and engage in productive partnerships with third parties, such as investors (SK 760, 2018).

Payment rules dictate cost and benefit distribution, with land allocation based on proximity to forested areas. The maximum land use in the Kulin KK Decree is 2 ha/KK, with members allocated areas ranging from 0.2 ha to 0.9 ha. Profit-sharing proportions in cooperation agreements regarding planting Balsa on forestry land, which is part of the LMDH village forest, with PT BMI, were determined at Perhutani = 55%, LMDH 12.5%, and PT BMI 32.5%, surpassing the PT KTI for LMDH at 0.5% who also planted Balsa. The change in investors was due to the end of the contract period with the previous investor because, in fact, from the investor's perspective, the agreement was not only in the forest of the LMDH Lancar Jaya village but also several other LMDHs that had other characteristics.

Presidential Decree 436/2011 outlines profit-sharing fund utilization for various purposes, including forest protection, cooperative empowerment, infrastructure development, health, education, and community assistance.

Farmers receive corn seeds from factories, and the harvest is sold to the factory. This factory does not have a direct relationship with Perhutani but is a place for people to sell their harvests and obtain capital for seeds and fertilizer loans. This relationship is based on trust, because the head of the LMDH is also a factory officer, and this activity has been carried out for years. This is advantageous because the LMDH chairperson can offer more accessible access to control the interlocking transaction agreement. This agreement is still possible even if the current LMDH chairman does not serve the structure because it remains part of the LMDH that can open the network. However, this situation helps the institution, because it has a leader with business skills. The relationship between farmers and factory owners can also be called an interlock transaction. The existence of an interlocking worker-employer relationship encourages social control by extending privileges to certain workers, and employers are better able to manage them (Hart, 1986). The benefits employers provide to workers are simultaneous instruments of control because they carry implicit or explicit withdrawal threats (Hart, 1986). This interlock transaction approach can ensure an adequate and disciplined workforce and allow employers to exploit a substantial labor supply (Hart, 1986). However, farmers still benefit from market clarity, seed, and fertilizer loans.

Various facilities are also supported by members who highly trust management. The performance of the management drove this, especially the chairman of the LMDH in the previous period, who succeeded in building networks to obtain seeds, as well as the management's ability to organize institutional funds distributed according to the agreement, and his success in negotiating the amount of agroforestry profit sharing. The network ability of the LMDH is also shown in Figure 3. In addition, the extended position of the LMDH and the Village Head provides more trust from members. LMDH village administrators are respected because of their high formal education, business skills, and attitudes. Trust and the ability to network or carry out transactions by LMDH towards other parties become social capital that helps run the institution. Putnam's (1993, 2001) social capital theory can be seen as the capital owned by social organizations (communities) to improve coordination efficiency consisting of trust, norms, and networks. The various institutional alternatives chosen by the community to conduct partnerships show that the community in Ngancar Village still applies various social norms that impact partnership activities. These social norms indicate actions expected from a person in a particular position, role, or status towards others through widespread customs. This can also be expressed as a customary transaction in the structural variable. Customary transactions are one of the main ways in which people can bond with each other. (Schmid, 2004). Folbre and Nelson's (2000) survey shows that about half of all work is done outside the labor market. Relationships made informally can be helpful in some situations (Schmid, 2004).

Behavior. Table 1 shows that each actor also behaves in its own interests and according to their capacity to influence. The results of actor position mapping followed those of Reed (2019) is presented in Figure 3.

Table 1. Actors, their level of importance, influence, and behavior in forestry partnerships in LMDH Lancar Jaya, Ngancar, East Java

Actor	Level of importance	Level of influence	Interest	Actors' activities
LMDH	High	Moderate	existence, access source acceptance, justice distribution to land	Help activity Perhutani (joint business process), divides area share, shares sharing rights for members and institutions, and manages contract and infrastructure.
Perhutani	High	Moderate	Implement various regulations and tasks effectively and efficiently.	Perhutani provides feeling sharing, accounts for system agroforestry, facilitator training or socializing, getting involved in the structure of LMDH organization, contract arrangement, opening investor access, and customization on openness to technology.
PT. BMI	Moderate	Moderate	Certainty supply material standard, price, and size sortiment	Invest in Balsa plants by providing capital and determining the size of the sorting by making a cooperation agreement and work plan. Investment in Perhutani land in the Pangkuan Forest area of LMDH Village
Village government	Moderate	Moderate	Raise the index of village institutions and empower the public	Providing assistance, minimizing the gap between Perhutani and LMDH, and helping communications and administration.
Factory corn	Moderate	Moderate	Certainty supply material standard, awake quality, and prevent moral hazard in harvesting Corn	Providing corn seeds to farmers and purchasing corn while the corn is still in the field and not dried.
Working Group / LMDH members	High	Low	Access to agroforestry land legally, source acceptance.	Carrying out embroidery and plant maintenance, planting corn before the stand and the pineapple after it, forming a Working Group For distribution benefit partnership, doing patrol security, and paying for results with the new agreement.
Cooperative	Moderate	Low	Sources of capital and legality business	Legalize self, do activity save borrow, and arrange report accountability.

Figure 6 illustrates the relationships identified from Table 1 regarding actors' interests and behaviors, and Figure 5 regarding actors' positions. LMDH has a partnership relationship with Perhutani, especially agroforestry, and at the same time, conducts a tripartite partnership with PT BMI and Perhutani for planting and felling Balsa. PT BMI cooperates with the two schemes as an off taker of the remaining plants that were cooperated with PT KTI before and after initial planting until logging.

The LMDH can access PT Sigenta's corn factory to obtain corn seeds and capital loans. Corn ready to harvest is sold directly to this corn factory. Capital loans, such as agricultural tools, were deducted during sales. This partnership is an interlock transaction that still allows moral hazards. Moral hazard arises in contract enforcement when one party's performance is too costly to be observed as a whole and measured in parts only. The mill gets around the moral hazard of the agreement by purchasing maize, while it is still in the field and is yet to be harvested into dry maize. Weighing and payment occur directly in the field, preventing unintended behavior, such as selling maize to other middlemen or mixing the quality of maize with other seedlings.

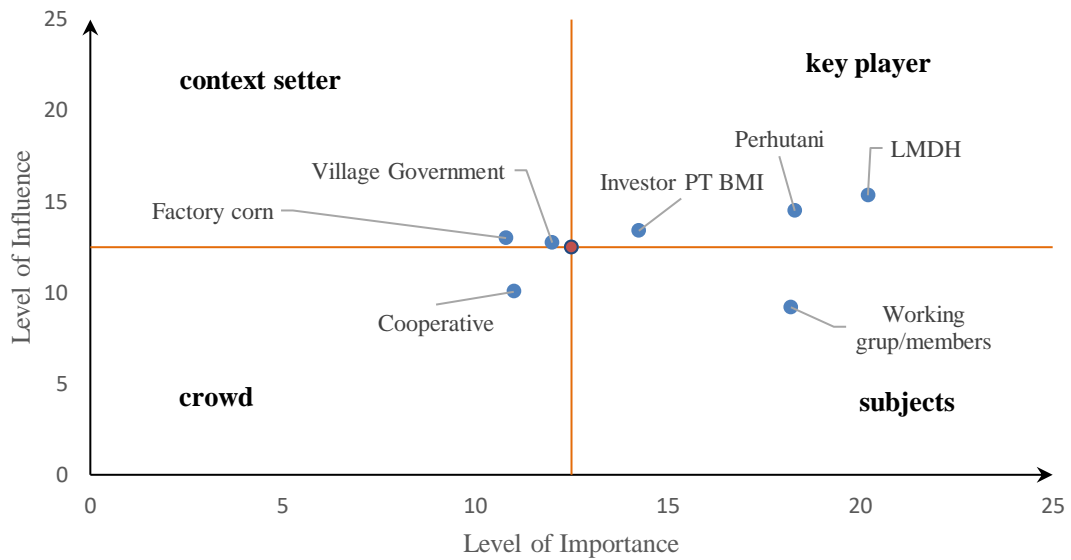


Figure 5. Diagram of stakeholder positions in forestry partnership in Ngancar, East Java

The LMDH relates to the village government in various administrative, information, and protection matters. The village government always sends representatives to LMDH activities, including the annual accountability report of the LMDH. The village government is also part of the communication forum that assists in carrying out relationship tasks with the community and various parties, especially those that require certain legality and administration. Meanwhile, a cooperative emerged because of the LMDH. This LMDH is engaged in savings and loans and is expected to be ready to become cooperative with a business.

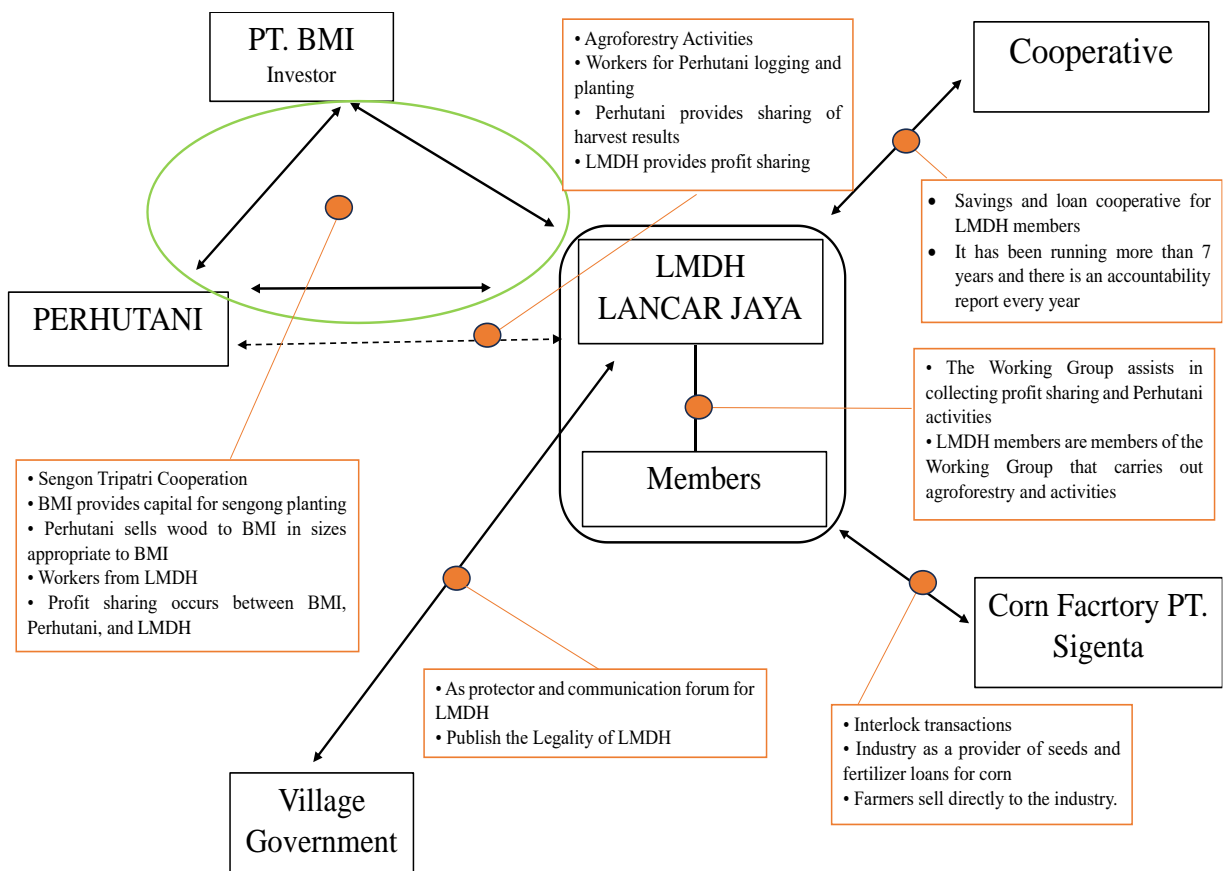


Figure 6. Relationship between actors and their behaviors in Ngancar, East Java

Performance. The LMDH received logging sharing from Perhutani ± Rp1.5 billion over several profit-sharing periods for each harvest, and ± Rp1 billion during a one-time harvest agreement from PT KTI. This sacrifice helps coordinate members of Perhutani's business process activities. LMDH members have access to agroforestry, with the sacrifice of replanting and patrolling, labor, and time on planting and logging, providing additional wages. Perhutani receives plant-guarding agroforestry profit sharing and can enforce the mandate of community involvement regulations by sacrificing logging sharing, providing land access, and facilitating partnerships. PT BMI benefits from the certainty of raw materials and prices with sacrifices in logging sharing, seeds, and wages. The Corn Mill gains raw material and quality certainty at the expense of the seedlings. The explanation of each party's sacrifices and benefits illustrates the partnership's efficiency, and the sacrifices of one party can benefit the other. Schmid (2004) states that one party's constraint is the other party's opportunity.

Transaction costs or unofficial costs incurred by one party can include negotiation costs, the cost of obtaining information, contracts, bribes, and corruption, referred to as indirect costs due to opportunistic behavior (Kartodihardjo, 2017). Transaction costs, information costs, and minimal strategies are driven by members who are easy to work with, openness of information from members, ease of understanding the situation and organizing data, ease of minimizing differences in understanding, and no unofficial levies. Fairness of distribution is achieved by adjusting the share size with the house's distance and the ability to utilize it. In addition, differences in the distribution of logging-sharing results were adjusted for involvement. The LMDH also provides access to data such as bylaws, LMDH profiles, and financial reports and activities, including the following year's plan, which is attended by the management, members, Perhutani, village government, and the board of consideration to control accountability.

Initial Period of Approval for Management of Social Forestry KHDPK (2022 – Present)

After a long run of almost two decades, LMDH Lancar Jaya is now facing a new situation and structure. After issuance, SK. 287/2022 attached to the KHDPK indicator map of social forestry allocation (PIAPS). The LMDH Lancar Jaya area is part of the KHDPK area.

Along with this situation, Decree No. 475/2022 on the Determination of the KPH Pilot Project Transformation Program Towards the Establishment of the SMART KPH emerged. This decree shows KPH Kediri as one of the pilot projects, with LMDH Lancar Jaya as one of its units. LMDH Lancar Jaya follows Perhutani's transformation program through digitalization, such as cashless payments for profit sharing and trials of sociopartnership applications. Another situation for Perhutani, the foreman of RPH Pandantoyo, who previously numbered eight people, is now four because they have retired. Now, let us see what responses and factors need to be prepared by the LMDH and related partners after the LMDH is in the KHDPK area.

Descriptions related to the timeline outlined in the four periods suggest several factors that influence the performance of forestry partnerships, which were identified as active and independent LMDH. First, the financial capital of the institution is quite large and does not only come from one party; second, social capital in the form of trust, powerful networking, especially from the management, and norms that are carried out, which are supported by solid relationships between parties; third, the leadership and management skills of the LMDH chairman and Village Head manage a large number of administrators, and choose institutional alternatives in running partnerships; fourth, the need for land is very high, while private land is very minimal. Fifth, there were no significant or unofficial transaction costs. Sixth, the distribution of benefits is based on sacrifices made.

This study reinforces Schmid's (1987, 2004) SSBP institutional framework that states that situation and structure can influence each other, then both elements together influence behavior, and finally, behavior influences and determines performance. Moreover, this study showed that previous SSBPs can influence current SSBP.

Initial Responses and Behaviors Towards KHDPK Policies and Perhutani Areas

The beginning of the KHDPK policy is at least contained in PP. 23/2021 on Forestry, which includes Social Forestry as one of its designations (Article 112). Social forestry in KHDPK is approved through

village, community, and community forest plantations, whereas those still in Perhutani are through forestry partnerships (Article 208). Article 197 of P.9/2021 on Social Forestry adds the minister's authority to establish a technical implementation unit for KHDPK management. Provisions for the management of plant and other assets in KHDPK and BUMN areas through forestry partnerships by laws and regulations (Article 208). As of May 2023, at the time of data collection, further regulations related to Social Forestry, transformation, and management of Perhutani assets in the KHDPK area are yet to be issued.

LMDH responded to limited and scant information related to KHDPK by not taking any action in the field. The LMDH admitted to feeling confused and not knowing much about anything because there were no rules to learn. However, the LMDH stated that they were ready for change. The LMDH knows that later, it will no longer be under Perhutani but under the Minister and feels ready with whoever will partner later. The LMDH has yet to be able to comment on Perhutani plant assets and cooperation with investors because no rules can be studied. The LMDH also managed to control members' confusion by not giving false information. Although there are no more detailed rules, we continue to run partnerships according to the applicable rules. This rule is also allowed by members who already have trust in an LMDH. LMDH still has capital remaining from previous partnering activities and administrators who are felt to be able to help the change process.

Meanwhile, in response to investors who have recently entered into cooperation contracts in 2022, The KHDPK policy is considered heavy and outside the initial objectives. Investors believe that KHDPK is intended for land with unending conflicts, while LMDHs that are partners are active and non-conflict LMDHs. Investors' concerns are primarily related to the supply of raw materials on reduced production land and the sustainability of their cooperation.

The met Perhutani Foreman could only comment a little and act without direction. The foreman admits that he is short of labor because only four people are in the Pandantoyo area. Any policy and new people can help the social forestry program better because currently, there is no foreman specifically for forestry partnerships.

The existence of the KPH Pilot Project Transformation Program Toward the establishment of SMART KPH encouraged researchers to examine KHDPK in LMDH Lancar Jaya. When asking questions related to KHDPK, the parties generally identified that the KHDPK policy would change one of the partners. Simple information related to KHDPK is conveyed quite well in LMDH Lancar Jaya, although there is still little movement because it is waiting for further policies. Researchers have claimed that LMDH Lancar Jaya could respond to this situation better than in several previously visited locations.

These responses and behaviors illustrate LMDH who feel ready for partnership changes, especially the remaining capital, trust in fellow administrators, and the ability to manage and distribute information. In addition, the community's trust in the strong LMDH elite can limit the emergence of social conflicts.

Formulation of Factors that Have the Potential to Help Transform LMDH

The facilitation of Social Forestry approval is shown in the flowchart of the figure. This information is essential to help LMDH prepare and follow the transformation process (Figure 7). Articles 29 and 47 state that the increase in the status of KUPS business entities is more specific in the form of cooperatives or village-owned enterprises (P.4, 2023).

Organizational capacity or investment (Jones, 2013) in the form of input organization and input conversion can help analyze the requirements for becoming a legal business entity as a necessary condition. A necessary condition is required for another condition to occur. Sufficient conditions guarantee the occurrence of other conditions (Soedomo, 2016). Meanwhile, the organizational conversion process changes inputs and adds value to these inputs in the form of machines, computers, and human skills and abilities.

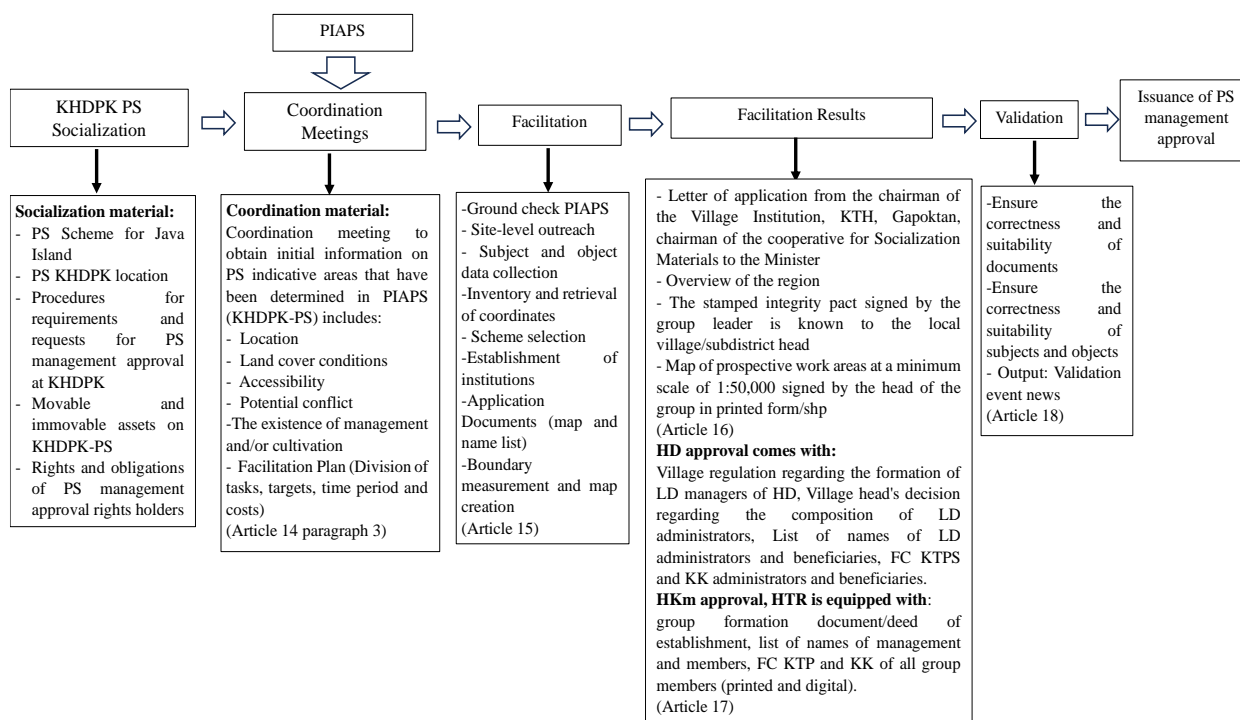


Figure 7. Flowchart of PS approval facilitation and transformation process

The primary raw materials currently owned by the LMDH are fertile and extensive land, a guaranteed source of corn seeds due to interlocking transactions, and agroforestry crop yields, especially corn and pineapples. Money and capital are essential for Perhutani's financial management of logging, revenue sharing, and cooperation with previous investors. Unfortunately, this resource is ending; we need to seek service or product offerings from the institute and form new partnerships to raise more capital in the future. There are many human resources or workforces at LMDH, reaching 70 people. The capacity of LMDH administrators is also quite good in terms of formal education, charisma building, and public trust. The Head of LMDH and his management have a good understanding and knowledge of partnerships.

The understanding of members related to partnerships was also carried out through annual report activities, socialization, and training. Currently, both members and administrators understand the purpose of the partnership, the rules for becoming a member of a partnering LMDH, rights and obligations, the mechanism for determining profit-sharing, and sanctions and contract enforcement. However, this upcoming transformation requires a new understanding of partnerships and new institutions. In addition, a new understanding is needed to conduct business-to-business transactions and business legally with other institutions that will become customers of the organization in the future. Current customers are still partners who must work together through Perhutani land. However, through the relationship of the head of the LMDH, customers for corn production and pineapples in the form of middlemen were found. However, these customers do not directly cooperate with the LMDH, but with LMDH members who engage in agroforestry. Customers can be strengthened by the ability of LMDH administrators to network and find customers suitable for future products or services.

Converting previously described inputs into added value, services, or products is also essential. The machines used are still limited to agricultural tools by the LMDH members. Additional machines are required to produce post-production innovation. Computer or Internet facilities are still being used for profit-sharing activities. This activity can be improved by considering that the digital era is large enough to encourage sales of both production and the existence of specific business units, service offerings, and empowerment. Human skills and abilities in institutions for its members are more in the production section, namely planting, nurseries, or labor for logging and planting activities. Technology and knowledge are critical aspects of change. Muladno and Agatha (2023) explain that technology and knowledge problems weaken livestock farmers' performance, and, in general, 98% experience these

problems, so livestock only becomes life-saving without any innovation. There is a need to improve the skills and abilities to support existing human resources in LMDH to innovate on current inputs. Comparative study activities by examining the success of other institutions' training in relevant businesses by understanding local potential can be carried out to build these innovations. This activity is likely to be carried out with LMDH administrators with networking capabilities. The trust built by the LMDH can help network capabilities find potential partners to help improve skills and abilities.

Other mandatory requirements that need to be met to become a legal entity are the requirements of a legal entity based on Rusli (2017): the existence of separate wealth from the wealth of its members, having a specific purpose, some interests being recognized and protected by law and not the interests of a person or several people, and having a regular organization. This organizational regularity can be strengthened through good management. LMDH already has an organizational structure that runs the provisions of agreed rules and quite well through strategies to determine alternatives that can achieve goals, the existence of conflict resolution mechanisms, and the authority to regulate its organization.

The sufficient requirement for a legal entity cooperative is the existence of a cooperative establishment deed authorized by the Minister (Article 13 of P.9, 2018). In addition, there are cooperative articles of association, which are written rules, Article 2, establishment capital from principal savings, mandatory savings Article 2, establishment capital from principal savings, mandatory savings, and grants (Article 11). Each cooperative member is the owner and, at the same time, the user of cooperative services (Article 58). Thus, a sufficient condition to become a legal entity is to have a deed of establishment (including articles of association or management plan) issued by the authorities (mainly the minister) by the chosen business entity. The processing of this deed of establishment is another mandatory requirement that must be fulfilled, requiring administrative rigor that will change its legal status.

LMDH Lancar Jaya undergoes institutional and partnership transformations, encountering unique circumstances. The existing partnership with PT BMI entails an obligation that lasts until the specified period ends, as per Article 108 P.4/2023. Additionally, fixed assets in standing Sengon and Balsa plants are under Perhutani's responsibility within the PS management agreement area, as outlined in Article 93 of P.4/2023. However, for areas pending PS management approval (KHDPK), assets fall under the joint responsibility of Perhutani and the Ministry. Despite Article 93 permitting Perhutani to utilize its plant assets until the cycle period concludes, cooperation adheres to Perhutani's regulations upon ministerial approval before entering the cutting period.

The transformation and partnerships of LMDH Lancar Jaya necessitate alignment with Perhutani owing to the existing plant asset situation. This underscores the importance of devising a comprehensive process for LMDH to navigate their institutional and partnership transformations, especially concerning cooperation with Perhutani's plant assets. This scenario presents an opportunity for the LMDH to formulate a mutually beneficial cooperation agreement, facilitating additional capital infusion for institutional preparedness in the transformation process.

CONCLUSION

Various situational and structural factors influence the efficient performance of the LMDH Lancar Jaya as an active-independent institution. Significant financial capital sourced from various parties provides a strong foundation for the smooth operation of the LMDH. In addition, social capital, such as public trust in the leadership that has served for three terms—solid relationships between parties, management's business capabilities, and coordination with the village government based on family relationships—are also essential elements in the success of this institution. These factors impact the behavior of various actors in the partnership, including farmers, Perhutani, Investors, and Village Government. In addition, the LMDH's current performance also helps a positive response to the partnership transformation policy, with stability, acceptance, and careful management of information in the face of social dynamics.

In this context, various LMDHs that are inefficient in forestry partnerships need to pay attention to social capital, especially trust, networks, norms, financial management skills, and understanding the local

characteristics that are key to developing efficient partnerships. It is essential to understand that past performance and situations can influence the situations, structures, and behaviors that produce positive performance. So, the process of facilitating the transformation of forestry partnerships that will be carried out in all Javanese forest management areas, both in the KHDPK and Perhutani areas, must pay attention to the unique characteristics of each LMDH and transform it according to its potential.

Meanwhile, considering the characteristics and current situation of LMDH Lancar Jaya, factors that support the transformation towards a legal business entity have been identified. Maximize the use of capital from various sources; manage raw materials, human resources, and business knowledge effectively; and utilize social capital to expand customer networks. Improve technology and skills, administration fulfillment for establishing institutions, and participation in the transformation process.

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