

Position Paper

2 Years of FLEGT License,
***Credibility and Accountability
of Timber Legality Assurance
System (SVLK)
Must Be Improved***

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2 Years of FLEGT License, Credibility and Accountability of Timber Legality Assurance System (SVLK) Must Be Improved



Implementation of Timber Legality Assurance System (SVLK) has progressed significantly when Forest Law Enforcement, Governance and Trade (FLEGT) license implemented on timber products from Indonesia exported to European Union (EU), two years ago. FLEGT license implementation had been agreed by Joint Implementation Committee (JIC) Voluntary Partnership Agreement (VPA) between Indonesia and European Union in Yogyakarta on August 15, 2016. It is a manifestation of the EU's acknowledgement and continuous support for forest governance and an achievement for Indonesia as it is first country in the world obtaining FLEGT license.

FLEGT license implementation have elevated value of Indonesian timber products in EU market. Based on the Ministry of Environment and Forestry's Timber Legality Information System (SILK), timber export to the European Union from January to November 2017 have increased, reaching USD 1 billion compared to the previous year at only USD 852 million. After two years of FLEGT licensing, the export value to the same destination countries had recorded more than 1.006 billion by November 15, 2018 with more than 35 thousand FLEGT licenses issued.¹

Commitment of both Indonesia and European Union to increase legal timber trade value and tackling illegal timber distribution must be praised. Increasing export value is a prove of market acceptance to legal certified products. However, increasing trade value must not be seen as sufficient to cease SVLK improvement efforts. Strengthening credibility and accountability of the system is an ongoing process and that must be continuously endeavored. Definitely, it can be clearly measured through improvement of monitoring and optimum law enforcement; furthermore, improving public participation through continuous intensive monitoring; along with improvement of law products and other regulations related to forest crime, corruption, social conflict, land tenure issues, forest fires, permit violations, and other maladministration issues.

Based on independent monitoring investigations on Timber Legality Certificate permit holders, it was found that most concessions have problems with unclear land tenure, including on mechanism to decide border/participative reconstruction of border and resolution of land tenure conflict.

¹<http://silk.dephut.go.id/index.php>



These have caused conflicts and social problems for local/ indigenous communities. Therefore, the standard for assessment needs to be strengthened by putting the social aspect of conflict as well as the process of obtaining a permit as the main indicators for assessing system performance. Independent investigators also still found permit holders with revoked or invalid certificate and non-SVLK certified timber can still pass through Forest Products Administration Information System (SIPUHH) or raw material traceability check. It enables mixing raw materials from unclear sources. Moreover, data and information on timber management including its distribution in SIPUHH cannot be accessed by independent investigators and the public.²

Other serious crucial issue is implementation of Supplier's Declaration of Conformity (DKP) which at the beginning intended to make it easier for community-managed forests, both logs and processed timber by the industry. However, in its implementation, monitoring on issuance and use of DKP is still minimum. There is not enough information on results of random inspections and special inspections for DKP monitoring that supposed to be conducted by the government.

Furthermore, monitoring on both Registered Timber Depo (TPT-KB) and Registered Processed Timber Depo (TPT-KO) must be strengthened because these places are indicated to be misused to launder timber sourced from questionable legality sources.

The Government of Indonesia as the one who govern the system has crucial roles on maintaining and ensuring the system integrity. Regular monitoring and law enforcement are vital tasks that must run effectively. The Government of Indonesia needs to integrate every system owned by working unit to support each other for the sake of fast and timely monitoring and law enforcement. Moreover, the Government of Indonesia also needs to improve assessment standards continuously through reassessing indicators that directly impact sustainability of environment carry out to do preventive measures and resolve conflicts that trigger human rights violations of local and indigenous communities.

Moreover, the European Union as the recipient countries must also conduct the same monitoring measures to ensure legal timber products trading.

²SVLK-A Process toward Accountable Governance

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Transparency of timber products trade between Indonesia and European Union; strengthening implementation of European Union Timber Regulation (EUTR) across European Union member countries, specifically related to standardization of Competent Authority (CA) capacities to handle specific cases; and preventing timber laundering if there is any manipulation on FLEGT license implementation and timber laundering through third party country before it enters European Union consumers.

Based on the aforementioned conditions, Indonesian civil society groups recommend Government of Indonesia, European Union, Certification Body and business actors in forestry sectors and its trading to:



1. Improve transparency

- a. Issuance of the Ministry of Environment and Forestry Regulation No. 18 Year 2018 on public information service is a good and concrete achievement to support implementation of SVLK as regulated in Annex 9 VPA. Therefore, the Government of Indonesia must ensure provision of public information services in a fast, proper and effective manner. Data and information on timber distribution in the online system, especially the Forest Products Administration Information System (SIPUHH) must be accessible by independent investigators;
- b. Disclosure of information must also be implemented by other ministries or agencies besides Ministry of Environment and Forestry, such as Ministry of Trading, Ministry of Industry, Ministry of Finance in this case Customs and also local government.
- c. The Government of Indonesia and Certification Body must improve transparency on SVLK implementation processes, including on handling noncompliance reports and its actions by making this information publicly available and widely accessible.

2. Improvement on monitoring and law enforcement

- a. The Government of Indonesia must execute law enforcement actions including firm sanctions that have a deterrent effect

in order to prevent similar and repeated violations. Sanctions to revoke certificates must be followed up with revokement of operational permits to ensure no timber can be distributed by legally problematic permit holders.

- b. Ministries and government agencies, including local governments must synergize on monitoring and law enforcement, both on issuance of regulations and its implementation. Use of a multi-doors approach on handling violations especially on criminal acts in forestry must be encouraged.
- c. The Government of Indonesia must follow up permit holders that do not fulfill their obligations to conduct surveillance, including permit holders whose certificates have been revoked.
- d. The government along with the Certification Body must recheck the supply chain of permit holders to ensure no timber from unlicensed sources will be distributed; and to



improve monitoring on circulation and use of CITES timber;

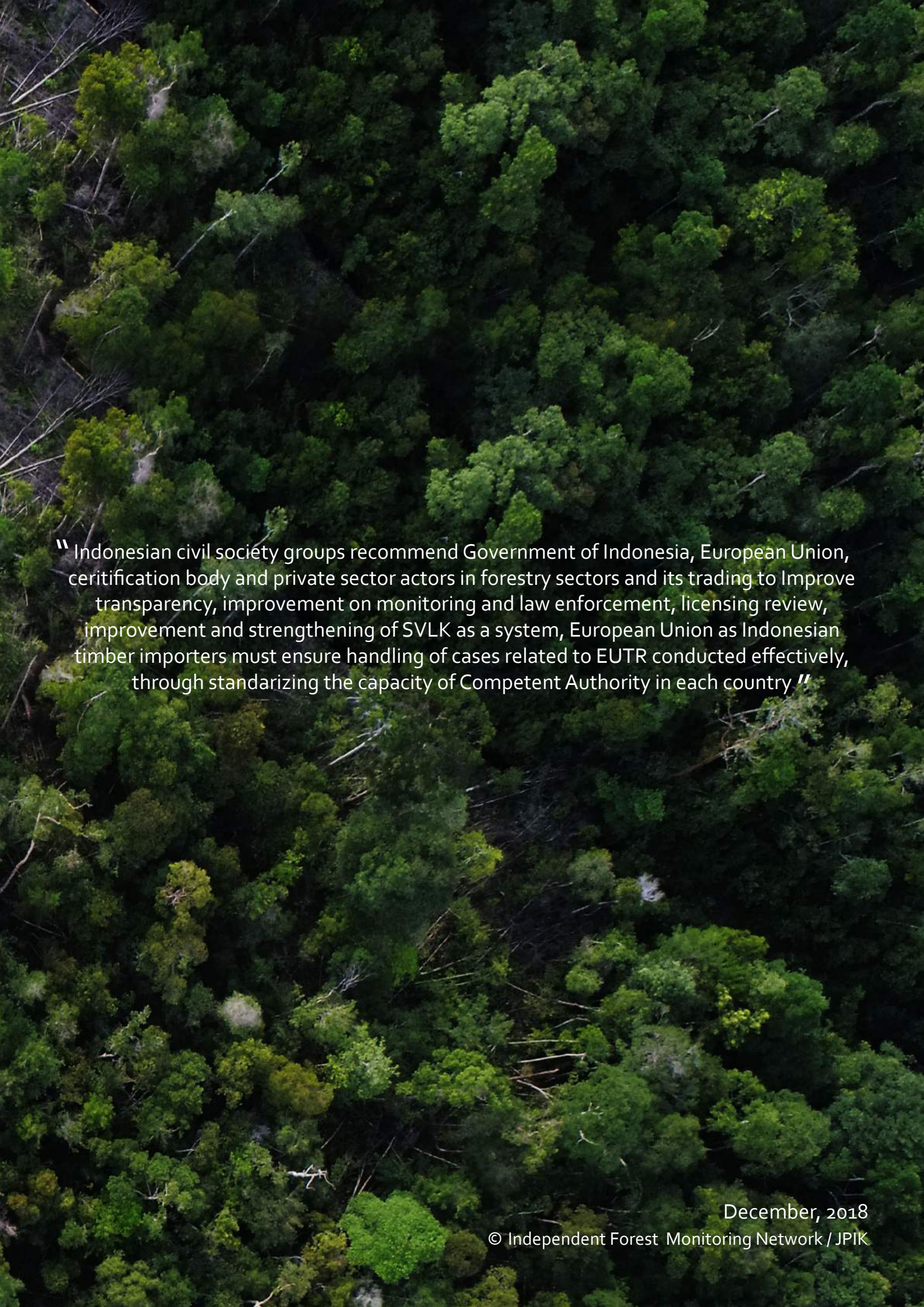
3. Licensing review

- a. The Government of Indonesia must review implementation of regulation on DKP use for Small and Medium Industries and community forest, and TPT-KB and TPT-KO permits;
- b. The Government of Indonesia must review and improve policies and regulations related to improved governance. Therefore, problems related to conflict, forests and peat fires, and corruptions on licensing can be resolved immediately.

4. Improvement and strengthening of SVLK as a system

- a. Certification assessment, especially Sustainable Forest Management must be able to show better performance trends;

- b. Ensuring legality and sustainability aspects in Sustainable Forest Management assessment as main indicators to pass the assessment;
 - c. Sustainable Forest Management assessment must put aspects of conflict, corruption licensing, as well as forest and peat fires as priorities to obtain the certificate;
 - d. Policies and regulations on procurement of goods/services by the government for timber and SVLK timber products must be strengthened and fully implemented so that SVLK implementation becomes an incentive for domestic market business actors;
 - e. SVLK regulation must have impacts the improvement of communities welfare synergized with policies and regulations related to forest governance and communities managed areas, including strengthening rights of local and indigenous communities.
5. The European Union as an importer of Indonesian timber must ensure proper conduct and the effective handling of cases under the EUTR, through standardizing the capacity of Competent Authority in each country.



“ Indonesian civil society groups recommend Government of Indonesia, European Union, certification body and private sector actors in forestry sectors and its trading to Improve transparency, improvement on monitoring and law enforcement, licensing review, improvement and strengthening of SVLK as a system, European Union as Indonesian timber importers must ensure handling of cases related to EUTR conducted effectively, through standarizing the capacity of Competent Authority in each country ”

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