



CSO'S INDONESIA JOINT PAPER ON EUDR BENCHMARKING

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About Coalition

We are Indonesian Civil Society Organization who have followed in a European Union Deforestation Regulation (EUDR) progress since its inception in 2019.

We are playing active role both in Indonesia and in European Union to engage and communicated our concerns in supporting good governance in Indonesia.

The Indonesian Civil Society Coalition, consisting of 45 organizations including NGOs, independent smallholders and plantation worker unions, Indigenous Peoples' organizations, local communities, as well as representatives of women and youth.

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Cover: Forest Landscape in Simantaniari, North Sumatera, 2022

Above: Forest Landscape in Sekadau District, West Kalimantan

Pg. 4: New Planting Palm Oil in West Kalimantan, 2021

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Introduction

The European Union Anti-Deforestation Regulation (EUDR) was enacted on May 16, 2023, and came into effect on June 29, 2023. It covers seven main commodities and a number of their derivative products. Starting December 30, 2024 (June 30, 2025, for micro-enterprises), with possible to delay to December 30, 2025 which currently negotiating for delay on the European Union legislative. Upon it comes into application, products entering or leaving the EU must:

- Be deforestation-free since December 31, 2020
- Comply with the regulations of the producing country
- Have a due diligence statement

The EUDR requires operators and traders in the European Union to conduct due diligence to ensure the legality and compliance of products. The EUDR also establishes a benchmarking system that classifies countries based on deforestation risk, where products from low-risk countries can undergo simplified due diligence, while products from high-risk countries will be subject to stricter scrutiny. Although crucial for the success of the EUDR, this benchmarking system has the potential to cause issues and needs further review.



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The situation in Indonesia regarding commodities and deforestation and forest degradation

The Indonesian government claims that the highest rate of forest loss occurred between 1996 and 2000, at a rate of 3.5 million hectares per year. This rate decreased to 0.75 million hectares per year between 2002 and 2014, and reached its lowest point in 2022, with a gross deforestation rate of 119,400 hectares¹.

Meanwhile, WRI Indonesia, in a study that compiled data from Global Forest Watch, stated that around 55% (more than 4.5 million hectares) of primary forests were lost between 2000 and 2015 within areas allocated for palm oil plantations, industrial forest plantations, mining, and logging. Palm oil plantations and industrial forest plantations were the main causes of primary forest loss due to conversion, with each converting around 1.6 million hectares and 1.5 million hectares, respectively².

Palm Oil

From 2001 to 2019, the area of palm oil plantations in Indonesia increased by 8.48 million hectares (6.19 million hectares of large-scale plantations; 2.28 million hectares of smallholder farmers), resulting in a total plantation area of 16.24 million hectares in 2019, with 64% being large-scale industrial plantations and 36% being smallholder

farmers³.

Among Indonesia's major islands in 2019, Kalimantan led in forest conversion to oil palm plantations, accounting for 40% of total conversions and 36% of rapid (same-year) conversions. Sumatra ranked second with 31% of total and 29% of rapid conversions, followed by Papua (27% total, 26% rapid) and Sulawesi (7% total, 6% rapid). The nature of these conversions varied by region: Sumatra and Sulawesi saw roughly equal contributions from industrial and smallholder operations, while in Kalimantan and Papua, industrial-scale conversions were predominant⁴.

The expansion of palm oil plantations in Indonesia is often associated with several illegal and unethical practices, including permit corruption in the issuance of land-use permits⁵. Other issues include deforestation, habitat destruction for endangered species such as orangutan, air pollution from land clearing fires, land grabbing leading to displacement of indigenous communities, social conflicts over land rights, and human rights violations. There have also been numerous reports of poor working conditions within the sector, including child labor

Above: Log transport by heavy vehicle in Pak-pak Bharat District, North Sumateia.

and unfair wages. Adding to these concerns are the industry's environmental impacts, including biodiversity loss, soil erosion, and water contamination⁶.

Nevertheless, the palm oil industry is a major contributor to Indonesia's national economy, being one of the country's largest export commodities. Palm oil is also an important source of income for millions of smallholder farmers in Indonesia, accounting for approximately 40% of the country's palm oil production. This industry provides a stable income for an estimated 2.6 million households, improving their economic stability and quality of life compared to traditional subsistence agriculture. In rural areas, palm oil cultivation generates employment opportunities not only for farmers but also for workers involved in harvesting, processing, and transportation, helping to alleviate poverty and reduce rural-urban migration.

Timber

In the timber sector, the loss of natural forest cover is primarily caused by industrial plantation forest (HTI) permits, while forest degradation is due to natural forest concession permits (HPH)^a. Other contributing factors include land

conversion, forest fires, encroachment, and illegal logging.

Monitoring results from the Ministry of Environment and Forestry (KLHK) in 2022 showed that the forested area in Indonesia was 96 million hectares (51% of the total land area), with 83.3 million hectares within forest areas^b and 12.7 million hectares outside forest areas⁷. The government claims that forest degradation occurring in forestry concession permit areas is 0.44 million hectares, with a degradation rate of 0.18 million hectares per year⁸.

As of 2024, there are 590 management units (UM) with forest utilization permits (PBPH) covering 29.84 million hectares, of which 96.6% are for forest product utilization businesses (HA & HTI), or 28.84 million hectares⁹. The area of intact primary natural forest within forestry concession permits is 5.19 million hectares, spread across HPH and HTI. A total of 3.69 million hectares of intact primary natural forest within HPH permits are located in the provinces of West Papua, Papua, and North Kalimantan, while Central Sulawesi, Papua, Maluku, and West Kalimantan have the highest areas of primary natural forest within HTI permits, totaling 212 thousand hectares.

Coffee

Coffee is one of the plantation commodities that has significant economic value in Indonesia.

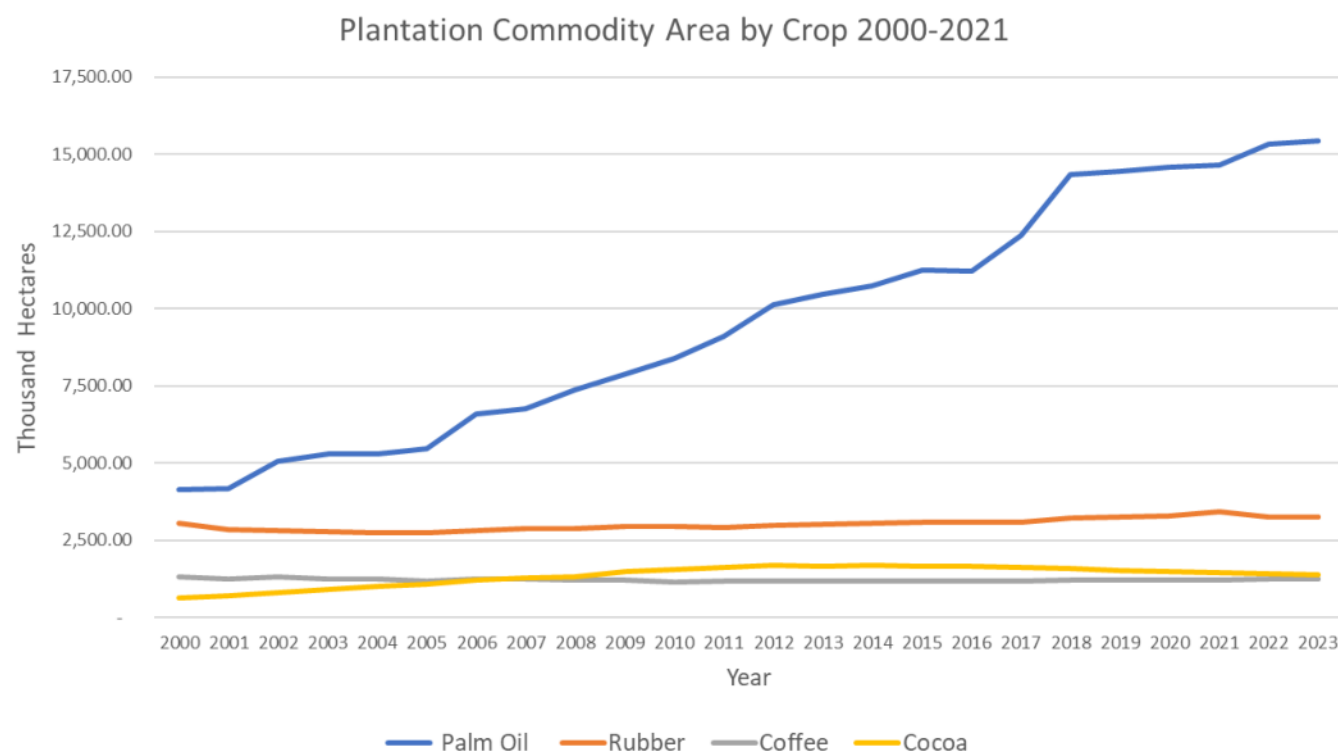


Figure 1. Plantation Commodity Area by Type of Crop 2000-23
Source: BPS

As the world's third-largest coffee producer, Indonesia considers coffee as one of its flagship plantation commodities, which is now well-known in Europe and America, particularly specialty coffee such as Gayo Coffee, Mandailing Coffee, Lampung Coffee, Bajawa Coffee, and others.

Smallholder plantations dominate the coffee plantation area, covering 1,246,352 hectares or 98.45% of the total coffee plantation area in Indonesia in 2022. According to BPS data, the area of coffee plantations has tended to decline since 2000 until 2023. However, in 2017, the area of smallholder coffee plantations increased. The province with the largest coffee plantation area in Indonesia is South Sumatra, followed by Aceh and Lampung.

Rubber

Rubber plantations occupied an area of 14.2 million hectares in Southeast Asia in 2021, with more than 70% of the production area located in Indonesia, Thailand, and Vietnam¹⁰. Indonesia is the second-largest exporter of rubber after Thailand, with a total export value of natural rubber of \$3.5 billion USD in 2022. The area of rubber plantations in Indonesia reached 3,776,485 hectares in 2021, and more than 90% of the rubber plants came from smallholder plantations (PR)⁶. The largest area of PR in Indonesia is in the province of South Sumatra, which accounted for 858,33 thousand hectares (25%) in 2021 and 859,89 thousand hectares (26.35%) in 2022 of the total national PR rubber area.

The estimated area of deforestation in the

Indonesian rubber plantation sector over the period from 2001 to 2016 reached 1 million hectares¹¹. Deforestation associated with rubber commodities is lower compared to other commodities such as palm oil or soybeans¹². However, the quality of deforestation data for rubber is also relatively limited compared to deforestation data for other commodities, so its accuracy cannot yet be confirmed¹³.

Cocoa

Indonesia ranks third as the largest cocoa-producing country in the world, with a total production of 667,296 tons in 2022¹⁴. Over the past 10 years (2012-2021), most cocoa plantations have been managed by smallholder plantations (97.57%), 1.01% by state-owned large plantations (PBN), and the remaining 1.42% by private large plantations (PBS)¹⁵.

Over the past 20 years, cocoa plantations in Indonesia have seen significant development. From 2000 to 2011-2012, the area of smallholder cocoa plantations increased steadily. However, from 2013 to 2023, there has been a decline in the total area of cocoa plantations. In 2001, the area was recorded at 0.82 million hectares, which grew to 1.53 million hectares by 2020, marking a 54.51% increase. The area peaked at 1.61 million hectares in 2018 but then decreased by 11.79% to 1.42 million hectares in 2022. This decline is partly due to land being converted to other, more profitable commodities.

According to preliminary figures from the Directorate General of Plantations, Indonesia's cocoa area in 2022 was 1.44 million hectares, with nearly all (99.58%) being smallholder plantations.

Central Sulawesi Province has the largest cocoa plantation area in Indonesia, covering 274,003 hectares in 2022, which accounts for about 19.28% of the country's total cocoa plantation area¹⁶.

It is clear that for Indonesia, risks associated with deforestation and forest degradation vary among different commodities. Palm oil and timber are considered higher-risk commodities compared to cocoa, rubber and coffee. Therefore, the benchmarking system under the EUDR raises significant concerns due to its generalization of risk across all commodities as this approach fails to recognize that the level of risk associated with different commodities can vary significantly within a single country.

By not conducting specific risk assessments for each commodity, the system risks creating discrimination and injustice for countries, corporations, and farmers involved in the production of low-risk commodities. This oversight could lead to unfair inaccurate risk level resulting in restrictions, undermining the efforts of those who are already practicing sustainable and responsible production methods. It is crucial for the regulation to incorporate differentiated risk assessments to ensure a fair and equitable approach that acknowledges the unique circumstances of each commodity and its producers.

Right: Cocoa Tree
©KLT Dinusha / Pexels

Commodities Trade between Indonesia and the EU

In 2022, the agricultural sector's trade balance surplus contributed entirely to foreign exchange earnings, reaching US\$42,032,040,000 with the plantation sub-sector solely responsible for this surplus. The largest contributors to foreign exchange earnings from the plantation sub-sector were palm oil, rubber, coconut, coffee, and cocoa. Palm oil dominated the primary export commodities, accounting for 74.48% or US\$31,459,726,000 of total export value. Rubber secured the second position with a 10.15% contribution, equivalent to US\$4.12 billion, followed by coconut (4.06%) valued at US\$1.65 billion, cocoa (2.97%) at US\$1.21 billion, and coffee (2.10%). Smallholder plantations dominate the production of coffee, rubber, and cocoa

Palm Oil

Indonesia is the world's largest producer of palm oil, with average production over 40 million metric tons of palm oil annually. The EU imported an average of around 3.5 million metric tons of palm oil from Indonesia per year between 2012 and 2021. The total value of these imports average around €2.5 billion (approximately USD 2.8 billion) per year. This makes the EU one of the largest markets for Indonesian palm oil, with the majority of imports going to countries such as the Netherlands, Spain, Italy, France, and Germany.

Timber

The export performance of Indonesian wood and wood products from 2013 to 2021 has been fluctuating but tends to be positive (Figure x). Overall, paper and pulp products, wood panels, and furniture are the three types of wood products that contribute the most to the export value of wood and wood products from Indonesia, amounting to USD 43.6 billion, USD 22.8 billion, and USD 9.8 billion, respectively.

Meanwhile, in the period from 2017 to 2021, the European Union (EU) accounted for 9% of the market share of Indonesian wood and wood product exports, ranking fourth after China, the USA, and Japan (Figure 2), with a total export value contribution of USD 4.2 billion.

Coffee

The export volume and value of coffee over the last ten years (2013-2022) have fluctuated.

Right: Rubber Tree
© Isuru Ranasinha / Unsplash

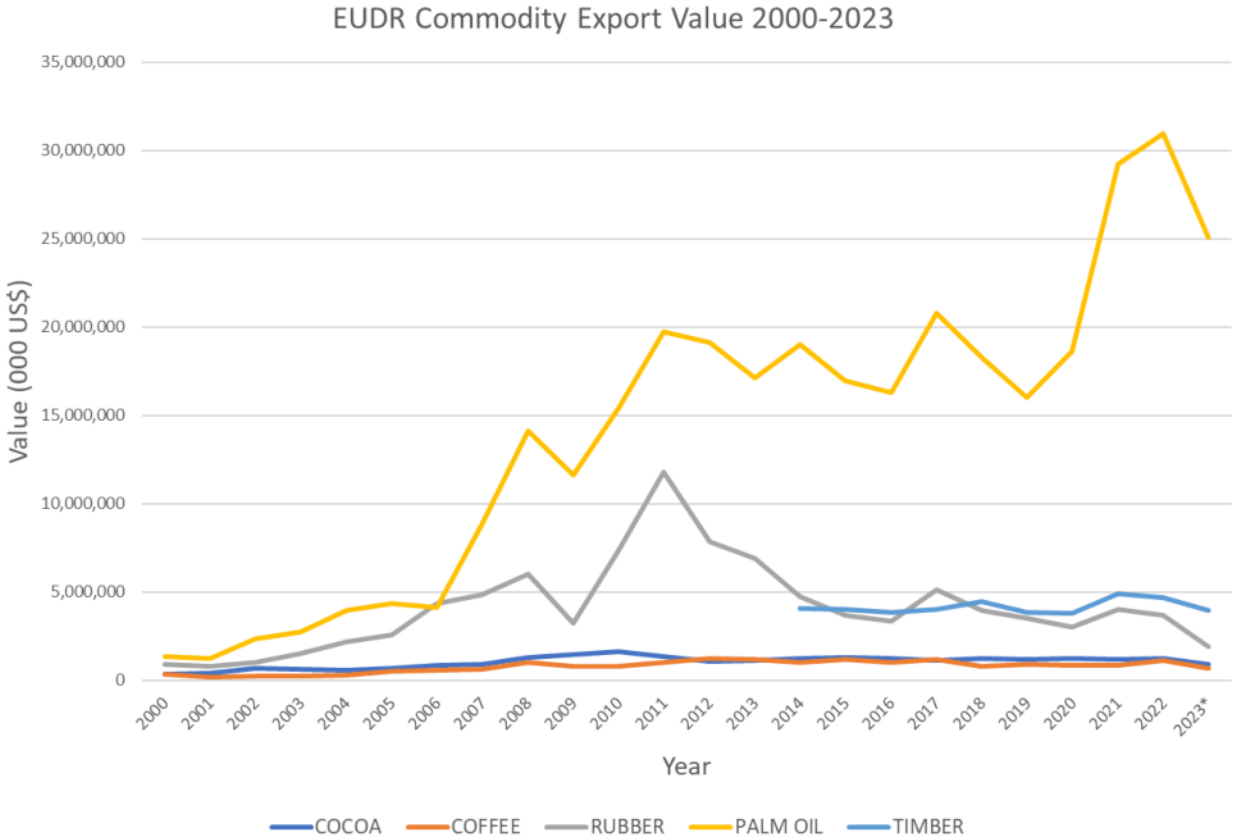


Figure 2. Comparison of Export Values of Plantation Commodities 2000-23
Source: BPS | *preliminary figures

In 2021, the total export volume reached 387,260 tons, increasing to 437,560 tons in 2022, or a 12.99% increase¹⁷. Similarly, the export value also experienced an increase, from a total of US\$858,558,000 in 2021 to US\$1,148,383,000 in 2022, or a 33.76% increase¹⁸ (Figure XX). Germany, Italy, and Belgium are among the top 10 countries importing coffee from Indonesia. The export volume of Indonesian coffee to Europe in 2022 was 172,981 tons, with a value equivalent to US\$387,579,000¹⁹.

Rubber

Between January and October 2022, Indonesian natural rubber exports to the European Union declined by 50%. This downward trend has been consistent year on year. The primary destinations for Indonesian rubber within the European Union include Belgium, Germany, France, and Spain. In 2022, Indonesia exported 340,066 tons of rubber to Europe, valued at USD 592,812,000²⁰.

Several obstacles hinder Indonesian rubber trade. The price of rubber for farmers remains low, with no significant improvement since the 1997 financial crisis. Consequently, many farmers have fallen into debt. Furthermore, rubber plantations are being neglected, with approximately 50% of the land rendered unproductive.

Cocoa

According to Statistics Indonesia (BPS) data,

cocoa production from smallholder plantations fluctuated from 2000 to 2023, demonstrating a downward trend since 2018. The ten primary cocoa-producing provinces are Central Sulawesi, South Sulawesi, Southeast Sulawesi, West Sulawesi, West Sumatra, Lampung, Aceh, North Sumatra, East Java, and East Nusa Tenggara. From 2018 to 2022, these provinces collectively accounted for 90.32% of Indonesia's cocoa production, with smallholder plantations contributing over 99% of the national output²¹. While most Indonesian cocoa is exported, the remainder is sold domestically.

Over the past decade, Indonesian cocoa export volumes have declined at an average rate of 0.39% per year. The highest export volume occurred in 2013 (414,000 tons), while the lowest was recorded in 2016 (330,000 tons). Notably, 2017 witnessed the highest growth in cocoa exports, reaching 7.49%. Conversely, 2014 experienced the most significant decline, with export volumes plummeting by 19.42% to 334,000 tons from the previous year's 414,000 tons.

Indonesian cocoa is exported to five continents: Asia, Africa, Oceania, America, and Europe. Key importers include Germany, Belgium, and Italy. In 2022, Indonesia exported 5,174 tons of cocoa to the European market, valued at US\$29,027,000. Throughout 2024, cocoa prices have surged, reaching a record high of US\$8,939 per ton, marking a 113% increase^d.



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Indonesia's Commitment to Environmental Sustainability: Policies, Progress and Challenges

Indonesia has demonstrated commitment to environmental sustainability through various policies and initiatives aimed at achieving the Sustainable Development Goals (SDGs). These efforts are particularly evident in the areas of clean energy, climate change mitigation, and terrestrial ecosystem protection.

Ratifying the Paris Agreement in 2016, Indonesia has pledged to achieve net-zero emissions by 2030, focusing on the Forest and Other Land Use (FOLU) Net Sink 2030 goal. This commitment is further solidified through Presidential Regulation Number 98 of 2021, which outlines strategies for carbon emission reduction through forest conservation, peatland restoration, and sustainable forest management.

Furthermore, Indonesia has taken decisive action against deforestation through policies like Presidential Instruction No. 5 of 2019, which halts new permit issuance for primary forest and peatland exploitation, safeguarding millions of hectares of vital ecosystems.

Recognising the impact of commodity production on deforestation, the government has focused on improving governance in the timber and palm oil sectors. While challenges

remain, particularly with other commodities like rubber, coffee, and cocoa, Indonesia has made significant strides towards sustainable resource management, driven by government initiatives and civil society advocacy.

Timber

Indonesia established the Timber Legality Verification System (SVLK) in 2010 to combat illegal logging and promote sustainable forestry practices. Built on principles of good governance, transparency, and stakeholder participation, SVLK ensures that all timber products come from legal and sustainable sources.

This mandatory certification system requires clear documentation of timber origin and compliances with the legality and sustainability standards. SVLK has significantly enhanced Indonesia's reputation as a reliable supplier of legal timber, boosting its market share globally.

Under the Forest Law Enforcement Governance and Trade (FLEGT) initiative, Indonesia's commitment to SVLK led to the signing of the Voluntary Partnership Agreement (VPA) with the European Union in 2014. This landmark agreement, fully implemented in 2016, grants Indonesia the FLEGT License, making it the first

Above: Peatland Landscape in Ketapang District, West Kalimantan

and only country to hold this license to date. The FLEGT License serves as proof of legality for Indonesian timber products entering the EU market, effectively aligning SVLK with the EU's Timber Regulation- soon will be repealed and replaced with the EU deforestation-free product regulations (EUDR).

The SVLK and FLEGT VPA has been perceived by stakeholders to successfully promote sustainable forest management, reduce illegal logging, and improve timber legality and governance through transparency and stakeholders participation. However, while the scheme benefits communities near timber industries, it does not adequately address the needs of forest-dependent communities. Additionally, high certification costs, lack of incentives for small and medium enterprises, and a lack of market recognition have been identified as significant challenges.

In 2021, Indonesia further strengthened SVLK by renaming it the Legality and Sustainability Verification System, reflecting a holistic approach to forest management. This enhanced system encompasses sustainable forest management practices, legality verification, traceability, and independent forest product declarations.

The online platform, SILK (Legality and Sustainability Information System), supports

SVLK implementation by providing information on the implementation of SVLK certification, SVLK export document and FLEGT License issuance, data sharing, non compliances, and electronic reporting. This robust system has earned international recognition, including from the EU. This modality should be leveraged and strengthened during EUDR implementation.

Non-state actors participation is integral to SVLK's success. Independent monitors, comprising individuals or organisations from civil society, play a crucial role in ensuring accountability and transparency. They monitor various aspects of SVLK implementation, including certification processes, due diligence, and non-compliance reporting.

Despite significant progress, SVLK implementation is still facing challenges, that include:

1. **Cross-Sector Coordination:** Effective coordination between local and central governments, as well as among relevant ministries, remains inadequate. Ambiguity regarding responsibilities and overlapping mandates hinder efficient implementation. For instance, the Ministry of Trade's decision to remove the mandatory use of V-Legal documents for timber exports in 2020 undermined SVLK's effectiveness. Although joint efforts from stakeholders managed to revoke the Minister of Trade Regulation, this situation highlights the need for better inter-

ministerial coordination.

2. **Transparency and Information Access:** While SVLK has made strides in transparency, access to crucial information remains limited for independent monitors. Granting access to online systems like SIPUHH (Forest Product Administration Information System) is vital for effective monitoring and oversight. Improved information sharing and disclosure by ministries, agencies, and certification bodies involved in SVLK is crucial for accountability.
3. **Non-Compliance and Law Enforcement:** Despite the implementation of SVLK, some timber operators continue to engage in fraudulent activities, including document falsification. Strengthening law enforcement, imposing stricter penalties, and targeting high-level perpetrators are crucial to curb these illegal activities. Enhancing oversight mechanisms through a multi-stakeholder approach can further minimise violations and ensure the long-term effectiveness of SVLK.

Indonesia's SVLK stands as a commendable model for promoting sustainable forest management and combating illegal logging. Maintaining the progress and addressing the challenges related to coordination, transparency, and law enforcement as well as strengthening the standards will further strengthen SVLK's impact.

Palm Oil

Indonesia has implemented various measures to address sustainability concerns within its vast palm oil industry. However, challenges persist, hindering the effectiveness of these initiatives. Indonesian Sustainable Palm Oil (ISPO) Certification.

Established in 2011 and strengthened in 2020 by Presidential Regulation No. 44, the ISPO certification system aims to enhance the global competitiveness of Indonesian palm oil by ensuring its sustainable production. However, key weaknesses hinder its effectiveness:

1. **Lack of Transparency:** The absence of a publicly accessible information system raises concerns about ISPO's credibility and hinders effective monitoring.
2. **Inadequate Standards:** Existing principles and criteria fall short of meeting internationally recognised sustainability standards, including the EU Deforestation-Free Products Regulation (EUDR).

3. **Weak Complaint Mechanisms:** Inadequate mechanisms for submitting and resolving complaints limit stakeholder participation and accountability.
4. **Lack of Farmer Support:** The current system fails to provide adequate support and incentives for ISPO-certified smallholder farmers.
5. **Limited Civil Society Involvement:** Despite mentioning independent monitors, the ISPO system lacks meaningful engagement with civil society organisations.

National Action Plan and its Implementation Gaps

The National Action Plan for Sustainable Palm Oil Plantations 2019-2024 (RAN-KSB) outlines strategies to enhance farmer capacity, address land tenure issues, and promote sustainable practices. However, implementation remains limited, with few provinces and districts developing and executing regional action plans. The lack of publicly available progress reviews further hinders accountability.

Palm Oil Moratorium: Successes and Setbacks

The 2018-2021 palm oil moratorium, implemented through Presidential Instruction No. 8/2018, aimed to halt deforestation, evaluate existing plantation permits, and enhance productivity. While temporarily slowing deforestation rates, the moratorium's impact was limited by ongoing land clearing in some areas.

West Papua Province serves as a successful example, where the evaluation of palm oil permits led to the revocation of 12 non-compliant companies, covering over 267,000 hectares. However, the moratorium's expiration in 2021, coupled with the absence of clear success indicators and conflicting provisions within the Job Creation Law, has jeopardised its long-term effectiveness.

The current estimates of Indonesia's palm oil cover is 17.3 million hectares, an increase from 16.38 million hectares in 2021. This clearly shows that the permit moratorium policy should be reinstated if Indonesia seriously wants to keep the deforestation rate under control.



Below: Loggers transporting illegal sawn timber in Papua.
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Indonesian CSO Views on the Benchmarking System and Process in the EUDR

Article 29 regarding the country assessment system states that as of June 29, 2023, all countries will be set at a standard risk level. The Commission will classify countries or parts thereof as low or high risk in accordance with paragraph 1. The list of countries or parts thereof that are low or high risk will be published through implementing regulations to be adopted in accordance with the examination procedure referred to in Article 36(2), no later than December 30, 2024. The list will be reviewed and updated as necessary, as often as needed with new evidence.

Article 29 (3) of the EUDR emphasises that the classification of low-risk and high-risk countries or parts thereof, must be based on an objective and transparent assessment by the Commission, taking into account the latest scientific evidence and internationally recognised sources. The classification is primarily based on the following assessment criteria:

1. The rate of deforestation and forest degradation;
2. The rate of agricultural land expansion for related commodities;
3. Trends in the production of commodities and related products.

The assessment may also consider:

1. Information provided by the country concerned, relevant regional authorities, operators, NGOs, and third parties, including indigenous peoples, local communities, and civil society organisations, regarding the effective coverage of emissions and absorption from agriculture, forestry, and land use in the country in terms of national contributions to the UNFCCC;
2. Agreements and other instruments between the country concerned and the European Union and/or its Member States that address deforestation and forest degradation and

facilitate the compliance of commodities and products with Article 3 and its effective implementation;

3. The presence or absence of national or subnational laws/regulations related to imposing severe penalties on activities causing deforestation and degradation, and their enforcement;
4. The presence or absence of transparent data related to laws protecting human rights, the rights of indigenous peoples, local communities, and the presence or absence of effective law enforcement;
5. The presence or absence of sanctions imposed by the UN Security Council or the European Union Council on the import or export of related commodities and products.

EUDR Article 29 (5) requires the Commission to engage in specific dialogue with all countries that are high-risk or at risk of being classified as high-risk, with the aim of reducing their risk level.

Paragraph 68 of the EUDR states that for products originating from countries or parts thereof that are low-risk, operators should be allowed to conduct simplified due diligence. Meanwhile, for products originating from countries or parts thereof that are high-risk, authorities must apply stricter oversight. Article 16 states that inspections conducted on operators should correspond to the country's risk level: 9% for high-risk countries, 3% for standard-risk countries, and 1% for low-risk countries. In this context, the EUDR also requires the Commission to cooperate with countries classified or potentially classified as high-risk, and with relevant stakeholders in those countries.

The Indonesian Civil Society Coalition acknowledges that the benchmarking system in the EUDR has several strengths worth appreciating, including:

1. Risk assessments conducted not only at the national level but also at the sub-national level, allowing for more detailed and accurate analysis.
2. The system emphasises the importance of objective and transparent assessments, using scientific evidence from the latest internationally recognised sources as its basis.
3. Consideration of various indicators besides the rate of deforestation, such as the rate of agricultural land expansion for related products, commodity production trends, and the presence or absence of protection for human rights, including IPLC rights, demonstrates a more comprehensive approach to understanding the complexity of deforestation issues.

Conversely, the Coalition also identifies several weaknesses and potential issues in this benchmarking system, including:

1. The generalization of risk for all commodities is a major concern. This overlooks the fact that risks between commodities within a country can vary. In Indonesia, the risk for palm oil and timber commodities is higher than for cocoa, rubber, and coffee. Ignoring risk assessments between commodities could lead to discrimination and injustice for countries, corporations, and farmers producing certain low-risk commodities.
2. Lack of clarity in integrating key and additional indicators considered, especially in calculating total national and sub-national risk.
3. Limited involvement of stakeholders from producer countries while risk assessments require objectivity and transparency, which can reduce data accuracy and assessment legitimacy.
4. Neglect of potential impacts on high-risk countries. Countries labeled as high-risk will face reputational risks and potential loss of market trust. Negative perceptions of countries classified as high-risk could weaken the national economy and the economy of

people dependent on certain commodities. Negative assessments under the EUDR could erode market confidence in Indonesia's products, leading to decreased sales and market share in critical export destinations such as the EU. Thus, it is understandable that many producer countries are concerned about the impact of a risk assessment system whose workings are unclear and with minimal involvement of producer countries in its design and implementation.

5. Neglect of important indicators such as corruption index and agrarian conflict. Corruption worsens forest governance and can lead to increased deforestation and forest degradation, illegality, increased intensity of agrarian conflicts often accompanied by violence and human rights violations, and a decline in environmental quality marked by river and water source pollution, air pollution due to fires, and increased intensity of disasters such as floods, landslides, forest and land fires, and droughts.
6. Failure to consider the varying impacts of deforestation in different ecological contexts. The same level of deforestation will have different impacts on different ecological conditions and communities with varying vulnerabilities. Peatland deforestation, for example, will have far more serious impacts on environmental damage and community life compared to deforestation on non-peatland areas. Similarly, the same level of deforestation will have different impacts on communities with different vulnerabilities. Deforestation and forest degradation have worse impacts on vulnerable communities/groups, such as indigenous peoples and the poor. The majority of indigenous peoples depend on forests for their livelihoods, making them the most affected by deforestation. When deforestation increases the intensity of disasters, the poor are the most severely affected and suffer the most.
7. Lack of clarity about the assessment timeframe. Different timeframes will yield different assessment results.

Conclusion and Recommendation

The European Union Deforestation Regulation (EUDR) represents a significant step towards combating global deforestation and promoting sustainable commodity production. However, as this paper has demonstrated, the proposed benchmarking system presents several challenges, particularly for major producing countries like Indonesia.

Indonesia's diverse commodity landscape, ranging from high-risk sectors like palm oil and timber to lower-risk commodities such as cocoa, coffee, and rubber, highlights the need for a more nuanced approach to risk assessment. The country's efforts towards sustainability, including initiatives like SVLK for timber and ISPO for palm oil, demonstrate a commitment to responsible production practices that should be recognised and integrated into the EUDR benchmarking framework.

The current benchmarking system's potential to generalise risk across all commodities within a country could lead to unintended consequences, including discrimination against low-risk commodities and negative impacts on smallholder farmers and indigenous communities. Moreover, the lack of transparency in the assessment process and limited stakeholder engagement raise concerns about the system's fairness and effectiveness.

To address these challenges, we have proposed a series of recommendations aimed at improving the EUDR benchmarking system. These include implementing commodity-specific risk assessments, enhancing stakeholder engagement, improving transparency, recognising existing sustainability initiatives, and conducting thorough socio-economic impact assessments, as follows:

Recommendations for Improving the EUDR Benchmarking System

1. Commodity-Specific Risk Assessments:
 - Implement separate risk assessments for each commodity within a country.
 - Develop tailored criteria and indicators for different commodity types.
2. Enhanced Stakeholder Engagement:
 - Establish a formal mechanism for consultation with producer countries during the risk assessment process.
 - Involve local civil society organizations, indigenous peoples, and smallholder farmers in data collection and verification.
3. Transparency and Methodology:
 - Publish detailed methodology for risk calculations, including how different indicators are weighted.
 - Regularly update and make public the data sources used for assessments.
4. Sub-National Assessments:
 - Refine the approach for sub-national risk assessments to account for regional variations in deforestation risks and governance.
 - Provide clear guidelines on how sub-national assessments will be conducted and integrated into the overall country risk rating.
5. Impact Mitigation Measures:
 - Develop support mechanisms for countries classified as high-risk, including technical assistance and capacity building programs.
 - Establish a clear pathway for countries to improve their risk classification, with specific milestones and timelines.
6. Additional Risk Indicators:
 - Include corruption indices and prevalence of agrarian conflicts as risk indicators.
 - Consider the varying ecological impacts of deforestation in different contexts (e.g., peatlands vs. non-peatlands).
7. Timeframe Clarity:
 - Establish and communicate clear timeframes for data collection, assessment periods, and review cycles.
 - Implement a system for regular updates to reflect recent progress or changes in country situations.

8. Socio-Economic Impact Assessments:
 - Conduct thorough assessments of potential socio-economic impacts on producer countries, especially on smallholder farmers and indigenous communities.
 - Develop mitigation strategies to minimize negative impacts on vulnerable groups.
9. Recognition of Existing Sustainability Initiatives:
 - Establish a mechanism to recognize and consider existing national sustainability initiatives (such as SVLK and ISPO in Indonesia) into the risk assessment process.
 - Provide incentives for countries to strengthen their national sustainability systems.
10. Continuous Improvement and Review:
 - Implement a regular review process for the benchmarking system itself, involving multi-stakeholder consultations.
 - Establish an independent expert panel to oversee and validate risk assessments.

By adopting these recommendations, the EU can refine its approach to create a more equitable, effective, and truly sustainable system for combating deforestation. This would not only help achieve the EUDR's environmental objectives but also support the livelihoods of millions of smallholder farmers and forest-dependent communities in producer countries like Indonesia.

Ultimately, addressing global deforestation requires a collaborative approach that balances environmental protection with social and economic considerations. By working closely with producer countries and considering the unique contexts of different commodities and regions, the EU can develop a more robust and fair system that drives real progress towards sustainable, deforestation-free supply chains.

Right: Coffee farmer harvested a red cherry
©Kaoem Telapak

Footnote

- a** In the EUDR, the conversion of natural forest to plantation forest is not categorized as deforestation. Furthermore, forest degradation is defined as the conversion of primary forest to plantation forest.
- b** Forest area refers to a certain area of land designated by the government as forest, based on criteria stipulated by law, which may or may not be covered by forest vegetation.
- c** Kesiapan Sektor Perkebunan Menghadapi EUDR. Disampaikan oleh Direktorat Jenderal Perkebunan Indonesia, Kementerian Pertanian, 1 April 2024.
- d** Cacao price is increase in 2024. CNBC Indonesia accesed on 10 Juli 2024.

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