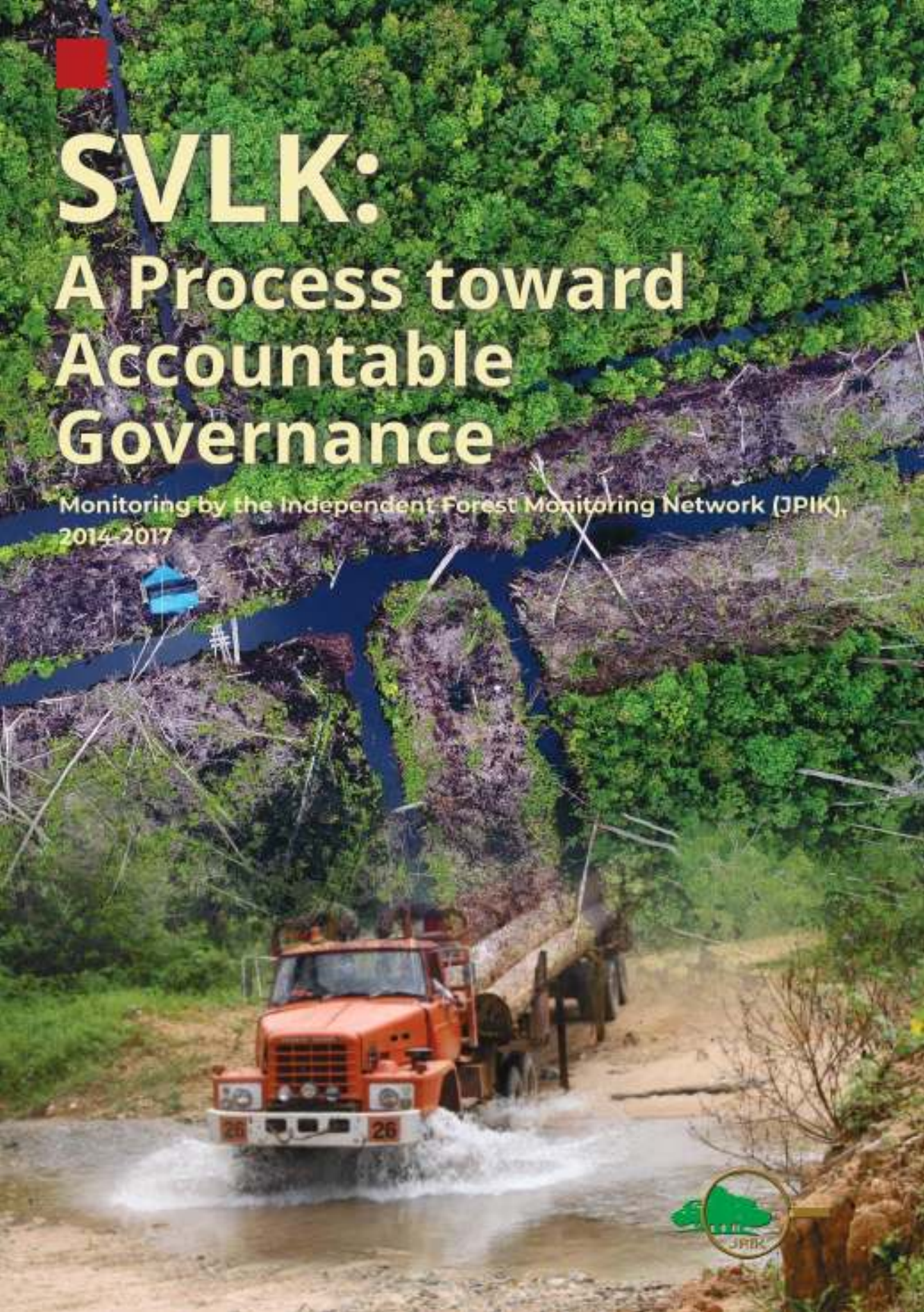




SVLK: A Process toward Accountable Governance

Monitoring by the Independent Forest Monitoring Network (JPIK),
2014-2017



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SVLK : A Process toward Accountable Governance Monitoring by the Independent Forest Monitoring Network (JPIK), 2014-2017

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FOREWORD

Since 2001, Indonesia has built and developed its Timber Legality Assurance System (SVLK) to ensure that harvested, transported, processed, and traded timber and timber products are sustainably and legally sourced and comply with existing laws and regulations. After undergoing numerous processes for 14 years, the European Parliament and Government of Indonesia officially agreed to begin implementing Forest Law Enforcement, Governance, and Trade (FLEGT) Licence on 15 November 2016.

The process of SVLK formulation and development to the point of FLEGT Licence implementation was achieved through multi stakeholder participation approach that consists. These stakeholders include government, academics, companies, and civil society organisations. To maintain system credibility and accountability, verification and assessment are conducted through accredited independent audits and are monitored by civil society.

The Indonesia Independent Forest Monitoring Network (JPIK) is one of the networks with members consisting of civil society organisations, individuals, and community groups who have been actively involved since 2010 in improving forest governance. JPIK has been monitoring SVLK implementation, providing recommendations for system improvement based on monitoring findings, as well as actively involved in negotiation processes for full SVLK implementation.

In 2014, JPIK released a report titled “SVLK in the Eyes of the Monitor” containing information on SVLK implementation in Indonesia. In early 2018, JPIK published another report on SVLK implementation based on monitoring activities conducted in 2014 to 2017.

This report contains review of policies on SVLK which are presented in Chapter I, covering development of SVLK-related policies, analyses on policy progress concerning legal timber trade and distribution, description of supporting regulations, and elaboration on policies in consumer nations. Chapter II consists of summary of JPIK’s monitoring from 2014 to 2017. Progress of SVLK implementation is discussed in Chapter III, while Chapter IV examines SVLK’s contribution on forest governance in Indonesia. Moreover, Chapter V delivers a set of conclusion and recommendations. Overall, this report aims to disseminate information on the progress of SVLK implementation and is expected to become a reference for stakeholders as part of the effort of improving forest governance in Indonesia.

JPIK would like to express its gratitude and appreciation for all members and Focal Points who have contributed to monitoring activities, staff of JPIK National Secretariat, JPIK Honorary Board Members, and the authors who have contributed to the compilation of this report, as well as many others who cannot be mentioned individually.

JPIK would also like to thank the Environmental Investigation Agency (EIA) and UK Aid for supporting the publication of this report. Hopefully, this report can be useful for SVLK observers in Indonesia and contribute to the improvement of SVLK implementation in the future.

February, 2018

Independent Forest Monitoring Network (JPIK)

TABLE OF CONTENTS

FOREWORD	3
TABLE OF CONTENTS	4
LIST OF ABBREVIATIONS	5
LIST OF FIGURES	7
LIST OF TABLES	10
LIST OF BOXES	11
SUMMARY	12
INTRODUCTION	17
CHAPTER I. SVLK POLICY ANALYSIS	19
I.I Development of SVLK Regulations	19
I.II Development of Regulations on Legal Timber Distribution and Trade	25
I.III Development of SVLK Supporting Regulations and the Accountability	30
I.IV Policies in Consumer Countries	36
CHAPTER II. SUMMARY OF MONITORING RESULTS	41
II.I Monitoring S-PHPL Certified Companies	44
II.II Monitoring S-LK certified Companies	71
CHAPTER III. ANALYSIS OF SVLK IMPLEMENTATION DEVELOPMENT	111
III.I Accreditation	111
III.II Development of Assessment/Verification, including Surveillance and Publication of Assessment Report Summary	117
III.III Import Systems Implementation	125
III.IV V-Legal Document Issuance	129
III.V Certificate and V-Legal Logo Use and DKP Mechanism	130
III.VI Independent Monitoring	137
III.VII Local Government's Initiative in SVLK Implementation	145
CHAPTER IV. IMPROVING GOVERNANCE THROUGH SVLK	151
IV.I Information Disclosure	151
IV.II Law Enforcement (and Measures to Prevent Repeat Findings of Non-compliance)	153
IV.III Outstanding Issues: Forest Fires, Licensing Corruption, Social Conflicts	155
CHAPTER V. CONCLUSION AND RECOMMENDATIONS	158
REFERENCE	161



LIST OF ABBREVIATIONS

AMDAL	: Environmental Impact Analysis
AMKRI	: Indonesia Furniture and Craft Association
API	: Importer's Identification Number
APIK	: Association of Small Scale Industries
API-P	: Producer Importer's Identification Number
API-U	: General Importer's Identification Number
BATB	: Boundary Report
BSN	: National Standardisation Body
CSG	: Country Specific Guide
DELH	: Environmental Evaluation Document
DKP	: Supplier's Declaration of Conformity
DPLH	: Environmental Management Document
ETPIK	: Registered Exporter of Forestry Industry Products
EU	: European Union
FLEGT	: Forest Law Enforcement, Governance, and Trade
GANIS PHPL	: Technical Officer for Sustainable Production Forest Management
IPHHK	: Primary Industry of Timber Forest Products
IPK	: Timber Utilization Permit
IUI	: Industrial Business License
IUPHHK-HA	: Business Permit for Timber Forest Product Utilization on Natural Forest
IUPHHK-HT	: Business Permit for Forest Timber Product Utilisation on Industrial Forest Plantation
IUT	: Permanent Business Permit
JIC	: Joint Implementation Committee
JWG	: Joint Working Group
JPIK	: Independent Forest Monitoring Network
KAN	: National Accreditation Body
KPH	: Forest Management Unit
LHP	: Production Report
LIU	: Licensing Information Unit
LKPP	: Goods and Services Procurement Agency
LP-PHPL	: Assessment Body for Sustainable Management of Production Forest Management

LVLK	: Verification Body for Timber Legality
MoEF	: Minister of Environment and Forestry
MoF	: Minister of Forestry
Mol	: Minister of Industry
MoT	: Minister of Trade
MRA	: Mutual Recognition Agreement
OHS	: Occupational Health and Safety
Perum Perhutani	: State-owned forest enterprise
PHPL	: Sustainable Production Forest Management
PNBP	: Non-Tax State Revenue
PUHH	: Forest Product Administration
RKT	: Annual Work Plan
SILK	: Timber Legality Information System
SILK	: Environmental Permit
SIPUHH	: Information System for Forest Product Administration
SIUP	: Trade Business License
SKSHH	: Statement of Forest Product Legality
SKSHHK	: Statement of Timber Forest Product Legality
SKSKB	: Statement of Log Legality
SNI	: Indonesian National Standard
S-PHPL	: Certificate of Sustainable Management of Production Forest
SPPL	: Statement of Environmental Management
SVLK	: Timber Legality Assurance System
TDI	: Industrial Registration certificate
TDP	: Company Registration Certificate
TPT-KB	: Registered Log Yard
UD	: Trading Company
UPT	: Technical Implementation Unit
VLK	: Timber Legality Verification
VPA	: Voluntary Partnership Agreement

LIST OF FIGURES

Figure 1. Revisions in SVLK regulations	20
Figure 2. Revisions in forest industry product export regulations	21
Figure 3. Evidence of SKSKB document from PT Mohtra Agung Persada to PT PUPP	29
Figure 4. Sample export document sales through CV V&V Logistic's services	33
Figure 5. Unmarked logs lacking V-Legal logo	44
Figure 6. Unmarked logs lacking V-Legal logo	46
Figure 7. Interview with customary leaders	47
Figure 8. Plasma plantation in PT Korintiga Hutani's concession	48
Figure 9. Clearing and expansion along riparian buffer	51
Figure 10. Land clearing in natural forest and <i>Styrax benzoin</i> forest (Tele sector)	52
Figure 11. Active sawmills in PT TPL concession	53
Figure 12. Logged timber from natural forest (Aek Nauli sector)	54
Figure 13. Degraded peatland in PT Adindo Hutan Lestari concession	55
Figure 14. Natural forest clearance in PT Adindo Hutan Lestari concession	56
Figure 15. Protected area in PT WKS' District 4. There is no information signboard indicating the designation of the protected area	58
Figure 16. Burnt area in PT WKS in 2015	59
Figure 17. Riparian buffer developed as production area	60
Figure 18. Logs piled as a crossing bridge blocks river flow	60
Figure 19. Markers indicating PT FSS' arbitrary land clearing planned on the land claimed by the communities	62
Figure 20. A creek is dammed by PT FSS' operations	63
Figure 21. Peatland clearing inside PT Sumatra Riang Lestari Block IV concession	64
Figure 22. Piles of acacia logs harvested by PT Sumatera Riang Lestari Block IV	65
Figure 23. Overlapping land use between the company and communities	66
Figure 24. Burnt area in PT RUJ concession in Rokan Hilir Block now planted with oil palm	67
Figure 25. Palm oil plantation owned by Jumrah Village communities located within PT RUJ's concession	67
Figure 26. Unmarked logs lacking V-Legal logo in PT Katingan Timber Celebes	72
Figure 27. Unmarked logs lacking V-Legal logo in PT Korindo Ariabima Sari	73

Figure 28. Unmarked logs lacking V-Legal logo in PT Mandau Talawang	74
Figure 29. PT Yori Masa Company in Gresik District	75
Figure 30. Logs in PT Trisetia Intiga are marked with V-Legal logos	76
Figure 31. SKSKB document from PT Mohtra Agung Persada sent to PT Panca Usaha Palopo Plywood	77
Figure 32. SKSKB document from PT Mohtra Agung Persada sent to PT Panca Usaha Palopo Plywood	78
Figure 33. Falsified S-LK document listing UD Narda Jati Jaya as certificate holder	79
Figure 34. APIK Jombang's original S-LK document without UD Narda Jati Jaya listed as member	80
Figure 35. UD Berkat Usaha Bersama's S-LK Certificate	81
Figure 36. Workers without health and safety equipment	82
Figure 37. UD Syukur Abadi's S-LK Certificate	84
Figure 38. Surabaya Municipal Environmental Agency letter in response to JPIK East Java's information request. PT Alas Petala Makmur has never applied for temporary toxic and hazardous waste storage permit	86
Figure 39. Not all logs in PT Alas Petala Makmur are marked with V-Legal logo	87
Figure 40. Worker working without proper PPEs	87
Figure 41. PT Alas Petala Makmur's concession borders the coastline	88
Figure 42. Unmarked logs lacking V-Legal logo in CV Halmahera	91
Figure 43. V-Legal logo on logs from PT KLI's log supplier	97
Figure 44. PT Waroeng Batok Industri discharges black coloured wastewater that flows directly to river surrounding rivers	99
Figure 45. Dark and pungent smoke seen coming out from PT DSN's smokestack	100
Figure 46. PT DSN dumping wastewater	100
Figure 47. Thick, dark smoke coming out of PT SKN's smokestacks	101
Figure 48. Dark and foul-smelling wastewater from PT SKN	102
Figure 49. Indications of UD Usaha Baru Maju's timber sawmill operations	105
Figure 50. UD Usaha Baru Maju's pile of logs	106
Figure 51. Letter from Central Kalimantan Forestry Agency	107
Figure 52. No activities in IUIPHHK Juita	108
Figure 53. Timber indicated to be transported to IUIPHHK T. Jimmy Chandra	109
Figure 54. Trucks transporting illegal timber in front of IUIPHHK T. Jimmy Chandra's site	110
Figure 55. SVLK institutional structure (Source: Indonesia-EU VPA, Annex V page 299)	111

Figure 56. Accreditation process (Source: http://www.kan.or.id/index.php/akreditasi/proses-akreditasi)	113
Figure 57. Sample of MoF Decree on LVLK authorisation as LP&VI (MoF Decree No. SK.5524/Menhut-VI/BPPHH/2014)	115
Figure 58. MoEF Decree No. SK.3807/2017 concerning Suspension and MoEF Decree No. SK.5516/2017 concerning Revocation of Suspension of LVLK PT Sarbi International Certification	117
Figure 59. Distribution of samples assessed by 21 LVLKs	118
Figure 60. Sampling results of availability of VLK assessment certification public summaries 2014-2016	119
Figure 61. Submission and resolution of complaints from independent monitors	120
Figure 62. PHPL Certification Assessment from 2014 to 2016	121
Figure 63. Result of census comparing increased number of certifications and absence of publication in 2014-2016	122
Figure 64. Census analysis of PHPL certification indicators and verifiers with greatest number of low scores	123
Figure 65. Integration of Information System for Sustainable Production Forest Management (SIPHPL)	128
Figure 66. Import Approval procedure	127
Figure 67. Import Declaration procedure	128
Figure 68. V-Legal logo	132
Figure 69. Sample SKSHHK Document	133
Figure 70. JPIK's monitoring activities and reports, 2014-2017	138
Figure 71. Analysis of JPIK's monitoring of PHPL assessments	139
Figure 72. Analysis of JPIK's VLK assessments monitoring activities	140
Figure 73. FWI's for data request process	152

LIST OF TABLES

Table 1. Deviation matrix on developments of SVLK-related regulations and evaluation from VPA perspective	22
Table 2. Main points of revisions in MoT regulations	31
Table 3. Companies with most frequent Export Declaration use in 2015	32
Table 4. Independent Assessment and Verification Bodies (LP&VI)	113
Table 5. Certificate validity period	130
Table 6. Forestry companies in Riau under KPK Investigation	156



LIST OF BOXES

Box 1. Sourcing Non-SVLK Timber	29
Box 2. AMKRI exploiting a loophole in weak timber trade regulation	32
Box 3. Information Disclosure and Accountability Assurance	34
Box 4. Jurisdictional Error in Implementing Accreditation	116
Box 5. SILK: Critical and Must be Improved	124
Box 6. DKP Issuance: An Illustration	137
Box 7. Forestry Crimes in Central Kalimantan	154



SUMMARY

In 2014, the Independent Forest Monitoring Network (JPIK) released a report titled “SVLK in the Eyes of the Monitor” that reviewed regulations on and implementation of the Timber Legality Assurance System (SVLK) in Indonesia during 2011 to 2014. The report contains monitoring results of certification implementation in 34 companies. From the monitoring conducted, JPIK analysed regulations on SVLK, complaint management, and coordination among the various levels of governments.

This time JPIK’s report is titled, “SVLK: A Process toward Accountable Governance” that contains policy review, summary of monitoring results, progress in SVLK implementation from 2014 to 2017, and an evaluation of SVLK’s contribution toward improving good forest governance in Indonesia. Based on the analysis and evaluation of SVLK implementation during the last four years, JPIK feels the need for improvement in a number of aspects to support achievement of improved good governance.

During this period, regulations regarding SVLK underwent revisions as part of its improvement process. Regulation of Minister of Forest and Environment (MoEF) No. P.30/MenLHK/Setjen/PHPL.3/3/2016

issued on 1 March 2016 is the last of the revisions that replaced previous regulations (Forestry Minister Regulation No. 43/2014 in conjunction with MoEF Regulation No. 95/2014). Supporting regulations and other SVLK-related regulations were also revised. This include Regulation of Director General of Sustainable Production Forest Management (PHPL) on Standards and Guide for PHPL and Timber Legality Verification (VLK) Performance Assessment, PHPL Director General Circular on Mandatory SVLK Implementation, and



PHPL Director General Regulation on Procedures for Due Diligence Implementation, Import Declaration Issuance and Import Recommendation for Forestry Products. Another revision is the regulation on timber administration that applies for timber from state as well private forests. In line with these processes, forest products export regulations also went through their own revisions.

A significant accomplishment when Forest Law Enforcement, Governance, and Trade (FLEGT) Licence came into effect was that it pushed for international recognition and support from numerous countries. This success motivated the Government of Indonesia to continue and develop agreements with other countries such as Australia, Japan, United States, South Korea and China.



Developments in supporting regulations for SVLK are also discussed in this report. Interministerial and interagency regulations that provide technical support for SVLK are closely linked to the Ministry of Trade, Ministry of Industry, Ministry of Finance, and Goods and Services Procurement Agency (LKPP). The most evident interministerial dynamic was when the Ministry of Trade (MoT) issued MoT Regulation No. 89/M-DAG/PER/10/2015 on Forest Industry Product Export on 19 October 2015 which was later revised as MoT Regulation No. 25/M-DAG/PER/10/2015 on 15 April 2016. This indicates a structural inconsistency in Indonesia's long-running effort to improve good forest governance through SVLK. A similar event nearly took place with the Ministry of Trade's support for SVLK.

The Timber Legality Information System (SILK) is multi stakeholder integration and support for timber product export in Indonesia. This was a positive initiative in supporting SVLK implementation by providing information. However, independent monitors are highlighting the limited access of the information that is currently available. Another highlight of this report is that to date there are no other system/initiatives to regulate domestic timber distribution/use, including for government projects. The coordination-related problems include synergising regulations, poor support for SVLK at public discourse level, and poor affirmative action to support this policy would all be addressed if SVLK were to be 'upgraded' to a presidential regulation.

This report also discusses initiatives from countries including United States, Australia, Japan, Canada, and European Union countries and the steps they have taken to address illegal logging and halt illegal timber from entering their states through policies. The policies developed in these timber consuming countries are in line with the improvements made in timber producing countries, including Indonesia.

From 2014-2017, JPIK conducted monitoring in 17 companies holding Certificate of Sustainable Management of Production Forest (S-PHPL) and 37 S-LK companies holding Timber Legality Certificate (S-LK). Monitoring was also done for certain cases outside of the certification process, such as cases on illegal logging and/or forestry crimes. JPIK's findings consist of indications of nonconformities in V-Legal logo use and application, boundary conflicts with indigenous communities and arbitrary boundary delineation, human rights violations, development on deep peat soil, clearing along riparian buffers resulting in degradation of river ecosystems, legality of raw materials, and availability and legality of Environmental Impact Assessment (AMDAL) documents.

JPIK followed up on the monitoring findings above by submitting complaint reports. Independent Assessment and Verification Bodies (LP&VI) responded to these reports by, among others, addressing the issues for further follow up from management units, following up through surveillance, and sending warning letters to management units. JPIK is applying the results of these monitoring to improve and strengthen the system.

Chapter III of the report discusses accreditation by the Indonesian Accreditation Body (KAN). As of December 2017, KAN has accredited 14 LP-PHPLs and 25 LVLKs. In the case against PT Sarbi International Certification, action should have been taken by KAN instead of PHPL Director General. The Director General of PHPL only has the authority to revoke PT Sarbi International Certification's mandate as LP&VI. Another point regarding LP&VI status revocation that has yet to be regulated is the mechanism for investigation if there are indications the LP&VI has undertaken actions that are not in accordance with applicable laws and regulations.

One form of SVLK implementation is that verifications and surveillance are taking place, along with availability of public summaries. JPIK recorded 473 assessments/verifications were done in 2014 and in 2015 the numbers grew to 828 assessments/verifications. Upon reviewing 21 out of 25 LVLs and 14 LP-PHPLs, JPIK observed issues in the availability of data and information of assessment public summaries, especially on the comprehensiveness of the information presented.

This report also discusses an import system that includes Procedures for Due Diligence Implementation, Import Declaration and Customs Control Mechanisms. Through the implementation of this import system, SVLK implementation becomes more comprehensive because verification is done not only for domestic timber.

JPIK has published a report on V-Legal Document Issuance. This report exposed a number of allegedly illegal timber product export that is contributed to weak timber export regulations. JPIK regrets such poor transparency in V-Legal Document issuance and timber export.

JPIK also observed a case of S-LK certification falsification during its monitoring. Certificate falsification should have been detected sooner without having to wait for auditor's finding during re-certification or surveillance. This case is a lesson in SVLK implementation in which there are certain actors looking to take advantage of the process. Stakeholders' cooperation to monitor SVLK implementation is crucial to ensure SVLK credibility and accountability.

Current policies on Supplier's Declaration of Conformity (DKP) must be reviewed. JPIK views that extending DKP can actually hurt SVLK's credibility because SVLK is negatively affected by DKP. So that these impacts do not damage SVLK's credibility, DKP implementation should only be a transitional policy so that managers of private forest, small-medium industries, community sawmills and/or community forests can further prepare themselves take part in SVLK.

Local governments have supported SVLK since 2011. In 2015, six provinces in Indonesia clearly support the declaration to expedite SVLK implementation. After 2015 however, no additional information was obtained on other government initiatives to provide regulatory support for SVLK. Similar initiatives, such as issuance of district and provincial regulations on SVLK should be encouraged to ensure synergy between central and local governments.

With regard to information transparency to support SVLK monitoring activities, there are still constraints in the time taken to provide information and the criteria of information that can be shared. JPIK has found that much of the data to be published is still unavailable in the Ministry and LP&VI's websites. In the SILK website, data on VLK and PHPL assessment notifications and assessment results are still lacking. Disclosure of public information provides significant contribution to improve forest governance in Indonesia as well as space for the public to actively participate in monitoring SVLK implementation.

The government (as system regulator and owner) must strengthen SVLK implementation document by integrating a deterrent mechanism (imposing certain sanctions for failure to fulfil certain obligations, especially on performance of verification bodies such as publishing certifications and creating public summaries, or sanctions for other violations as stipulated in applicable regulations). Law enforcement is expected to create a deterrent effect so that other similar violations can be prevented from being repeated. This includes prevention through strengthening certain system components or imposing certain sanctions or penalties as consequence of failure to fulfil obligations.

INTRODUCTION



Illegal logging and illegal timber trade are problems that must be solved through continuous improvement of governance. Illegal logging and illegal timber trade reached its peak just before the end of the New Order government regime and the transition into the reform era. This was caused by weak law enforcement and lack of assurance in timber legality. In 1990-2000, Indonesia became the country with the second greatest forest cover loss in the world after Brazil,¹ where it was estimated that 76% of Indonesia's timber consumption demand in 2004 was sourced from illegally logged timber.²

A study by Indonesia Corruption Watch (ICW) in 2004-2010 found that the country's losses from illegal logging reached IDR 169.7 trillion. These do not include losses of natural resources, disaster-caused losses triggered by forest degradation, direct economic losses from declined competitiveness of Indonesia's forestry timber products, or weakened forest governance. The decline of Indonesia's timber product competitiveness was linked to uncertainties in legality assurance. Consumers' growing lack of trust was the effect of a negative image from association with rampant illegal logging and timber trade. Widespread illegal timber logging and illegal trade is closely linked to emerging issues that require urgent attention to create better governance in the forestry and forestry-related trade sectors, including public information transparency, multi stakeholder participation, and law enforcement improvement.

Corruption and poor governance, including weak law enforcement, have made illegal logging and timber trade seemingly unresolved. The culprits involved and their network have been untouchable as well. For this is reason, since 2003 an initiative in addition to law enforcement was established to tackle illegal logging and promote legal timber. This instrument is called the Timber Legality Assurance System (SVLK). This initiative aims to ensure that timber and timber products are legally sourced. Legality assurance created through sustainable good governance reform is the first step toward sustainable forest management. Other additional efforts are expected to further push Indonesia's timber products to be produced through sustainable forest management.

The SVLK initiative is the result of a participatory multi stakeholder process that began in 2003 to 2007. In 2009, the Government of Indonesia finally implemented SVLK by issuing Minister of Forestry (MoF) Regulation No. P.38/Menhut-II/2009 and SVLK came into force on September 2010. From 2011 to 2014, SVLK regulations became subject to numerous revisions through MoF Regulations No. P.68/Menhut-II/2011, No. P.45/Menhut-II/2012, No. P.42/Menhut-II/2013, No. P.43/Menhut-II/2014, as well as Minister of Environment and Forestry (MoEF) Regulation No. P.95/2014, and ultimately MoEF Regulation P.30/MenLHK/Setjen/PHPL.3/2016. In addition, there were revisions to other regulations on SVLK implementation in each supply chain and distribution, including import and export regulations for timber and timber products.

The dynamics of SVLK formulation and implementation is strongly linked to the civil society organisations who were involved from the initial inception, implementation, and revisions. The Independent Forest Monitoring Network (JPIK) felt the need to assess the latest condition of SVLK that includes regulations, stakeholder support, and performance of SVLK implementation. The result of this evaluation is expected to provide feedback to improve SVLK to become one of the effective instruments to improve forest governance in Indonesia.

■ CHAPTER I. SVLK POLICY ANALYSIS

I.1 Development of SVLK Regulations

Timber Legality Assurance System (*Sistem Verifikasi Legalitas Kayu* – SVLK) is an instrument to improve good governance through assurance verification that only legal timber is harvested, transported, processed and traded by forest management units or forest management enterprises in Indonesia. Implementation of this system is in line with the goal of combatting illegal logging and illegal timber trade, which is also addressed through law enforcement. Indonesia developed SVLK through multi stakeholder initiative and processes since 2001. These stakeholders comprise NGOs and Civil Society Organisations (CSOs) including indigenous peoples, private companies/sector, academics and universities, government, and stakeholders concerned with forest conservation. This process was finally regulated under MoF Regulation No. P.38/Menhut-II/2009 issued in 2009.

For export, the V-Legal document³ is a component from the full SVLK implementation. The V-Legal Document is used as supplement for customs document that provide legality assurance for forestry products from Indonesia. The V-Legal Document is issued by the Timber Legality Verification Agencies (LVLK) in their duty as V-Legal Document licensing authority in the FLEGT-VPA agreement.

From MoF Regulation No. 43/2014 in conjunction with MoEF Regulation No. 95/2014 to the Latest MoEF Regulation No. 30/2016

SVLK regulations have been revised a number of times since MoF Regulation No. P.38/2009 was first issued. See **Figure 1** for details on the revisions to refine this regulation.

The current applicable regulation on SVLK implementation is **MoEF Regulation No. P.30/MenLHK/Setjen/PHPL.3/3/2016** issued on 1 March 2016. This regulation succeeded MoF Regulation No. 43/2014 in conjunction with MoEF Regulation No. 95/2014. Technical implementation for these regulations is stipulated in **Director General of Sustainable Production Forest Management (PHPL) Regulation No. P.14/2016 in conjunction with Director General of PHPL Regulation No. P.15/2016** on Standards and Guide for Evaluating Sustainable Production Forest Management Performance and Timber Legality Verification. This regulation is also supplemented by PHPL Director General Circular No. SE.14/2014



Figure 1. Revisions in SVLK regulations

on Mandatory SVLK Implementation. For forestry product import, PHPL Director General Regulation No. P.7/2015 on Procedures for Due Diligence Implementation, Import Declaration Issuance and Import Recommendation for Forestry Products is the implementing regulation for Minister of Trade (MoT) Regulation No. 78/2014.

Concerning Timber Administration (TUK) or Forestry Product Administration (PUHH) reference in SVLK implementation, the current applicable regulations are **MoEF Regulations No. P.43/MenLHK-Setjen/2015** in conjunction with **No. P.60/MenLHK/Setjen/Kum.1/2016** on Administration of Timber Forest Products from Natural Forest (issued on 12 July 2016) and **No.**

P.42/MenLHK-Setjen/2015 in conjunction with **No. P.58/MenLHK/Setjen/Kum.1/7/2016** on Administration of Timber Forest Product from Plantation Forest in Production Forest (issued on 12 July 2016) for administration of timber from State Forest. Regulatory reference for administration of forestry products from private forest is **MoEF Regulation No. P.85/MENLHK/SETJEN/KUM.1/11/2016** on Transportation of Cultivated Timber Forest Products from Private Forest (issued on 4 November 2016). Another regulation relevant to SVLK is MoEF Regulation **No. P.46/Menlhk-Setjen/2015** on Post-Audit Guide for Holders of Timber Forest Product Use Business Permit and Timber Utilisation Permit (issued on 12 August 2015).

Since the implementation of SVLK in 2009, forest industry product export regulations have also seen several revisions. MoT Regulation No. 20/M-DAG/PER/5/2008 which came into effect before SVLK implementation was revised as MoT Regulation No. 64/M-DAG/PER/10/2012 (issued on 22 October 2012). Afterward, MoT regulation on forest industry product export underwent another 5 revisions. See **Figure 2** for details of these revisions.



Figure 2. Revisions in forest industry product export regulations

The latest applicable regulations on forest industry product export include **MoT Regulations No. 84/M-DAG/PER/12/2016** in conjunction with **No. 12/M-DAG/PER/2/2017** in conjunction with **No. 38/M-DAG/PER/6/2017** issued on 12 June 2017.

Revisions or developments of these regulations have implications which are the changes in several procedures as previously elaborated in the VPA Approval Document. The FLEGT-VPA Joint Working Group (JWG) has evaluated the said changes and accepted them upon evaluation by both parties as "...the changes either strengthen the VPA or were evaluated by the JWG as acceptable temporary efforts to boost SVLK implementation". Joint Implementation Committee (JIC) forum documents these deviations on a regular basis and will use this deviation matrix as an input/note for future revisions of the VPA appendix (see matrix table).

Table 1. Deviation matrix on developments of SVLK-related regulations and evaluation from VPA perspective

No	Changes to Indonesian SVLK related regulations	Assessment from VPA perspective and recommendation by the JWG
	Minister for Environment and Forestry Regulation P.30/2016	Relevant to Annex V
1	New mechanism of 'Verifikasi Legalitas Bahan Baku' (VLBB): VLBB is the verification of traceability of raw material for its legality in an industry that sources from not yet SVLK certified nor SDOC using suppliers (using timber from SVLK forest sources). In case a primary industry, a secondary industry, a timber depot, a household industry/artisan, or a non-producer registered exporter, engaged into SVLK certification, uses raw materials or products from not yet certified suppliers, the CAB may use VLBB to verify such suppliers in the first audit or in surveillance audits. Such suppliers are primary industry (IUIPHHK), secondary industry (IUI and/or TDI), and/or timber depots. The VLBB is set to be phased out at the end of 2017.	The mechanism is not described in the VPA. MoEF was asked to specify the mechanism further in DG Regulation (P.14/2016) and made clear that: (i) the industry applying VLBB is a SVLK certified industry (or applying to SVLK certification), (ii) by checks of the CAB it is assured that the timber and timber products exclusively come from SVLK forest sources (SVLK certified or SDOC), (iii) the not yet SVLK certified supplier(s) is/are either SMEs (mostly smallholders or small enterprises) or timber depots ('material store' not included). (iv) the mechanism is temporary: a maximum of 50% of the volume sourced by an industry using VLBB can come from such sources between 1.1.2017 and 31.12.2017, and after 31.12.2017 the VLBB cannot be applied anymore. For the suppliers from primary industries (mills) producing up to 6,000 cbm per year, the VLBB can only be applied until 31.12.2016. Under these specifications the VLBB mechanism is temporarily acceptable as it promotes SVLK roll-out in the timber industry.

2 SVLK legality certificate:

For community concession in state forest (IUPHHK-HTR/HD/HKm/HTHR): SVLK legality certificate with a validity of **6 (six) years** is issued, with every **second year (biennial) surveillance** visits. Previously (and in the VPA) the requirement was 3 (three) years validity and annual surveillance.

Annex V Section 5.2 on legality verification: "A legality certificate is valid for a period of three years..." and "Operators with a legality certificate are subject to annual surveillance...". **Acceptable**, as this is applied to community managed concessions (including indigenous people).

a. For primary industry (IUIPHHK) exclusively using SVLK timber from privately-owned forestland: SVLK legality certificate with a validity of **6 (six) years** is issued, with every **second year (biennial) surveillance** visits. Previously (and in the VPA) was 3 (three) years validity and annual surveillance.

Acceptable, as privately own forests are considered a "low risk" source of timber.

b. For large secondary industry: SVLK legality certificate with a validity of **6 (six) years** is issued, with every **year (annual) surveillance** visits. Previously was 3 (three) years validity and annual surveillance. The large secondary industry was defined IUI with investment above IDR 500 million.

Acceptable after annual surveillance visits to check that compliance was maintained were agreed (the first proposal contained bi-annual surveillance which was judged insufficient by the technical team under the JWG).

Minister for Environment and Forestry Regulation P.21/2016, P.42/2016, P.43/2016, with its latest amendment P.85/2016, juncto P.60/2016, and juncto P.58/2016

Relevant to Annex V, in particular its Appendix on supply chain control

3 As the District Act 23/2014 abolishes the function of district forestry offices (Wasganis are predominantly staff of district forestry offices), the Ministry of Environment and Forestry introduced a new **online timber administration system** (SIPUHH) that generates e-transport documents to control the timber administration for timber from state forest. The relevant regulation is effective since 1 January 2016. The Ministry of Environment and Forestry also develops an Integrated Information Management System (SIPHPL+) for data reconciliation of the timber supply chains from state and private forests.

Acceptable, as improving the data management and control system. Unintended possible human interest (corruption or delay of services) are reduced. Importance of post audits to check operator compliance (to ensure timber administration system/SIPUHH credibility) is highlighted by the JWG and shall be regularly assessed by the *Periodic Evaluation*. Relevant activities/procedures for timber from state forest:

- a. Verification and approval of the Timber Cruising Report or Timber Inventory Report by the information system (SIPUHH);
- b. Plan to flight for IPK) by the information system (SIPUHH);

The new information system (SIPUHH) is able to distinguish between different sources of timber within state forest. The legality certified status of transported timber from state forest is already operational; timber marking includes the V-Legal mark with its certificate ID.

The ongoing SIPHPL+ IT project capture SDoC (DKP) timber and secondary timber processing industry. No substantial changes were made to paper-based transport documents, i.e. these are now printed from the e-filing system.

Note: Ministry of Environment and Forestry Regulation P.46/2015 introduces post audits to control timber operations of license holders by the government.

DG Regulation P.17/2015 and P.18/2015 contain guidelines on the SIPUHH system and were issued on 10 December 2015

- c. Submission of Proposed Log Production Report by the permit holder through the information system (SIPUHH);
- d. Issuance a Log Transport Document by the Ganis through information system (SIPUHH) upon ID barcode and payment of relevant amount for the non-tax state revenue verified, to which is annexed a log-list.
- e. Data reconciliation for timber from state forest: The information system (SIPUHH) checks the number of logs, the tags and the total cumulative volume of logs extracted and declared in the Log Production Report against the timber cruising/inventory information recorded in the approved Annual Work Plan.

Note: Currently, in the appendix of VPA Annex V on control of the supply chain: It is referred in many places to District Forestry Official (i.e. Wasganis) that carries out verification and reconciliation at/between different stages of the supply chain.

Minister for Trade Regulation P.89/2015 with its latest amendment Minister for Trade Regulation 25/2016. Lastly replaced by Minister for Trade Regulation 84/2016.

Relevant to Annex II and Annex Vv

- 4 Article 3: Export of timber products can be carried out by:
- a. Producer exporters that have Industry Registration (TDI) or Business License (IUI) and Company Registration (TDP).
 - b. Non-producer exporters that have Trading License (SIUP) and Company Registration (TDP).
 - c. Ministry of Trade Regulation P.89/2015 does not recognize the ETPIK.

In terms of substance, abolition of the ETPIK is acceptable, as the SVLK certification includes checking of: Company Registration Certificate (TDP), Tax Payer Identification Number (NPWP), Industrial Business Permit (IUI) or Permanent Business Permit (IUT) or Industrial Registration Certificate (TDI), or Trading License (SIUP); all of these were preconditions for getting the ETPIK number.

Annex II currently reads: "The exporters have the status of Registered Exporters of Forestry Industry Products (ETPIK)"(Verifier for Indicator 1.1.2). Annex IV: The ETPIK number of Licensee must be indicated in Box 8 of FLEGT License. Annex V, Sections 6.3 and 6.5 on FLEGT licensing: It is required that exporters must be ETPIK holders

International Acceptance and Support

The Government is also making effort for international acceptance and support for SVLK. In the same year as the issuance of MoF Regulation No. P.38/2009, Indonesia and the European Union (EU) were at the negotiation table for cooperation on Forest Law Enforcement, Governance, and Trade (FLEGT). Both parties eventually reached an agreement called the Voluntary Partnership Agreement (VPA) on 30 September 2013.

In this case, SVLK is the main part of VPA where this system is accepted as a credible system to provide legality assurance of Indonesia's timber products, as well as an innovation to prevent illegal logging and trade.⁵ Indonesia, by means of Presidential Regulation No. 21/2014 taking effect as per 1 May 2014, and the EU ratified VPA in April 2014.

SVLK implementation that began in 2009 finally led to a significant progress where FLEGT licence is applied to timber products from Indonesia. The decision to apply FLEGT licence was mutually agreed in the JIC forum on 15 August 2016 in Yogyakarta. This licence application is a concrete materialisation of international recognition and continuous support for good governance, as well as Indonesia's achievement as the first country in the world to hold FLEGT licence for exported timber products. Indonesia has also made agreements with other major market countries including Australia, Japan, US, South Korea and China.⁶

I.II Development of Regulations on Legal Timber Distribution and Trade

Law 41 of 1999 on Forestry serves as a legal basis for forest product use. In principle, forest product must be used under a permit granting mechanism for the people's prosperity. Such use must be secured through mandatory payment of Non-Tax State Revenue (PNBP) and must ensure forest preservation. Implementation of forest product administration include documentation, report of plans, harvest/felling, transportation/distribution and processing in companies.

Forest product administration aims to create a legal certainty and guide for all stakeholders in forestry business or activities. With forest product administration that runs in an orderly and appropriate fashion, it is expected that forest sustainability, State's income, and forest product use be optimally achieved.

In 2014, regulations on forest product administration were revised once again by means of MoF Regulations No. P.41/Menhut-II/2014 on Guide to Implementation of PUHH of Timber from Natural Forest and No. P.42/Menhut-II/2014 on Guide to Implementation of PUHH of Timber from Plantation Forest in Production Forest. Both regulations stipulate that PUHH must be implemented through self-assessment and Production Report (LHP) is compiled by a Technical Officer for Sustainable Production Forest Management (GANIS PHPL) recruited from employees or other parties appointed by company and authorised by LHP Authorising Officer (P2LHP), under supervision of a GANIS PHPL Supervising Officer which is a representative of local Technical Implementation Unit (UPT).

Under these regulations, PUHH can be implemented manually and online. The latter applies only to holders of Business Permit for Timber Forest Product Utilisation on Natural Forest (IUPHHK-HA). Including tree-by-tree measurement, online PUHH starts with a Measurement Book. At this phase, each log is marked with a barcode. Subsequent verification or validation is then carried out by GANIS PHPL Supervising Officer, involving: LHP authorisation, Tax Payment Document (SPP) issuance, and transport and final receipt document issuance. Transport documents that serve as Statement of Forest Product Legality (SKSHH) that, under these regulations, consists of Statement of Log Legality (SKSKB), Invoice of Log Transport (FA-KB), Invoice of Processed Timber Transportation (FA-KO), and Transport Invoice. These documents are issued through the online Information System for Forest Product Administration (SIPUHH), and its distribution is also available online, according to document purposes. In addition to being available online, these documents are also printed out and brought to every activity in log transportation. The licence holders print or multiply blank forms of these documents in printing press facilities of securities registered under Coordinating Agency for Counterfeit Money Eradication (BOTASUPAL).

Control, reporting and sanctions mandated by these minister regulations are carried out by relevant district/municipal and provincial offices and agencies through GANIS PHPL Supervising Officer although these regulations have yet to stipulate in detail the development, control and monitoring mechanisms. Forest product administration is reported online and manually through SIPUHH. Should licence holders fail to report through online SIPUHH, they will be subject to sanction of termination of SKSKB issuance upon self-assessment.

As opposed to the administration of forest products from natural and plantation forests, State-Owned Forest Enterprise (Perum Perhutani) has a distinct authority to implement forest product administration through the company director's regulations. Administrative matters managed by Perum Perhutani that still refer to MoF Regulation No. P.42/Menhut-II/2014 includes LHP authorisation, outgoing transportation from management area, log yard establishment outside of management area and timber received by companies.

MoF Regulations No. P.41/Menhut-II/2014 and No. P.42/Menhut-II/2014 on PUHH were further revised by the following regulations: MoEF Regulation No. P.43/Menlhk-Setjen/2015 – PHPL Director General Regulation No. P17/PHPL-SET/2015 and MoEF Regulation No. P.42/Menlhk-Setjen/2015 – PHPL Director General Regulation No. P.18/PHPL-SET/2015 issued in August 2015 and came into effect on January 2016. Similar to the previously applicable regulations, PUHH implementation under these regulations is self-assessment but mandatory to all holders obliged to implement PUHH. The administration system is implemented through SIPUHH. Unlike the previous regulations, LHP reporting under the said regulations must be carried out by GANIS PHPL and the verification/validation by system (no longer by GANIS Supervising Officer). This system also applies to all sawn timber from cruising to reporting (e-LHC). The scope includes from licence holder to primary industries.

Based on these regulations, barcode tagging begins prior to felling (cruising). Verification/validation takes place through SIPUHH where LPH documents are compared to the harvest plan and LHC. Likewise, mandatory payment of PNPB is also calculated through SIPUHH already integrated into the Online PNPB Information System (SIMPONI). The system involves LPH database checking and verification of information on issuance data/document and timber transporting. Other matters already revised under the new regulations include the use of transport document taking form of electronic Statement of Timber Forest Product Legality (e-SKSHHK) document issued through SIPUHH. This document applies to logs and primary processed timber (sawn timber, veneer and wood chips) and is distributed to the relevant stakeholder on a real time basis.

Development, control and supervision mechanism takes place through post-audit based on initial data (early warning system) from SIPUHH. Should licence holders fail to implement SIPUHH, they will be subject to administrative sanctions based on applicable laws and regulations.

Similar to previous regulations, administration of forest products from Perum Perhutani is regulated separately by Perum Perhutani Directors. Timber forest product administration by Perum Perhutani is carried out online through an information system that the company establishes and develops. Perum Perhutani's SIPUHH concerning LPH issuance, Forest Resources Provision (PSDH) payment and transport document issuance is linked to the other SIPUHH managed by Directorate of Forest Product Contribution and Distribution.

In July 2016 MoEF issued Regulations No. P.58/MenLHK/Setjen/Kum.1/7/2016 and No. P.60/MenLHK/Setjen/Kum.1/7/2016 to revise MoEF Regulations No. P.42/MenLHK/Setjen/2015 and No. P.43/MenLHK/Setjen/2015. In general, these revisions were made to complement the previous regulations. The new regulations provide solutions in the event of a problem in SIPUHH (i.e. if system is down for more than 6 hours). In this case, concession holders can report their production manually using the same SKSHH form as those available online. The manually completed SKSHHK form will be re-inputted into online SIPUHH once the system returns to normal functions. In addition, the latest PUHH regulations also revised the obligation of concession holders whose business core is non-timber (e.g. Forest Land Borrow and Use Permit (IPPKH) for mining and other business purposes) to have local government agencies to complete the SKSHHK forms online, in addition to other revisions in a number of regulation articles.⁷

From the observation and information collection conducted, JPIK is still finding a number of challenges in data input/reporting faced by licence holders. These include, among others, the availability of internet connection in concessions that do not have access to telecommunication service and the tendency of slow response and handling by the MoEF in the event of system disturbances.⁸



Other challenges in implementation is that this system is not yet fully applied for legality of origin and traceability under the SVLK scheme. JPIK is still finding non-SVLK raw materials being accepted by one timber company and this occurrence was not detected by the system. In actuality, the entire industry must source timber from suppliers with Certificate of Sustainable Management of Production Forest (*Sertifikat Pengelolaan Hutan Produksi Lestari* – S-PHPH) or Timber Legality Certificate (*Sertifikat Legalitas Kayu* – S-LK), or timber or timber products with Supplier’s Declaration of Conformity (DKP).

On independent monitoring, JPIK finds it necessary that the public have access to data and information on timber distribution from online SIPUHH that includes the upstream (concession) to downstream (processing) industry. This aims to allow public participation in monitoring and help the government with field-level monitoring. Therefore, JPIK has officially requested rights to access to MoEF. However, to the time of this report being written, the ministry has not granted this request. The rights to access is imperative for JPIK to support monitoring activities to maintain SVLK credibility and accountability, in which these data and information will be valuable as input during verifying and/or crosschecking findings or indications of violation committed by licence holder.’

Box 1. Sourcing Non-SVLK Timber

During monitoring on August 2015, JPIK found companies in East Java and South Sulawesi receiving and processing timber from non-SVLK certified suppliers. One of the identified companies is PT Panca Usaha Palopo Plywood (PT PUPP) in Luwu, South Sulawesi.



Figure 3. Evidence of SKSKB document from PT Mohtra Agung Persada to PT PUPP

PT PUPP's business, as covered by Business Permit of Management of Timber Forest Products (*Izin Usaha Industri Primer Hasil Hutan Kayu – IUPHHK*) and Industrial Business Licence (IUI), has obtained S-LK from PT Mutuagung Lestari (PT MAL) (valid from 20 October 2014 to 19 October 2017). JPIK's monitoring found an SKSKB Document from May 2015 showing that PT PUPP received logs

from PT Mohtra Agung Persada's IUPHHK-HA that, at that time, was not S-LK certified.

JPIK followed up on the finding by filing a complaint letter to PT MAL as the SVLK agency that evaluated/audited PT PUPP. The letter stated JPIK's request for PT MAL to address the violation through a special audit. JPIK regrets that PT MAL did not address the complaint in accordance with applicable procedure but instead only sent a warning letter to PT PUPP forgoing a special audit and in-depth investigation over the indicated violation.

I.III Development of SVLK Supporting Regulations and the Accountability

In its technical implementation, SVLK is closely linked to the Ministry of Trade, Ministry of Industry, Ministry of Finance, and Goods and Services Procurement Agency (LKPP). This system is also associated with regulations of timber product export, timber and timber products import, and timber and timber products domestic distribution.

Regulating Timber Product Export

Timber product export is closely linked to VPA between Indonesia and EU, in which SVLK is the scheme implemented. Application of SVLK scheme under this agreement becomes the basis to regulate the country's entire timber product export.

Issued in late 2013 to revise MoT Regulation **No. 64/M-DAG/PER/10/2012** on Forest Industry Product Export, MoT Regulation **No. 81/M-DAG/PER/12/2013** provides mandatory use of V-Legal Document as customs supplementary document for export of forest industry products listed under Appendix 1 of Group A (in effect as of 1 January 2013) and Appendix 1 Group B (in effect as of 1 January 2015).⁹ This revision is based on the interest to facilitate small and medium industries and craft industries (particularly furniture) that, at that time, were not yet ready to implement SVLK.

Given the on-going development and discourse among stakeholders concerning full implementation of SVLK and efforts to facilitate small and medium industries and craft industries, MoT issued Regulation **No. 97/M-DAG/PER/12/2014 (MoT 97/2014)** to replace MoT Regulation **No. 64/M-DAG/PER/10/2012** in conjunction with MoT Regulation **No. 81/M-DAG/PER/12/2013**. This regulation was issued upon joint agreement between three ministers, namely MoEF, MoT and Minister of Industry (Mol). .

MoT 97/2014 regulates use of Export Declaration document to replace V-Legal document for forest product export, particularly for furniture and crafts exported by small and medium industries. Similar to V-Legal Document, Export Declaration serves as a customs supplementary document and has limited application for small and medium industries that are not yet S-LK certified, in which they are required to use raw materials from sources already certified for S-PHPL, S-LK or DKP. At the time, measures to prepare, strengthen and assist small and medium industries were intensified to allow complete application of SVLK for all Indonesia's timber products by 1 January 2015.

SVLK application for small- and medium-scale furniture exporters took a step back when MoT Regulation **No. 89/M-DAG/PER/10/2015** on Forest Product Export (**MoT 89/2015**) was issued on 19 October 2015. This regulation revoked the V-Legal Document requirement for 15 tariff posts for forest industry products listed under Appendix 1 Group B (mostly furniture products). Not only did this regulation reverse the requirement to use V-Legal Document as customs supplementary document for furniture products, it also removed the requirement to use Export Declaration documents. Small- and medium-scale furniture exporters only needed to enclose documents proving that their raw materials are sourced from S-LK certified suppliers.

Table 2. Main points of revisions in MoT regulations

MoT 97/2014	MoT 66/2015	MoT 89/2015
Export of 15 Harmonised System (HS) Codes using Export Declaration mechanism	Export of 15 HS Codes using Export Declaration mechanism	Export of 15 HS codes without any mechanism; only requirement is to enclose document (no specification) stating that the raw materials are sourced from S-LK certified suppliers.
Applies only to ETPIK-registered small and medium industries	Applies only to ETPIK-registered small and medium industries	ETPIK requirement is removed and applies generally
Applies to export destination countries other than those already in cooperation with and/or MoU on FLEGT	Applies to all export destination countries	Applies to all export destination countries
Applicable until 31 December 2015	Export Declaration validity limit removed	Applicable 30 days upon issuance (18 November 2015)

The issuance of this MoT indicates structural inconsistencies in the efforts that Indonesia has long implemented to realise good forest governance through SVLK application.¹⁰ Various efforts have been taken by CSOs demanding MoT to revise this regulation. It was eventually revised through **MoT Regulation No. 25/M-DAG/PER/10/2016** issued on 15 April 2016. MoT regulations on timber product export following this regulation have become more supportive to SVLK.¹¹

Similar to MoT, the Mol also showed inconsistencies in supporting SVLK policies. Initially during a 4-minister joint press conference titled ‘SLK Supports Indonesia to Achieve the 1st FLEGT Licence in the World’ on 12 May 2016, Mol stated that SVLK was an effort to realise forestry good governance and should be supported by all relevant stakeholders to avoid burden to businesses but instead can be an investment in improving timber processing industry management.¹²

However, the Mol showed a different attitude toward SVLK in March and April 2017. MoT questioned furniture products that must be SVLK certified, and meanwhile this certification scheme is not acknowledged by all export destination countries. In its 5 April 2017 release, Mol through Director General of Small and Medium Industries stated that SVLK should be reviewed to avoid obstructing the development of the furniture and handicraft industry, especially those operated by small and medium industries. This signal for loosening SVLK requirements was apparent.

Box 2. AMKRI Exploiting a Loophole in Weak Timber Trade Regulation

SVLK full implementation without exclusions is blocked by a group of businesses acting on behalf of the Indonesia Furniture and Craft Association (AMKRI). This organisation expressed an open objection aiming to exclude furniture products from SVLK upon a pretext that SVLK is burdensome to the association's small and medium industries. This led to the issuance of MoT Regulation No. 89/2015 dated 19 October 2015 on forest product export.

The issuance of MoT Regulation No.89/2015 excluding 15 tariff posts in furniture product group from SVLK obligation, removing producer and non-producer's ETPIK requirements, and removing temporary mechanism for Export Declaration where the previous time limit for Export Declaration was 31 December 2015, has weakened SVLK's capacity to assure the legality of traded timber products. Under the previous export regulation, namely MoT Regulation No. 97/2014, Export Declaration served to supplement customs requirements, which was an alternative to V-Legal Document applicable to furniture and craft small and medium industries that were not yet S-LK certified.

JPIK's 2015 investigation towards several companies using Export Declarations revealed strong indications of illegality such as (i) these companies have been non-operational for more than a year but were still actively exporting; (ii) they were not registered under local Industry and Trade Agency but were able to export; and (iii) they forged signatures in export documents. Several companies were also found to be exploiting a loophole in this MoT Regulation to continue exporting even though their certificates had been revoked after they were proven to have misused V-Legal Documents.

Table 3. Companies with most frequent Export Declaration use in 2015

Exporting Company	Location	Total Export Declarations 2015
CV V&V Logistic	Semarang	1,305
CV Devi Fortuna	Jepara	975
CV Greenwood International	Semarang	658
CV Rejeki Tirta Waskitha	Jepara	305

Source: JPIK compilation based on information managed by SILK and other sources

The practice of selling export documents is also commonly found among companies without complete permits. This practice was committed by CV V&V Logistic and CV Greenwood International which are Producer ETPIK licence holders, located in Semarang and CV Rejeki Tirta Waskitha and CV Devi Fortuna in Jepara, Central Java Province. The four companies exported to the US using hundreds to thousands of Export Declarations in 2015 when no forest product manufacturing/processing activities were found in their sites.

The issuance of MoT Regulation No. 89/2015 left a loophole weakening SVLK's capacity to assure the legality of traded timber products. Strong response later emerged against issuance of this regulation. MoEF, environmentalists and a number of business associations, including furniture business associations, stated that SVLK implementation is not a barrier to Indonesia's timber product export as AMKRI previously feared.



Figure 4. Sample export document sales through CV V&V Logistic's services

Timber Legality Information System (SILK)

SILK is an information system tailored to make V-Legal Document issuance service easier and faster as well as more objective, transparent and accountable. In addition, this system also aims to optimally provide data and information relating to timber legality verification. This online-based system was officially introduced in 1 August 2012 and has been actively operated since 1 January 2013 as the use of V-Legal Document to supplement customs document became mandatory.

In its operation, Online SILK is directly integrated into Indonesian Trading (INATRADE), Ministry of Trade's online system for export/import permit granting service, and Indonesia National Single Window (INSW), operated under the ministry's Directorate General of Customs. In addition, SILK is also linked to the destination countries' export authority (via competent authority in each EU country). This system is a form of integration and support among stakeholders related to timber product export from Indonesia.¹⁴

Criticism to this information system is that stakeholders (other than officers of the relevant ministries/agencies) have limited access to information. In fact, an Independent Monitoring organisation that is a primary actor in SVLK could not obtain information from this information system. Although JPIK has met the requirements to be listed as an independent monitoring organisation under MoEF (as required by PHPL Director General Regulation No. P.14/2016), this does not necessarily grant the organisation access to data in SILK although this data is one of the basic requirements for monitoring.

Box 3. Information Disclosure and Accountability Assurance

Information on timber trade is available and accessible only to businesses and the government. Information on SILK regarding timber export-import and timber products is hardly available and accessible, not to mention the lack of channels for public complaint and feedback.

Timber and timber products are still considered 'second class' products with regards to quality assurance for consumers and their public impact. Quality assurance regulation and implementation currently only apply for food and medicinal products through the National Agency of Drug and Food Control (BPOM). This makes perfect sense since food and drugs relate to human health and safety.

In this regard, unlike food and drugs, timber and timber products are not considered as goods that relate to public interest and safety. Therefore, there is no particular agency to assure the distribution, quality and user's safety of these products. In fact however, if timber and timber products are traced to their point of origin, forest is the source of timber and is an important ecosystem that affects the lives of many people.

Regulating Timber and Timber Product Import

Import of timber and its products is regulated under MoT Regulation No. 78/M-DAG/PER/10/2014 on Forest Product Import states that each imported forest product must meet forest product legality as required under the applicable regulations (Article 3). This regulation also mandates that SILK have an integrated online system.

Guide to Forest Products Import is based on MoT Regulation No. 78/2014 along with its revisions and PHPL Director General Regulation No.7/PHPL-SET/2015 on Procedure for Due Diligence Implementation. This guide includes legality, traceability and sustainability that are the foundations of SVLK. Under this regulation, companies that are allowed to import forest products are those who have Importer's Identification Number (API), either Producer Importer's Identification Number (API-P) or General Importer's Identification Number (API-U), and import approval from MoT.

Technically speaking, in practice, importers must undertake due diligence to analyse and mitigate risks to imported forest products. Risk mitigation is undertaken by reviewing documents such as Chain of Custody certificate, FLEGT licence, Mutual Recognition Agreement (MRA) and/or Country Specific Guideline (CSG) documents as well as information from the exporting country authority. Result of this due diligence provides basic information for importers to make Import Declaration to send to the Licencing Information Unit (LIU) in MoEF. Import Declaration and supporting documents will be reviewed by the ministry before issuing Import Recommendation which is then forwarded to MoT as input for Import Approval issuance.

To evaluate and supervise forest product import, the Directorate General of Foreign Trade under the MoT can perform post-audit assessments on companies that have obtained Import Approval. Companies violating or failing to comply with this rule will be subject to sanctions under applicable laws and regulations. The next challenge in the context of forest industry product import regulations is how information on import of timber and its derivative products can be accessed by relevant stakeholders, including Independent Monitors. The availability of information on timber and timber product import can be used for monitoring to maintain the credibility of Indonesia's timber trade system.

Regulating Domestic Timber Distribution

SVLK as one of the instruments for good forest governance in Indonesia is closely related to timber and timber products distribution and trade, both domestically and overseas. As an effort to curb illegal timber markets in the country, MoEF established cooperation with LKPP.

The option to include SVLK requirements under the LKPP scheme is based on several government projects on development and procurement with high uptake of timber-based products for building construction, paper and furniture, and estimated increase in future timber use. During a discussion in January 2016, Head of LKPP explained that companies participating in timber-based goods procurement are obliged to produce S-LK as one of the criteria that must be fulfilled for their products to be included in LKPP's e-catalogue for goods procurement.¹⁵

Prior to initiating cooperation with LKPP, MoEF issued a procurement policy for S-LK timber products through Secretary General Circular No. S-553/Um/4/2015 dated 8 June 2015 stipulating that timber products within MoEF must be procured from S-LK certified suppliers.¹⁶ Similar policies have also been made by local governments including Klaten District (Central Java) as per Klaten District Head Regulation No. 16/2014, as well as Jombang District, Buleleng District and Yogyakarta City that are preparing similar policies/regulations.¹⁷

It is unfortunate that since the idea was first initiated and announced early 2016, there has been no LKPP regulations issued requiring SVLK for goods procurements in government projects. Furthermore, there is no information on the obligation to ensure SVLK implementation in domestic timber and timber products distribution for non-government projects.

To date, no system has been developed/initiated to regulate domestic timber distribution/use for non-government projects. Meanwhile law enforcement often make arrests of allegedly illegal timbers. This is due to, among others, lack of information on local timber distribution.

Interministerial and Interagency Coordination

Initially SVLK was formulated by the SVLK Development and Formulation Team. Results from the team was submitted to MoF in February 2007 and was planned to be authorised through a joint decree between Ministers of Forestry, Trade and Industry.¹⁸ However, SVLK was then authorised through MoF Regulation that has been subject to numerous revisions and modifications.

As it is based 'only' on a Minister regulation, SVLK faced constraints, particularly pertaining interministerial or interagency cooperation. The coordination-related problems include synergising regulations, poor support for SVLK at public discourse level, and poor affirmative action to support this policy. These conditions prove to be counter-productive against the VPA between Indonesia and EU that, at that time, was on progress toward reaching an agreement. In several forums, suggestions were made to 'upgrade' the regulation to a presidential regulation to address coordination issues and enhance understanding between ministers/state agencies.

I.IV Policies in Consumer Countries

One of the causes behind the rampant illegal logging is high global demand for timber regardless of legality. A number of major timber consuming countries have taken steps to deal with illegal logging and control illegal timber from entering their territories through a number of policies. The policies from these timber consuming countries are in line with the improvement measures taken by timber-producing countries, including Indonesia.

United States

The US amended Lacey Act on May 2008. This amendment prohibits import and trade of illegally sourced timber and timber products. Passed in 1990, the act itself prohibits trade and import of illegally caught wildlife and fish. The act's 2008 amendment extended the scope of imported products by adding all plants and plant products including nearly all timber and timber products, except for food crops, cultivars, and specimens for scientific purposes.



The amended act prohibits ‘import, export, transport, sale, purchase, receipt or interstate or international trade’ of plants that are ‘collected, owned, transported or sold in violation of federal, states, indigenous territory, and foreign countries’ laws or regulations’. The said laws or regulations include those concerning harvest, taxpaying and export. This act also introduced import declaration requirement scheme under which scientific names, value, quantities, and countries of origin of timber must be declared, although there are several exceptions. Although not mandatory, this act calls for private sector’s due care that later on may be used in their defence in the case of legal violation. ‘Due care’ is a series of activities carried out by businesses importing timber and timber products to the US to ensure legality of their products.

The *Lacey Act* is a fact-based regulation, in the sense that no third-party certification or any verification document may be used as evidence of timber or timber products legality. In the case of Indonesia, the import of timber and timber products from Indonesia with supplemented by S-LK and V-Legal documents are not automatically prove legality of the imported timber. However, in case of violation of the *Lacey Act*, the importer in question that provided timber legality certificate and V-Legal documents will be considered to have implemented ‘due care’ to ensure that the timber and timber products purchased are legal, and can be used as their defence.



Sanction for the violations of the *Lacey Act* constitutes fines of varying amount depending on the case and fault. Ever since the implementation of the amended act in 2008, legal enforcement has been applied to several cases including the Gibson Guitars case¹⁹ and Lumber Liquidators, a Virginia floor board company fined for USD 13.5 million in 2016.²⁰

European Union

In 2003, EU issued an action plan to combat illegal logging known as the FLEGT action plan. The action plan is a manifesto of EU's commitment as one of the world's largest timber consumers. As part of this action

plan, European Parliament passed Regulation No. 995/2010 (EU Timber Regulation/EUTR) in 2010 that, in general, consists of three components: (1) obligation of EU operators or businesses to perform due diligence prior to initial marketing of their timber products in EU; (2) prohibition of importing illegally sourced timber to EU market; and (3) traceability-related obligation, in which operators must save information pertaining the origins of the imported timber products and the sale destinations. EUTR, which came into effect in 2013, applies to both timber produced in and imported to EU.

EU operators must make available information on timber products (harvesting country, concession of origin, species, volume and measurement), conduct risk assessment and take steps to mitigate risks from timber and timber products for first-time sale in EU. This aims to ensure that timber and timber products are legally sourced. EUTR provides that FLEGT-licenced timber and timber products comply with EU legality requirements. To date, Indonesia is the only timber-producing country that holds FLEGT licence. This paves the way for Indonesia's timber and timber products to enter EU markets without due diligence.

In EUTR implementation, EU countries must nominate Competent Authorities responsible to enforce this regulation. Violation of this regulation will be punishable by varying sanctions including fines and imprisonment to the extent determined by the respective countries.

Based on Forest Trend's survey on due diligence implementation in a number of EU countries from October 2015 to September 2016, Competent Authorities have evaluated 1,513 due diligence systems and 822 field inspections, resulting in 565 Corrective Action Requirements, 75 injunctions and 59 financial sanctions imposed for failure to implement due diligence.²¹

Reports from European NGOs have also led to law enforcement by Competent Authorities in EU countries. In 2016, a Swedish administrative court and Competent Authority imposed a fine of SKR 17,000 (around USD 2,058.26) and import halt to a company importing teak from Myanmar for EUTR violation, until measures are taken to mitigate illegality risks.²² A similar case took place in the Netherlands where the country's Competent Authority fined a company importing timber from Cameroon for failing to meet due diligence requirements. A fine of EUR 1,800 (USD 2,211.61) was sanctioned to the company for every cubic meter timber sold. This fine was imposed on the company following a warning letter and time allowed to improve its due diligence system, with which the company failed to comply.²³

Australia

As a timber and timber products consuming country, Australia passed the Illegal Logging Prohibition Act No. 166/2012 in 2012 and Illegal Logging Prohibition Regulation No. 271/2012.

The Illegal Logging Prohibition Act came into force on 28 November 2012. The act regulates that importation of timber products, pulp and paper from illegal logging or processing Australia's raw logs from conscious, deliberate, haphazard illegal logging are criminal acts. Illegal logging in the Act refers to timber harvested or logged over in contravention of laws in

force in the place where the timber was harvested. Infringement against the Act leads to fine penalty or imprisonment.

The Act also requires businesses to conduct due diligence prior to timber and timber product import. Detailed regulation on due diligence is governed under Illegal Logging Prohibition Regulation that came into force on 30 November 2014. Under this regulation, due diligence is mandatory for businesses importing particular timber products and processing raw logs from Australia. Businesses must know the source of timber that they purchase and take measures to mitigate risks of importing illegally sourced timbers and wood fibres.

The Act is also accompanied by CSG that serves as a guide for Australia's trade partner countries, including Indonesia. Under this guide, all timber imported from Indonesia to Australia must be sourced from SVLK certified operators and supplemented with V-Legal Document.

Japan

On April 2006, Japanese Government included timber and timber products into Law 100 of 2000 on Promotion of Environmentally Friendly Goods and Service Procurements by Government, known as the Green Purchase Law. The Law regulates various timber products such as paper, stationery, office furniture, interior and bedroom furniture, and materials for public works.

On May 2006, Japan Forestry Department issued a guide to verify the legality and sustainability of timber and timber products that applies to goods and service procurement by the Government (public procurement). This guide was implemented on voluntary and document checking basis. Timber legality and sustainability verification under this guide can be carried out using the following three methods: (1) through recognised forest and Chain of Custody certificates such as FSC, PEFC and SGEC; (2) verification method prepared by business associations; and (3) verification method developed by businesses respectively.

On May 2016, the Japanese Government passed Act 48 of 2016 (Clean Wood Act) to promote distribution and use of legally and sustainably harvested timbers. This regulation is voluntary and includes private sector in which businesses are encouraged to conduct due diligence if they wish to be registered as timber and timber product importer. However, because this regulation was issued to promote legal timber trade, it contains no provisions prohibiting the purchase of illegally sourced timbers. In addition, due diligence is mandatory only to registered businesses. Failure to comply with this requirement may only lead to revocation of their registered status. Therefore, the Clean Wood Act is yet to serve as an effective instrument to address the problem of illegal timber entering into Japanese market. Environment NGOs have urged the Japanese Government to strengthen and improve this policy.²⁴

Canada

Canada has passed the Wild Animal and Plant Protection and Regulation of International and Interprovincial Trade Act (WAPPRITA).²⁵ This act is supported by the Wild Animal and Plant Trade Regulation prohibiting the import of illegal timber and timber products. These act and regulation prohibit import of timber products manufactured or obtained in violation of laws of the country of origin.

On April 2016, the Government of Indonesia agreed to the guide developed by the Canadian Government²⁶ to help Indonesia implement PHPL Director General Regulation No. P.7/PHPL-SET/2015 on Procedure of Implementation of Due Diligence, Import Declaration Issuance and Import Recommendation for Forest Products. The guide details Canada's forest management policies, including prevention against illegal timber and timber product import as well as methods to identify legal timber from Canada.

CHAPTER II.

SUMMARY OF MONITORING RESULTS

In 2014 to 2017, JPIK carried out monitoring on SVLK implementation for 17 S-PHPL certified companies and 37 S-LK certified companies. Moreover, monitoring was also conducted for specific cases outside certification implementation such as cases on forest encroachment and/or forestry crimes.

In their monitoring work, JPIK followed a set of working standards that consist of monitoring target, mechanism, and protocols. This standard is based on the network’s internal consensus and aims to maintain validity and accountability of every monitoring activity, including safety and security during while monitoring on the ground.

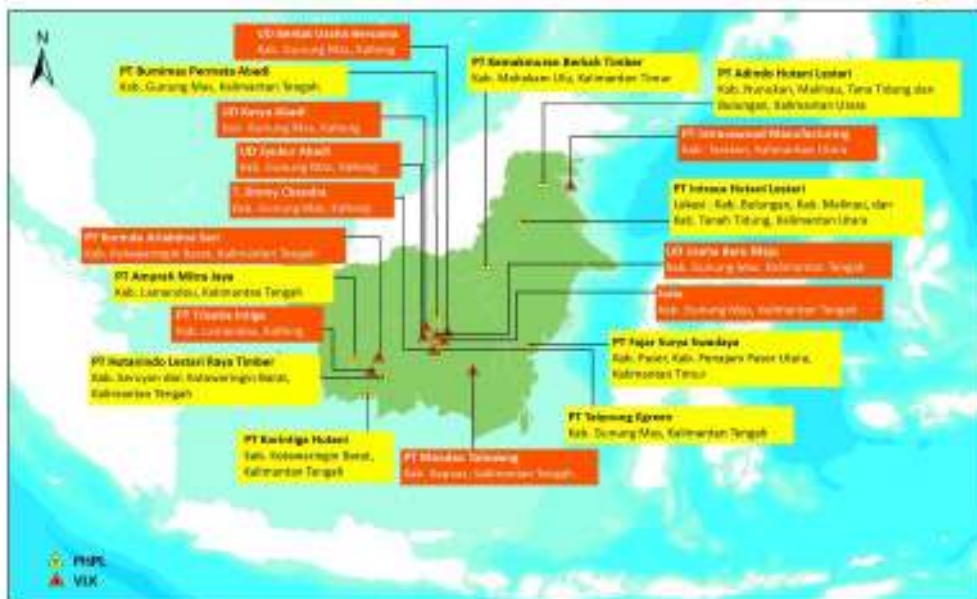
Furthermore, JPIK employed methods to decide its monitoring targets. JPIK realises that not every accreditation and certification processes can be monitored. Availability of resources and budget, distribution of monitors, accessibility of monitoring sites, and availability of data and supporting information are some of the limiting factors in monitoring.

Monitoring Target Selection	Data Collection Analyses
• LP&VI Accreditation • Implementation and certification/surveillance audit • Management unit licence • Total area/distribution/capacity of management unit • Scale of problems/performance of management unit • Integration of logs, timber product, and its distribution (upstream to downstream)	• Process compliance and results of certification with regulations • Management unit’s legality/licensing compliance with other relevant regulations • Issues (ecological, social) with relevant regulations

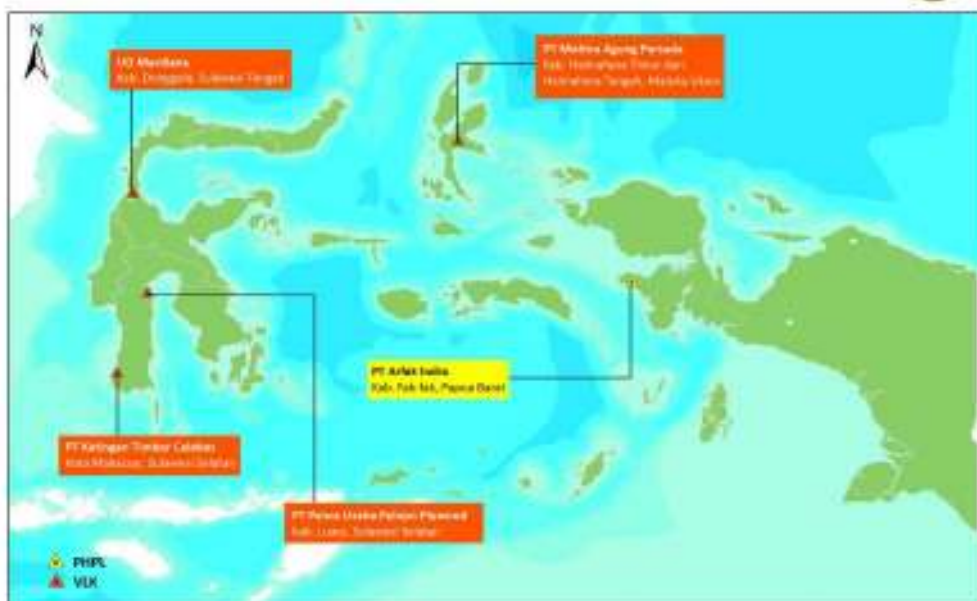
Summary of JPIK’s monitoring results in 2014-2017 are as follow :



*Distribution of JPIK Monitoring in Kalimantan Island
Year 2014 - 2017*



*Distribution of JPIK Monitoring in Sulawesi, North Maluku and West Papua
Year 2014 - 2017*



II.I Monitoring S-PHPL Certified Companies

1. IUPHHK-HA PT Bumimas Permata Abadi

Location	: Gunung Mas District, Central Kalimantan
Certification Type	: PHPL
Standard Reference	: Perdirjen BUK No. P.14/VI-BPPHH/2014 in conjunction with Perdirjen BUK No. P.1/VI-BPPHH/2015
Certification Body	: PT Transtra Permada Abadi
Certificate Number	: 003/LPPHPL-018/VIII/13
Validity Period	: 2 August 2013 – 1 August 2018

The monitoring was conducted JPIK Central Kalimantan in March 2015.

Monitoring findings indicate non-compliance with V-Legal logo implementation and use as regulated in Annex 6 of Regulation of Directorate General of Forestry Business Development (Perdirjen BUK) No. P.14/VI-BPPHH/2014. It stipulates that V-Legal logo is a sign marked on timber and timber products or packages, signifying that the timber or timber product complies with PHPL or Timber Legality Verification (VLK) standards.

Independent monitors did not find any V-Legal logo on any log in PT Bumimas Permata Abadi's loading dock in Gresik Harbour. The log shipment was to be transported to several companies in East Java Province.



Figure 5. Unmarked logs lacking V-Legal logo.

JPIK submitted a complaint to PT Transtra Permada in October 2015. Based on the report, PT Transtra Permada requested PT Bumimas Permata Abadi to comply with procedures for implementation and use of V-Legal logo on logs and timber products. As a part of their commitment, PT Transtra Permada requested PT Bumimas Permata Abadi to write a formal statement on a duty stamp stating their compliance with regulations on V-Legal logo use on logs and timber products.

2. IUPHHK-HA PT Amprah Mitra Jaya

Location	: Lamandau District, Central Kalimantan
Certification Type	: PHPL
Standard Reference	: Perdirjen BUK No. P.14/VI-BPPHH/2014 in conjunction with Perdirjen BUK No. P.1/VI-BPPHH/2015
Certification Body	: PT Rensa Global Trust
Certificate Number	: 08/S.PHPL-R GT/2013
Validity Period	: 22 February 2013 – 21 February 2018

Monitoring was conducted by JPIK Central Kalimantan from March to December 2015.

The monitoring result notes the following non-compliance:

- Verifier 1.1.3. Stakeholders' recognition of IUPHHK in forest area (BATB).
There is a boundary conflict with the indigenous community and arbitrary boundary delineation. PT Amprah Mitra Jaya has showed no attempts to resolve this conflict. Boundary conflict occurs in Ginih Village that directly borders PT Amprah Mitra Jaya's concession.²⁷
- Verifier 1.5.2. Approval for the boundary delineation process.
There has never been any thorough socialisation and consultation to obtain consent from indigenous communities with direct interests on the land that will be developed.
- Verifier 2.1.2. Conformity of work area implementation with long-term management plan.
PT Amprah Mitra Jaya is attempting to expand its management area by clearing areas outside of its planned work area as stated in their 2015 RKT.
- Verifier 4.1.2. Mechanism for participatory boundary delineation/reconstruction and boundary conflict resolution is available.
There has been no effort for participatory boundary delineation involving indigenous communities around PT Amprah Mitra Jaya concession.²⁸
- Verifier 4.1.4. There is a clear boundary separating management unit's work area with communities' area.
There are findings of ironwood being logged. Ironwood is an endemic tree species for indigenous communities.

JPIK submitted a complaint to PT Rensa Global Trust in January 2016 and PT Rensa Global Trust responded in February 2016. In their response, the company addressed all points of JPIK's complaint and produced supporting evidence. The company also stated that it would follow up the complaints through a surveillance audit that was held in January 2016.

3. IUPHHK-HA PT Hutanindo Lestari Raya Timber

Location : Seruyan and West Kotawaringin Districts, Central Kalimantan
Certification Type : PHPL
Standard Reference : Perdirjen BUK No. P.14/VI-BPPHH/2014 in conjunction with
Perdirjen BUK No. P.1/VI-BPPHH/2015
Certification Body : PT Rensa Global Trust
Certificate Number : 11/REV-S.PHPL-RGT/2013
Validity Period : 17 September 2014 – 16 September 2018

Monitoring was conducted by JPIK Central Kalimantan in March 2015.

Monitoring result notes indications of the company's non-compliance in implementation and use of V-Legal logo which is regulated in Annex 6 of Perdirjen BUK No. P.14/VI-BPPHH/2014, stating that V-Legal logo is a sign marked on timber and timber products or packages, signifying that the timber or timber product complies with PHPL or Timber Legality Verification (VLK) standards.

JPIK did not find any V-Legal logo on any log at PT Hutanindo Lestari Raya Timber's log pond. JPIK recommends that PT Hutanindo Lestari Raya Timber stamp V-Legal logos on their logs during shipping or at the log yards or log ponds.

JPIK submitted a complaint to PT Rensa Global Trust in October 2015. PT Rensa Global Trust then responded that PT Hutanindo Lestari Raya has used V-Legal logo since the fourth surveillance audit in February 2015.



Figure 6. Unmarked logs lacking V-Legal logo.

4. IUPHHK-HT PT Korintiga Hutani

Location	: West Kotawaringin District, Central Kalimantan Province
Certification Type	: PHPL
Standard Reference	: Perdirjen BUK No. P.14/VI-BPPHH/2014 in conjunction with Perdirjen BUK No. P.1/VI-BPPHH/2015
Certification Body	: PT Mutu Agung Lestari
Certificate Number	: LPPHPL-008/MUTU/FM-013
Validity Period	: 5 May 2014 – 4 May 2019

JPIK Central Kalimantan conducted monitoring in March 2015.

The monitoring result notes the following indications of non-compliance:

- Verifier 1.1.2 Realisation of boundary setting and its legitimacy (BATB).
There is on boundary and land management conflict in Bulik Village concerning the control of 1,500 hectares of customary land.²⁹
- Verifier 1.1.3 Stakeholders' recognition of IUPHHK in forest area (BATB).
There is a tenurial conflict between the Maju Bahaum farmers group in Bulik Village and PT Korintiga Hutani.³⁰
- Based on the monitoring, it was found that the company mobilised hired thugs (*preman*) that incited clash and led to the arrest of community members by the Lamandau District Police.



Figure 7. Interview with customary leaders



Figure 8. Plasma plantation in PT Korintiga Hutani's concession

5. IUPHHK-HT PT Wirakarya Sakti (WKS)

Location	: West Tanjung Jabung District, Jambi Province
Certification Type	: PHPL
Standard Reference	: Perdirjen BUK No. P.14/VI-BPPHH/2014 in conjunction with Perdirjen BUK No. P.1/VI-BPPHH/2015
Certification Body	: PT TUV Rheinland Indonesia
Certificate Number	: 824 407 140018
Validity Period	: 11 October 2014 – 10 October 2019

JPIK National Secretariat and JPIK Jambi filed a complaint on the incident and indication of human rights violation at a concession checkpoint, where a local community member, Indra (victim) was beaten, tortured and killed by company security guards on duty at Checkpoint Post 803 on 27 February 2015. On 28 February, the victim's body was found dumped several kilometres away from PT WKS' District 8 camp with evidence of having been beaten and tortured.³¹

Relevant PHPL standards are described below:

- Verifier 3.2.3 Human resources for forest protection.
- Verifier 3.2.4 Implementation of protection against forest disturbance (pre-emptive/preventive/repressive).

Complaint to PT TUV Rheinland Indonesia was submitted on 5 March 2015. JPIK requested that PT TUV Rheinland Indonesia follow up the complaint by addressing/resolving the complaint by an ad hoc team and immediately carry out an unannounced audit (special audit) to clarify any indication of human rights violation during PT WKS' implementation of forest protection in regard to the company's PHPL certificate. On 6 March 2015, PT TUV Rheinland Indonesia replied to JPIK's letter and informed that it was waiting for clarification from PT WKS and has established an ad hoc team to handle this case.

The ad hoc team proposes the following recommendations for PT WKS:

- Develop Standard Operating Procedure for conflict resolution that covers work procedures and instructions on security, CRS (Conflict Resolution Studies), and partnership.
- Review CRS programme and develop CRS SOP for conflict resolution.
- Build capacity of security staff regarding conflict resolution SOP in relation to forest protection.
- Carry out socialisation of SOP related to CRS and conflict resolution with communities around the concession.
- Develop human rights approach in the company's operation.

Specifically, the ad hoc team recommends PT WKS to expedite participatory mapping to achieve mutual recognition and agreement among multi stakeholders.

6. IUPHHK-HA PT Arfak Indra

Location	: Fak-fak District, West Papua
Certification Type	: PHPL
Standard Reference	: Perdirjen BUK No. P.14/VI-BPPHH/2014 in conjunction with Perdirjen BUK No. P.1/VI-BPPHH/2015
Certification Body	: PT Ayamaru Sertifikasi
Certificate Number	: 20/A-SERT-PHPL/VI/2013
Validity Period	: 26 June 2013 – 25 June 2018

JPIK West Papua conducted monitoring in June 2015.

The monitoring notes the following non-compliance:

- Verifier 1.1.3 Stakeholders' recognition of IUPHHK in forest area (BATB).
There is no consent from indigenous communities on IUPHHK-HA PT Arfak Indra concession boundary.
- Verifier 1.2.2. Socialisation of corporate vision, mission and objectives.
PT Arfak Indra never carried out socialisation on the company's vision and mission to communities living around the concession area.
- Verifier 1.5.3. Approval for implementation of CSR and Partnership.
PT Arfak Indra never carried socialisation of logging plans to representatives of

communities from each village. Head of Kinam Village assumed that the company obtained consent only from certain individuals acting on behalf of the community's clans. Logging consent was obtained only from the Wanggabus, Wagab, and Patiran clans while other clans have not given consent. This led to protests from indigenous communities from 9 villages.³²

Based on these findings, JPIK West Papua sent a complaint to PT Ayamaru Sertifikasi in June 2015. PT Ayamaru Sertifikasi's response is as follows:

- All complaints conveyed by independent monitors will reviewed against indicators or verifiers, because PT Ayamaru Sertifikasi applies indicator or verifier norms when making decisions pertaining assessments.
- PT Ayamaru Sertifikasi has followed up by reviewing the complaints against indicators and verifiers in accordance with assessment standards to conduct gap assessment.
- All complaints from independent monitors are qualitative and tend to be subjective in nature due to lack of new and convincing evidence.
- Time difference has caused differences on assessment justification, especially related to dynamic social issues.

JPIK West Papua followed up on the responses by conducting another ground check.

7. IUPHHK-HT PT Toba Pulp Lestari

Location	: Simalungun, Toba Samosir, Humbang Hasundutan, and Samosir Districts, North Sumatera Province
Certification Type	: PHPL
Standard Reference	: Perdirjen BUK No. P.14/VI-BPPHH/2014 in conjunction with Perdirjen BUK No. P.1/VI-BPPHH/2015
Certification Body	: PT Ayamaru Sertifikasi
Certificate Number	: 25/A-SERT-PHPL/X/2013
Validity Period	: 17 October 2013– 16 October 2018

JPIK National Secretariat conducted monitoring in August 2015.

The monitoring result notes the following indications of non-compliance:

- Verifier 1.1.3. Stakeholders' recognition of IUPHHK in forest area (BATB).
There is a boundary conflict with the indigenous community and arbitrary boundary delineation. PT Toba Pulp Lestari as IUPHHK-HT licence holder has showed no attempts to resolve this conflict.³³
- Verifier 1.5.1. Approval of harvest plans through increasing understanding, participation, process documentation and dissemination of plans.

There has never been any thorough socialisation and consultation to obtain consent from indigenous communities with direct interests on the land that will be developed.³⁴



Figure 9. Clearing and expansion along riparian buffer.

- Verifier 2.5.2. The conformity of long-term and short-term management plan work maps.
PT Toba Pulp Lestari is attempting to expand its area by clearing protected area (riparian buffer and green belt).
- Verifier 4.1.2. Mechanism for participatory boundary delineation/reconstruction and boundary conflict resolution is available. There has been no effort for participatory boundary delineation effort involving indigenous communities in the management area.³⁵

- Verifier 4.1.4. There is a clear boundary separating management unit's work area with communities' area.

Customary forest (*Styrax benzoin* forest) is being cleared despite previous agreement between licence holder and indigenous community.



Figure 10. Land clearing in natural forest and *Styrax benzoin* forest (Tele sector)

- There are several active sawmills inside PT Toba Pulp Lestari concession which indicate on-going logging in natural forest in the area.



Figure 11. Active sawmills in PT TPL concession.

- Occupational Health and Safety (OHS) implementation is still lacking. There was a fatal logging truck accident classified as a work accident.



Figure 12. Logged timber from natural forest (Aek Nauli sector).

JPIK submitted a complaint to PT Ayamaru Sertifikasi in November 2015. In the report, JPIK requested PT Ayamaru Sertifikasi to carry out a special audit on JPIK's findings. PT Ayamaru Sertifikasi responded to every point in the complaint and conducted special audit regarding verifiers 1.1.3 and 2.5.2, and regarding the active sawmill in PT Toba Pulp Lestari concession.

8. IUPHHK-HT PT Adindo Hutani Lestari

Location	: Nunukan, Malinau, Tana Tidung and Bulungan Districts, North Kalimantan
Certification Type	: PHPL
Standard Reference	: Perdirjen BUK No. P.14/VI-BPPHH/2014 in conjunction with Perdirjen BUK No. P.1/VI-BPPHH/2015
Certification Body	: PT Sarbi International Certification
Certificate Number	: 01.r2-SIC-04.01
Validity Period	: 21 October 2013 – 20 October 2018

JPIK North Kalimantan conducted monitoring in August 2015.

The monitoring result notes the following indications of non-compliance:

- Verifier 3.1.3 Condition of forest cover of protected area.
There is development on 4-metre deep peat soil. There is degradation and clearance along riparian buffer causing degradation of river ecosystem.



Figure 13. Degraded peatland in PT Adindo Hutani Lestari concession.

- Verifier 3.6.1 Availability of wildlife management procedures which refer to applicable laws and regulations and include planning, implementation, activities and monitoring. There is no clarity on the area designated for wildlife refugia due to forest conversion.



Figure 14. Natural forest clearance in PT Adindo Hutan Lestari concession.

- Verifier 4.1.2 Mechanism for participatory boundary delineation/reconstruction and boundary conflict resolution is available.
There has been no effort for participatory boundary delineation involving indigenous communities around management area.³⁶

JPIK submitted a complaint to PT Sarbi International Certification in February 2016. PT Sarbi International Certification then clarified that every point in the complaint has been included in first surveillance audit in 2014 and second surveillance audit in 2015. Therefore there is no need to form an ad hoc team to resolve the complaints

9. IUPHHK-HT PT Taiyoung Engreen

Location	: Gunung Mas District, Central Kalimantan
Certification Type	: PHPL
Standard Reference	: Perdirjen BUK No. P.14/VI-BPPHH/2014 in conjunction with Perdirjen BUK No. P.1/VI-BPPHH/2015
Certification Body	: PT Inti Multima Sertifikasi
Certificate Number	: IMS-SPHPL-011
Validity Period	: 4 January 2016 – 3 January 2021

JPIK Central Kalimantan conducted monitoring in September 2015.

The monitoring result notes the following indications of non-compliance:

- Verifier 1.1.3 Stakeholders' recognition of IUPHHK in forest area (BATB).
There is a boundary conflict with the indigenous community in Mungku Baru Village and arbitrary boundary delineation. PT Taiyoung Egreen has showed no attempts to resolve this conflict.³⁷
- Verifier 1.1.5 Land use for non-forestry purposes.
Through monitoring, activities other than forestry sector still found such as illegal mining inside PT Taiyoung Egreen concession.
- Verifier 1.5.2. Approval for the boundary delineation process.
There has never been any thorough socialisation and consultation to obtain consent from indigenous communities who own the land. In this case, 2018 Annual Work Block and KPPN sectors that received the most complaints.³⁸
- Verifier 4.1.2 Mechanism for participatory boundary delineation/reconstruction and boundary conflict resolution is available.
There has been no effort for participatory boundary delineation effort involving Mungku Baru indigenous community, which led to conflict between the community and several stakeholders.³⁹
- There is an active sawmill inside PT Taiyoung Egreen concession which indicates incomplete permit. The sawmill sources timber from natural forest being cleared Taiyoung Egreen.
- PT Taiyoung Egreen is attempting to expand concession by clearing customary ironwood forest in Mungku Baru Village.

JPIK Central Kalimantan sent a complaint against PT Taiyoung Green to PT Inti Multima Sertifikasi (IMS) in January 2016. PT IMS responded to all the points in the complaint and followed up the complaints.

10. IUPHHK-HT PT Wirakarya Sakti (WKS)

Location	: Tanjung Jabung Barat District, Jambi
Certification Type	: PHPL
Standard Reference	: Perdirjen BUK No. P.14/VI-BPPHH/2014 in conjunction with Perdirjen BUK No. P.1/VI-BPPHH/2015
Certification Body	: PT TUV Rheinland Indonesia
Certificate Number	: 824 407 140018
Validity Period	: 11 October 2014 – 10 October 2019

The monitoring was conducted by JPIK Jambi in May to June 2016.

The monitoring result notes the following indications of non-compliance:

- Verifier 3.1.2 Regulation for protected area (percentage of marked areas, recognised boundaries).

In District 4 in PT WKS' concession there is a 10-hectare area of relatively good forest cover. According to the local community, the area is part of PT WKS' protected area. However there is no signboard observed that provides information about the protected area.



Figure 15. Protected area in PT WKS' District 4. There is no information signboard indicating the designation of the protected area.

- Verifier 3.2.4. Implementation of protection against forest disturbance (pre-emptive/preventive/repressive).

A massive fire occurred in District 8 in PT WKS during a long drought in 2015⁴⁰ (at coordinate S012131.4 E1024346.5).





Figure 16. Burnt area in PT WKS in 2015.

- Verifier 2.5.3 Implementation of work map by marking boundaries of harvest/logged-over/utilised/planted/developed blocks as well as the area designated for protection. JPIK found acacia planted along Kualu Tributary. The area should not have been developed as production area because of its status as riparian buffer (development observed at coordinate S012147.8 E 1024226.2). Moreover, there are other riparian buffers converted into production areas.⁴¹
- Verifier 3.3.1 The availability of procedures for soil and water impact and management. The bridge that PT WKS constructed by piling acacia logs has blocked the river flowing below (observed at coordinate S 012050.8 E 10242 21.2).
- Verifier 4.1.3 Availability of a mechanism to recognise basic rights of indigenous and local communities in forest resources management. There has been no boundaries delineation agreed by the company and indigenous communities.⁴²
- Verifier 4.2.3 Socialisation to communities on rights and responsibilities of licence holder on forest resources management. PT WKS has never conducted socialisation to Pelayang Tebat Sub-village on corporate responsibilities to the community of Pelayang Tebat Sub village in Lubuk Mandarsah Village, Tebo District, Jambi.⁴³

- Verifier 4.4.1 Availability of conflict resolution mechanism.
There is on-going conflict between the company and communities of Singoan, Kembang Seri, Aro and Lubuk Mandarsah Villages, and other villages that have not been resolved. The community does not know about availability of conflict resolution organisation/body from PT WKS.⁴⁴



Figure 17. Riparian buffer developed as production area



Figure 18. Logs piled as a crossing bridge blocks river flow

On 19 September 2016 a complaint was submitted to PT TUV Rheinland Indonesia. PT TUV Rheinland Indonesia responded to the report and stated that JPIK Jambi's complaints would be addressed during the surveillance audit conducted on 20-26 September 2016.

Following the surveillance audit, in accordance with PHPL performance assessment standards and guide, the Assessment Body for Sustainable Management of Production Forest Management (LP-PHPL) publishes every S-PHPL issuance, revision, suspension, and revocation on their website and the ministry/SILK website by 7 (seven) calendar days at the latest after the decision is made. However, in January 2017, PT TUV Rheinland Indonesia still has not published the surveillance audit results on the ministry/SILK website. Therefore the surveillance audit results, especially those pertaining progress of JPIK's complaint is not known.

With this in mind, JPIK sent a complaint to PT TUV Rheinland Indonesia on 11 January 2017 on the unavailable publication on the SILK website. PT TUV Rheinland Indonesia responded to JPIK's complaint on 19 January 2017, explaining that there was a non-technical archiving problem in the certification body's database system that caused a delay in publication. Moreover, PT TUV Rheinland Indonesia also sent JPIK a copy of the decision and summary of PT Wirakarya Sakti's second performance surveillance audit

11. IUPHHK-HT PT Fajar Surya Swadaya (FSS)

Location	: Paser and North Penajam Paser Districts, East Kalimantan
Certification Type	: PHPL
Standard Reference	: Perdirjen P.14/PHPL/SET/4/2016 in conjunction with Perdirjen BUK No. P.1/VI-BPPHH/2015
Certification Body	: PT Mutuagung Lestari
Certificate Number	: LPPHPL-008/MUTU/FM-009
Validity Period	: 16 December 2013 – 15 December 2018

JPIK East Kalimantan conducted monitoring in July to August 2016.

The monitoring result notes the following indications of non-compliance:

- Verifier 1.1.3 Stakeholders' recognition of IUPHHK in forest area (BATB).
During the time of the monitoring in July to August 2016, boundary conflict between the company and communities in Muara Pias, Muara Lambakan, and Muara Toyu Villages was still on-going.
- Verifier 1.2.2 Socialisation of corporate vision, mission and objectives.
The company or village government never carried out socialisation informing PT FSS' establishment in Muara Toyu, Muara Pias, and Perkuwen Villages. There is an indication that village government at the time issue a licence to PT FSS because they owned land inside the forest concession area.



Figure 19. Markers indicating PT FSS' arbitrary land clearing planned on the land claimed by the communities

- Verifier 3.3.6 Impacts on soil and water.
Environmental impacts are observed on several rivers in Toy and Muara Pisa Villages, and Tunan River in Waru Sub district. Since PT FSS began its operations, river water debit decreased significantly in the dry seasons. During rainy seasons, river water becomes turbid and flash floods occurred
- Verifier 4.1.2 Mechanism for participatory boundary delineation/reconstruction and boundary conflict resolution is available.
PT FSS has broken an agreement with the Muara Lambakan community that stated the company would not begin work on community land without the community's consent.



Figure 20. A Creek is dammed by PT FSS' operations

- A fire broke out inside PT FSS concession in 2015 which spread to community's land in Muara Pias and Toyu Villages. PT FSS promised to compensate the losses of all impacted land owners. However, until the time of the monitoring, PT FSS still has not paid any compensation to the impacted communities.

JPIK is using results of this monitoring to improve and strengthen this system.

12. IUPHHK-HT PT Sumatera Riang Lestari Blok IV (SRL)

Location : Bengkalis District, Riau
 Certification Type : PHPL
 Standard Reference : Perdirjen P.14/PHPL/SET/4/2016
 Certification Body : PT Sarbi International Certification
 Certificate Number : 09B-SIC-04.01.Re.1
 Validity Period : 3 June 2016 – 2 June 2021

JPIK Riau conducted monitoring in August to September 2016.

The monitoring result notes the following indications of non-compliance:

- PT SRL Block IV is named as one of 23 companies causing forest fires and received administrative sanctions of permit suspension as stated in a press release from Secretariat General of Ministry of Environment and Forestry No. S.825/PHM-1/2015 dated 21 December 2015 concerning Government Punishment for 23 Companies Causing Forest Fires.
- In September 2016, JPIK found that PT SRL Block IV is still operating, harvesting and planting during permit suspension period.

A complaint was submitted to PT Sarbi International Certification on 29 November 2016. On 30 November 2016, PT Sarbi International Certification responded that PT SRL Block IV has complied with the demands in MoEF Decree No. 511/Men-LHK-Setjen/2015 that called for the company to:

1. Stop business operations as per 11 December 2015
2. Provide facilities and infrastructure for land and forest fires management
3. Manage toxic and hazardous waste based on applicable laws and regulations
4. Revise its environment documents and environment permit
5. Apologise publicly through the national media Suara Pembaruan on page 25, dated Wednesday 2 December 2015

Therefore, PT Sumatera Riang Lestari Block IV permit suspension was revoked on 30 March 2016 based on MoEF Decree No. 251/Menlhk/Setjen/PHLHK.0/3/2016.



Figure 21. Peatland clearing inside PT Sumatera Riang Lestari Block IV concession



Figure 22. Piles of acacia logs harvested by PT Sumatera Riang Lestari Block IV

13. IUPHHK-HT PT Ruas Utama Jaya (RUJ)

Location	: Rokan Hilir and Dumai Districts, Riau
Certification Type	: PHPL
Standard Reference	: Perdirjen P.14/PHPL/SET/4/2016
Certification Body	: PT Equality Indonesia
Certificate Number	: 009.2/EQC-PHPL/III/2014
Validity Period	: 21 May 2012 – 20 May 2017

JPIK Riau conducted monitoring in August-September 2016.

The monitoring result notes the following indications of non-compliance:

- Verifier 1.1.3 Stakeholders' recognition of IUPHHK in forest area (BATB).
There is boundary conflict between communities and PT RUJ in Jumrah and Teluk Villages in Rokan Hilir Block and in Nerbit Village in Dumai Block. Moreover, there is an overlapping land use between PT RUJ and the communities because the company has not done socialisation.⁴⁵
- Verifier 1.1.5 Land use for non-forestry purposes.
There are findings of land use for non-forestry purposes. Encroachment was observed in Dumai and Rokan Hilir Blocks in PT RUJ concession covering 15,000 hectares. The area had been converted into palm oil plantation.



Figure 23. Overlapping land use between the company and communities

- Verifier 1.5.4 Approval for protected area designation processes.
Communities around PT RUJ are never involved in process of designating a protected area. Furthermore, according to communities, there is no protected area around the Dumai Block and PT RUJ does not operate in the area.⁴⁶
- Verifier 3.2.4 Implementation of protection against forest disturbance (pre-emptive/preventive/repressive).
Encroachment and land and forest fires still occur in PT RUJ's concession. In 2015 fires took place in the concession and PT RUJ was named as a suspect in causing the fires, even though the investigation was eventually stopped.



Figure 24. Burnt area in PT RUJ concession in Rokan Hilir Block now planted with oil palm



Figure 25. Palm oil plantation owned by Jumrah Village communities located within PT RUJ's concession

- Verifier 4.1.4 There is a clear boundary separating management unit's work area with communities' area.

There is no clear boundary between PT RUJ's work area and the community's land. PT RUJ's land is also used for settlements.

JPIK sent a complaint on these findings on 29 November 2016. The next day on 30 November 2016, PT Equality responded. They stated that all of JPIK's complaints have been addressed in PT RUJ's assessment results and are in compliance with assessment norms that refer to applicable standards and guides.

14. IUPHHK-HT PT Intraca Hutani Lestari (IHL)

Location	: Bulungan, Malinau, and Tanah Tidung Districts, North Kalimantan
Certification Type	: PHPL
Standard Reference	: Perdirjen P.14/PHPL/SET/4/2016 in conjunction with Perdirjen BUK No. P.1/VI-BPPHH/2015
Certification Body	: PT Trustindo Prima Karya
Certificate Number	: 005.PHPL.019-IDN.02.14
Validity Period	: 2 February 2014 – 1 February 2019

Monitoring was conducted by JPIK North Kalimantan in September 2016.

The monitoring result notes the following indications of non-compliance:

- Verifier 1.1.4 Licence holders' actions in the event of changes to area's functions.
During the first surveillance there were findings of 11,470.87 ha production forest converted into Other Land Use Areas (APL). Upon this conversion, the company has not revised its long term work plan (revision of Work Plan for Timber Forest Product Utilisation in Plantation Forest) because the boundaries have not been completed. However, in results of the second surveillance the verifier is stated as Not Applicable.
- Verifier 3.3.6 Impacts on soil and water.
The Certification Body carried out impact assessment on soil and water in Maritam River to assess compliance with criteria and indicators. However the river is not located inside PT IHL concession.

Maritam River is a part of a network of short rivers that flow into Sekatak River in Bulungan District. The name "Maritam" is applies only to the river in the southern part of the concession and for PT IHL's work block codes. On the other hand, Betayau River is located on the eastern part of the concession and flows through 6 villages. The latter, however, was not assessed. The rivers are impacted by PT IHL's operations in which the river water becomes turbid and causes irritation to skin upon contact (itch).

JPIK is using results of this monitoring to improve and strengthen the system.

15. IUPHHK-HA PT Merbau Pelalawan Lestari (MPL)

Location	: Pelalawan District, Riau Province
Certification Type	: PHPL
Standard Reference	: Perdirjen BUK No. P.14/VI-BPPHH/2014 in conjunction with Perdirjen BUK No. P.1/VI-BPPHH/2015
Certification Body	: PT Equality Indonesia
Certificate Number	: 026/EQC-PHPL/I/2016
Validity Period	: 19 January 2016 – 18 January 2021

Monitoring was conducted by JPIK in November 2016.

Based on the Supreme Court Ruling No. 460K/Pdt/2-16 on MoEF's lawsuit against PT MPL for environmental degradation by:

1. Logging the forest outside of the IUPHHK-HT concession
2. Logging the forest inside of the IUPHHK-HT concession in violation of applicable regulations.

As stipulated in Annex 3.1 of Regulation of Director General of Forestry Business Development (Perdirjen BUK) No. P.14/VI-BPPHH/2014:

K.3. Events that result in revocation of S-PHPL (or S-LK):

- a. S-PHPL (or S-LK) certificate holder is unwilling to have their surveillance audit 3 (three) months after certificate suspension.
- b. There is evidence of legal violations, such as logging in areas outside the designated block, human rights violation, purchasing and/or receiving and/or storing and/or processing and/or selling illegal timber, and/or burning forest work area.
- c. S-PHPL (or S-LK) certificate holder will lose their rights to operate their business or have their business permit revoked (including licence revocation as follow up to licensing corruption).

Based on these findings, JPIK sent a complaint dated 21 November 2016 to PT Equality Sertifikasi certification body to revoke PT MPL's PHPL certificate. In response to the report, PT Equality Sertifikasi revoked PT MPL's certificate in 23 November 2016.⁴⁷

16. IUPHHK-HA PT Kemakmuran Berkah Timber

Location	: Mahakam Ulu District, East Kalimantan
Certification Type	: PHPL
Standard Reference	: Perdirjen P.14/PHPL/SET/4/2016
Certification Body	: PT Inti Multima Sertifikasi
Certificate Number	: IMS-SPHPL-016
Validity Period	: 25 July 2016 – 24 July 2021

JPIK East Kalimantan conducted monitoring in December 2016.

The monitoring result notes the following indications of non-compliance

- Verifier 1.1.3 Stakeholders' recognition of IUPHHK in forest area (BATB).
There is conflict between Lung Isun and Naha Aruq communities. The Lung Isun community places a claim on 2,837 ha land that the Naha Aruq community sold to the company.⁴⁸
- Verifier 1.2.2 Socialisation of corporate vision, mission and objectives.
PT Kemakmuran Berkah Timber never carried out socialisation to Long Isun indigenous community regarding potential environmental impacts caused by the company entering their customary land.⁴⁹
- Verifier 1.5.1 Approval of harvest plans through increasing understanding, participation, process documentation and dissemination of plans.
The company never carried out socialisation to the Long Isun indigenous community regarding the company's logging plans in Long Isun community's customary land.⁵⁰

JPIK East Kalimantan submitted a complaint to PT Inti Multima Sertifikasi in February 2017. PT Inti Multima Sertifikasi responded to all of the complaints in accordance with the complaints procedures in PT Inti Multima Sertifikasi.

17. IUPHHK-HA PT Minas Pagai Lumber (MPL)

Location	: Mentawai Islands District, West Sumatera
Certification Type	: PHPL
Standard Reference	: Perdirjen P.14/PHPL/SET/4/2016
Certification Body	: PT Sarbi International Certification
Certificate Number	: 12.r2-SIC-04.02
Validity Period	: 6 December 2014 – 5 December 2017

Monitoring was conducted by JPIK West Sumatera in September 2017.

The monitoring result notes the following indications of non-compliance:

- Verifier 1.1.2 Realisation of boundary setting and its legitimacy (BATB).
Delineation of PT MPL's boundaries has not been completed with the settlement areas, specifically in Sinakak Village, South Pagai Sub district.
- Verifier 1.1.3 Stakeholders' recognition of IUPHHK in forest area (BATB)
The Taikako Hulu Village community in Sikakap Sub district objects to PT MPL's boundaries in the community's settlement area, farm land and plantation because the boundary process failed to include the entire community.
- Verifier 2.5.4 The conformity of location, area, species group with short-term management plan documents.
There was logging outside of the 2016 annual work plan area.
- Verifier 3.3.1 The availability of procedures for soil and water impact and management.
There is logging along the Simanoppu and Simangaik riparian buffers located less

than 50 meters from the river. In addition the Manganjo Tributary is dammed with logs from logging and excavation during road clearing.

- There are differences on the amounts of timber payment to communities.
- PT MPL has not conducted their obligation to collaborate with local community cooperatives.

JPIK West Sumatera submitted a complaint to PT Sarbi International Certification (SIC) in October 2017. PT SIC has responded to all of the complaint in November 2017.

II.II Monitoring S-LK certified Companies

1. IUIPHHK dan IUI PT Katingan Timber Celebes

Location	: Makassar City, South Sulawesi
Certification Type	: VLK
Standard Reference	: Perdirjen BUK No. P.14/VI-BPPHH/2014 in conjunction with Perdirjen BUK No. P.1/VI-BPPHH/2015
Certification Body	: PT Mutuagung Lestari
Certificate Number	: LVLK-003/MUTU/LK-208
Validity Period	: 28 May 2014 – 27 May 2017

JPIK South Sulawesi conducted monitoring in March 2015.

The monitoring result notes the following indications of non-compliance:

- Indikator 3.3.1 V-Legal logo implementation.
The independent monitors did not find any V-Legal logo on any log in PT Katingan Timber Celebes' log pond. Therefore JPIK recommends PT Katingan Timber Celebes to mark their timber products with the V-Legal logo.

JPIK sent a complaint to PT Mutuagung Lestari in October 2015. PT Mutuagung Lestari responded to JPIK's complaints by clarifying that PT Katingan Timber Celebes' logs are sourced from IUPHHK-HA PT Gema Hutan Lestari. Therefore, the obligation to stamp V-Legal logo is borne by PT Gema Hutan Lestari. PT Mutuagung Lestari has reminded PT Gema Hutan Lestari to mark their logs with the V-Legal logo.



Figure 26. Unmarked logs lacking V-Legal logo in PT Katingan Timber Celebes

2. IUIPHHK dan IUI PT Korindo Ariabima Sari

Location	: West Kotawaringin District, Central Kalimantan Province
Certification Type	: VLK
Standard Reference	: Perdirjen BUK No. P.14/VI-BPPHH/2014 in conjunction with Perdirjen BUK No. P.1/VI-BPPHH/2015
Certification Body	: PT Mutu Hijau Indonesia
Certificate Number	: 0006/MHI-VLK
Validity Period	: 11 March 2014 – 10 March 2017

JPIK Central Kalimantan conducted monitoring in March 2015.

Based on monitoring, there are indications of non-compliance on:

- Indikator 3.3.1 V-Legal logo implementation.
The independent monitors did not find any V-Legal logo on any log in PT Korindo Ariabima Sari's log yard. Therefore JPIK recommends PT Korindo Ariabima Sari to mark their timber products with the V-Legal logo.

JPIK submitted a complaint to PT Mutu Hijau Indonesia in October 2015. However, the company has not followed up with a response.



Figure 27. Unmarked logs lacking V-Legal logo in PT Korindo Ariabima Sari

3. IUPHHK-HA PT Mandau Talawang

Location : Kapuas District, Central Kalimantan Province
 Certification Type : VLK
 Standard Reference : Perdirjen BUK No. P.14/VI-BPPHH/2014 in conjunction with
 Perdirjen BUK No. P.1/VI-BPPHH/2015
 Certification Body : PT Mutu Hijau Indonesia
 Certificate Number : 0006/MHI/VLKH
 Validity Period : 20 July 2013 – 19 July 2016

JPIK East Java conducted monitoring in March 2015.

The monitoring result notes the following indications of non-compliance:

- Indikator 3.3.1 V-Legal logo implementation.

The independent monitors did not find any V-Legal logo on any of PT Mandau Talawang's logs in Gresik Harbour, East Java. Therefore, JPIK recommends PT Mandau Talawang to mark their timber products with physical V-logo.





Figure 28. Unmarked logs lacking V-Legal logo in PT Mandau Talawang

4 IUI PT Yori Masa Company

Location	: Gresik District, East Java
Certification Type	: VLK
Standard Reference	: Perdirjen BUK No. P.14/VI-BPPHH/2014 in conjunction with Perdirjen BUK No. P.1/VI-BPPHH/2015
Certification Body	: Sucofindo International Certification Services
Certificate Number	: VLK 00267
Validity Period	: 2 April 2013 – 1 April 2016

JPIK East Java conducted monitoring in March 2015.

Monitoring aimed to observe V-Legal logo markings on logs received by Primary Industries of Timber Forest Products (IPHHK) in East Java. During monitoring in PT Yori Masa Company, the company was not observed receiving any logs in March 2015.





Figure 29. PT Yori Masa Company in Gresik District

5. IUPHHK-HA PT Trisetia Intiga

Location	: Lamandau District, Central Kalimantan
Certification Type	: VLK
Standard Reference	: Perdirjen BUK No. P.14/VI-BPPHH/2014 in conjunction with Perdirjen BUK No. P.1/VI-BPPHH/2015
Certification Body	: PT Equality Indonesia
Certificate Number	: 031/EQC-VLK/II/2013
Validity Period	: 13 February 2013 – 12 February 2016

JPIK Central Kalimantan conducted monitoring in March 2015.

From the monitoring, it is observed that PT Trisetia Intiga's V-Legal logo use on their logs are in accordance with Verifier 3.3.1 concerning V-Legal logo implementation.





Figure 30. Logs in PT Trisetia Intiga are marked with V-Legal logos

6. IUPHHK-HA PT Mohtra Agung Persada

Location	: East Halmahera and Central Halmahera Districts, North Maluku
Certification Type	: VLK
Standard Reference	: Perdirjen BUK No. P.14/VI-BPPHH/2014 in conjunction with Perdirjen BUK No. P.1/VI-BPPHH/2015
Certification Body	: PT Lambdoja Sertifikasi
Certificate Number	: LASER/LK-IUPHHK-HA/2015/16-01
Validity Period	: 24 November 2015 – 23 November 2018

JPIK conducted monitoring in August 2015.

The monitoring result notes the following indications of non-compliance:

- The monitoring result notes the following indications of non-compliance: Timber shipments and sales are done without S-LK. During monitoring in August 2015, PT Mohtra Agung Persada at the time had not obtained S-LK but was still shipping and marketing logs to East Java and South Sulawesi. One of the companies receiving log shipments from PT Mohtra Agung Perkasa is PT Panca Usaha Palopo Plywood.

Since PT MAP had not obtained S-LK at the time of the monitoring (S-LK was under assessment by PT Lambdoja Sertifikasi), the complaint was then sent to PT PUPP as recipient of logs from a non-S-LK certified source (PT MAP). In this case, the complaint was sent to PT Mutuagung as PT PUPP's LVLK.



Location : Luwu District, South Sulawesi

Certification Type : VLK

Standard Reference : Perdirjen BUK No. P.14/VI-BPPHH/2014 in conjunction with
Perdirjen BUK No. P.1/VI-BPPHH/2015

Certificate Number : LVLK-003/MUTU/LK-031

Validity Period : 29 November 2014 - 28 November 2017

The monitoring result notes the following indications of non-compliance:

- A complaint was submitted on November 2015 to PT Mutuagung Lestari as PT Panca Usaha Palopo Plywood's certification body. The complaint discussed Indicator 2.1.1 (Businesses can prove that raw materials are legally sourced), and Verifier (g) Timber Legality Certificate/Sustainable Production Forest Management documents from the supplier and/or Supplier's Conformity Declaration from PT Panca Usaha Palopo Plywood.

PT Mutuagung Lestari sent their response to the complaint in February 2016. PT Mutuagung decided to send a warning letter to PT Panca Usaha Palopo Plywood without the need for any special audit.

KEMENTERIAN KEHUTANAN
SURAT KETERANGAN SAH KAYU BULAT (SKSKB)
 (Merupakan surat keterangan sahnya hasil hutan)

Provinsi: **MALUKU UTARA**
 Kabupaten/Kota: **MALAKANERA TENGAH**

Nomor Seri: **06 1894100**

Tempat: **PT. LIMA DELIA**
 Tanggal: **25-02-2015**

PEMILIK HUTAN		PENGALIHAN HAK	
Nama	PT. MOHTRA AGUNG PERSADA	Mengalihkan	KE PT. LIMA DELIA
Alamat dan Nomor Telepon	Kemp. Ruko Jalan Tepak 100-1, 10501, 126-250	Didirikan	25. Selly 11 / 25. Selly 20
		Alamat	Temp. Selly 11 dan Selly 20, 250
		Tempat Mula	Timor Kabupaten Malakana Tengah
Nama	PT. Panca Usaha Palopo Plywood	Ke	PLASMA PERUSAHAAN PT. LIMA DELIA
Permodalan	Desa Surobo Kecamatan Peta Kabupaten Lomblan Tengah	Alamat Lokasi	Temp. Selly 11 dan Selly 20, 250
Informasi Tambahan		Alamat	Timor Kab. Malakana Tengah

No	KELompok Jenis	Jumlah	Volume	SAH KAYU BULAT
1.	Kelompok Meranti	410	1,577,74	PT. MOHTRA AGUNG PERSADA
2.	Kelompok B. Campuran	475	1,757,54	
JUMLAH		885	5,337,54	

Salinan surat keterangan sah kayu bulat ini hanya valid jika disertai dengan tanda terima yang tertera pada bagian bawah ini dan tertera pada bagian bawah ini.

Revisi: **03 / 02 / 2015** Tanggal: **06 Mei 2015**

Figure 32. SKSKB document from PT Mohtra Agung Persada sent to PT Panca Usaha Palopo Plywood

8. IUIPHHK PT Usaha Loka

Location : Malang City, East Java
 Certification Type : VLK
 Standard Reference : Perdirjen BUK No. P.14/VI-BPPHH/2014 in conjunction with Perdirjen BUK No. P.1/VI-BPPHH/2015
 Certification Body : Sucofindo International Certification Services
 Certificate Number : VLK00138
 Validity Period : 08 October 2015 - 07 October 2021

Monitoring was conducted by JPIK East Java in October 2015.

The monitoring result notes the following indications of non-compliance:

- Indikator 2.1.1 Verifier (g) S-LK/S-PHPL owned by supplier and/or DKP from supplier. PT Usaha Loka supplies raw materials from Trading Company (UD) named Narda Jati Raya that has already obtained group certificate for timber legality under Association of Small Scale Industries (APIK) Jombang. After further investigation, it is found that UD Narda Jati Raya is not registered as a member of APIK Jombang group.

These findings indicate S-LK falsification by UD Narda Jati Jaya. Upon review of APIK Jombang's S-LK document issued by PT Transtra Permada, registered members of APIK Jombang are UD Ika Jati, Rimba Asri, PK Mojopahit, UD Barokah, and UD Yani Indah Jaya.

JPIK East Java sent a complaint to Sucofindo International Certification Services (Sucofindo ICS) on 23 October 2017. Afterward, Sucofindo confirmed that UD Narda Jati Jaya is not registered as a member APIK Jombang and therefore does not have the right to claim/use APIK Jombang's S-LK certification. This finding was confirmed following clarification from PT Transtra Permada that issued APIK Jombang's S-LK document.

JPIK sent its second complaint to Sucofindo on 29 February 2016 to confirm raw material received from PT Usaha Loka. Sucofindo responded on 1 March 2016 stating that from September 2015 to January 2016 all of PT Usaha Loka's suppliers have obtained S-LK certification or have DKP based in compliance with applicable regulations. By then, PT Usaha Loka no longer receive raw material from UD Narda Jati Jaya.



Figure 33. Falsified S-LK document listing UD Narda Jati Jaya as certificate holder



Figure 34. APIK Jombang's original S-LK document without UD Narda Jati Jaya listed as member

9. Perum Perhutani KPH Probolinggo

Location	: Probolinggo District, East Java
Certification Type	: VLK
Standard Reference	: Perdirjen BUK No. P.14/VI-BPPHH/2014 in conjunction with Perdirjen BUK No. P.1/VI-BPPHH/2015
Certification Body	: PT Equality Indonesia
Certificate Number	: 052.2/EQC-VLK/V/2015
Validity Period	: 24 May 2013 – 23 May 2016

JPIK East Java – Yogyakarta conducted monitoring in October 2015.

The monitoring result notes the following indications of non-compliance:

- Indikator 2.1.1 RKUPHHK/Forest Sustainability Management Plan and Annual Work Plan (Work Chart/Annual Technical Plan) are legalised by authorities.
Logging in block 32A in Gucialit forest management resort in Senduro sub forest district, Probolinggo Forest Management Unit (KPH) is allegedly non-compliant with the company's annual and technical work plans as announced on the Logging Announcement Board No. 06/TEB.A2/2015 on 31 January 2015.
- Indikator 4.1.2 Licence holder has Environment Management and Monitoring Plan reports that explain measures for mitigate environmental impacts and provide social benefits.

Logging in block 32A in Gucialit forest management resort in Senduro sub forest district, Probolinggo KPH in 2015 has reduced water debit Sumberuling River by up to 50% compared to water debit before logging. This has led to water shortage in Gucialit Village.

JPIK Central Java-Yogyakarta sent a complaint to PT Equality Indonesia in March 2016. In response, PT Equality Indonesia, Perhutani, and PHPL Directorate General held a hearing with JPIK to discuss resolution of the complaint.

10. IUIPHHK UD Berkas Usaha Bersama

Location : Gunung Mas District, Central Kalimantan
 Certification Type : VLK
 Standard Reference : Perdirjen BUK No. P.14/VI-BPPHH/2014 in conjunction with Perdirjen BUK No. P.1/VI-BPPHH/2015
 Certification Body : PT Transtra Permada
 Certificate Number : 125/LVLK-009/IV/2015
 Validity Period : 17 April 2015 – 16 April 2018

JPIK Central Kalimantan conducted monitoring in October 2015.

The monitoring result notes the following indications of non-compliance:

- Indikator 1.1.1. Verifier (g) IUIPHHK, IUI or Permanent Business Permit (IUT) .
 Business permit issued by authorised agency does not conform to other relevant documents.



Figure 35. UD Berkas Usaha Bersama's S-LK Certificate

- Indikator 3.3.1 V-Legal logo implementation.
V-Legal logo was not found on products of mandatory V-Legal labelling.
- Indikator 4.1.1 Verifier (b) Occupational health and safety implementation.
Proper and well-functioning occupational health and safety equipment is not available.



Figure 36. Workers without health and safety equipment

JPIK Central Kalimantan sent a complaint to PT Transtra Permada based on the findings at UD Berkat Usaha Bersama. PT Transtra Permada responded all the points in the complaint and confirmed JPIK's findings.

11. IUIPHHK UD Karya Abadi

Location	: Gunung Mas District, Central Kalimantan Province
Certification Type	: VLK
Standard Reference	: Perdirjen BUK No. P.14/VI-BPPHH/2014 in conjunction with Perdirjen BUK No. P.1/VI-BPPHH/2015
Certification Body	: PT Transtra Permada
Certificate Number	: 123/LVLK-009/IV/2015
Validity Period	: 16 April 2015 – 15 April 2018

JPIK Central Kalimantan conducted monitoring in October 2015 and February 2016.

The monitoring result notes the following indications of non-compliance:

- Indikator 2.1.1 . Businesses can prove that raw materials are legally sourced.
There are indications that UD Karya Abadi and GANIS PHPL Supervising Forestry Office did not thoroughly trace raw materials received from land clearing for palm oil plantation in PT Persada Sejahtera Agro Makmur.
- Indikator 2.1.1 Verifier (d) Document of transporting legal forest products.
Processed timber is transported without legal timber transportation documents.

JPIK is using results of this monitoring to improve and strengthen this system.

12. IUIPHHK UD Syukur Abadi

Location	: Gunung Mas District, Central Kalimantan
Certification Type	: VLK
Standard Reference	: Perdirjen BUK No. P.14/VI-BPPHH/2014 in conjunction with Perdirjen BUK No. P.1/VI-BPPHH/2015
Certification Body	: PT Transtra Permada
Certificate Number	: 123/LVLK-009/IV/2015
Validity Period	: 16 April 2015 – 15 April 2018

Monitoring was conducted by JPIK Central Kalimantan in October 2015.

The monitoring result notes the following indications of non-compliance:

- Indikator 1.1.1 Verifier (g) IUIPHHK, IUI or IUT.
Business permit issued by authorised agency does not conform to other relevant documents.
- Indikator 3.3.1 V-Legal logo implementation.
V-Legal logo was not found on products of mandatory V-Legal labelling.
- Indikator 4.1.1 Verifier (b) Occupational health and safety implementation.
Proper and well-functioning occupational health and safety equipment is not available.



Figure 37. UD Syukur Abadi's S-LK Certificate

JPIK Central Kalimantan submitted a complaint to PT Transtra Permada based on findings in UD Syukur Abadi. PT Transtra Permada responded to all of JPIK's complaint items and confirmed JPIK's finding

13. IUIPHHK PT Kayan Jaya Tanjung

Location : Surabaya City, East Java
 Certification Type : VLK
 Standard Reference : Perdirjen BUK No. P.14/VI-BPPHH/2014 in conjunction with Perdirjen BUK No. P.1/VI-BPPHH/2015
 Certification Body : Sucofindo International Certification Services
 Certificate Number : VLK 00109
 Validity Period : 03 July 2015 - 02 July 2018

Monitoring was conducted by JPIK East Java in January 2016.

Monitoring results of showed indications of non-compliance on:

- Indikator 1.1.1 Verifier (f) Environmental documents (Environmental Impact Analysis – AMDAL/Environmental Management and Monitoring Efforts – UKL-UPL/Statement or Environmental Management – SPPL/Environmental Management Document – DPLH/Environmental Permit – SIL/Environmental Evaluation Document or DELH/other similar documents).

According to a letter from the Surabaya Municipal Environmental Agency in response to JPIK East Java's information request, PT Kayan Jaya Tanjung has not submitted its

periodic environment monitoring report since the first semester in 2015. Furthermore, PT Kayan Jaya Tanjung has never applied for a temporary toxic and hazardous waste storage.

- Indikator 4.1.1 Verifier (a) Occupational health and safety guide/procedure, and verifier (b) Occupational health and safety implementation.

Based on JPIK East Java's observation, workers in PT Kayan Jaya Tanjung workers do not wear personal protective equipment (PPEs) in the production area as well as their Registered Log Yard (TPT-KB).

According to Article 2 of Ministry of Manpower and Transmigration Regulation No. PER.08/MEN/VII/2010 on PPE, companies must provide PPE (that meet Indonesian National Standards or SNI) for workers at the work place free of charge.

JPIK is using results of this monitoring to improve and strengthen this system.

14. IUIPHHK PT Alas Petala Makmur

Location	: Surabaya City, East Java
Certification Type	: VLK
Standard Reference	: Perdirjen BUK No. P.14/VI-BPPHH/2014 in conjunction with Perdirjen BUK No. P.1/VI-BPPHH/2015
Certification Body	: Sucofindo International Certification Services
Certificate Number	: VLK-00007
Validity Period	: 3 January 2014 – 2 January 2017

Monitoring was conducted by JPIK East Java in January 2016.

The monitoring result notes the following indications of non-compliance:

- Indikator1.1.1 Verifier (f) Environmental documents (AMDAL/UKL-UPL/SPPL/DPLH/SIL/DELH/other similar documents).

In letter from the Surabaya Municipal Environmental Agency in response to an enquiry regarding PT Alas Petala Makmur's permits, the agency stated that the company has never applied for temporary toxic and hazardous waste storage permit. Based on that information, PT Alas Petala Makmur is indicated to be dumping toxic and hazardous waste directly to surrounding environment..

- Indikator3.3.1 V-Legal logo implementation.
Only some logs in PT Alas Petala Makmur log yard are marked with V-Legal. JPIK recommends that PT Alas Petala Makmur mark all logs in the registered log yard with the V-Legal logo to ensure all timber is legally sourced.
- Indikator 4.1.1 Verifier (b) Occupational health and safety implementation.
PT Alas Petala Makmur does not provide proper PPE for the workers. According to Article 2 of Ministry of Manpower and Transmigration Regulation No. PER.08/MEN/VII/2010 on PPE, companies must provide PPE (that meet Indonesian National Standards or SNI) for workers at the work place free of charge.

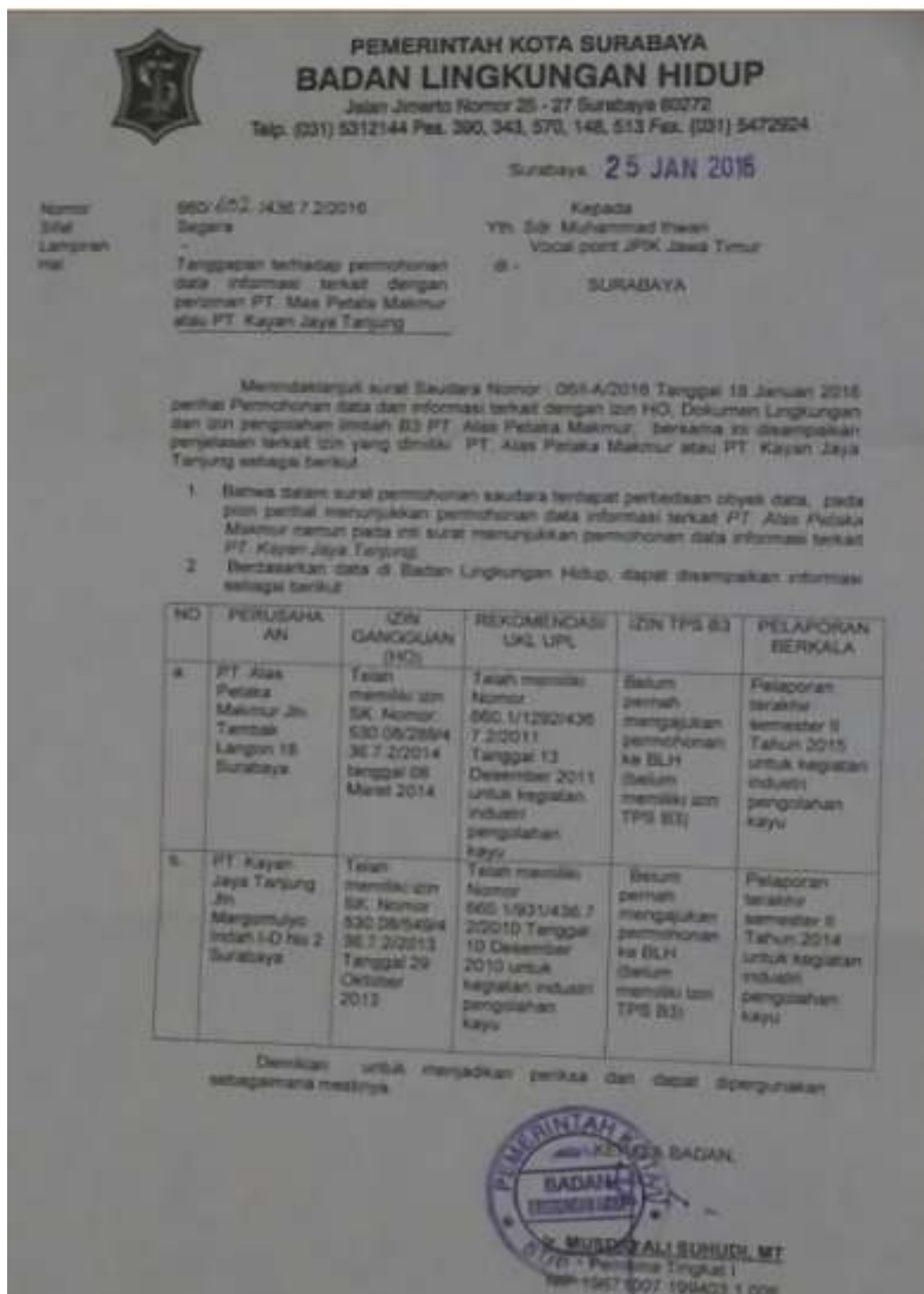


Figure 38. Surabaya Municipal Environmental Agency letter in response to JPIK East Java's information request. PT Alas Petala Makmur has never applied for temporary toxic and hazardous waste storage permit.



Figure 39. Not all logs in PT Alas Petala Makmur are marked with V-Legal logoh



Figure 40. Worker working without proper PPEs



Figure 41. PT Alas Petala Makmur's concession borders the coastline

- PT Alas Petala Makmur's concession is located along the coastline. Based on Article 42 of Surabaya Municipal Regulation No. 12 Year 2014 concerning Surabaya City Spatial Planning 2014-2034, the coastline in Asemrowo Sub district is designated as green open space and/or non-green open space integrated with waterfront city development with minimum width of 100 meter.

JPIK is using results of this monitoring to improve and strengthen this system.

15. IUIPHHK UD Sido Mukti

Location	: Trenggalek District, East Java
Certification Type	: VLK
Standard Reference	: Perdirjen BUK No. P.14/VI-BPPHH/2014 in conjunction with Perdirjen BUK No. P.1/VI-BPPHH/2015
Certification Body	: PT Trustindo Prima Karya
Certificate Number	: 180.SVLK.010-IDN.10.15 (Trenggalek Wood Joint Business Group Certificate)
Validity Period	: 22 October 2015 – 21 October 2021

JPIK East Java conducted monitoring in January 2016.

The monitoring result notes the following indications of non-compliance:

- Indikator 2.1.3 Verifier (e) Documents on Log Mutation Report/Small Log Mutation Report/Processed Timber Product Mutation Report
There is an indication that UD Sido Mukti does not record their Processed Timber Product Mutation Report as required by applicable regulation.
- Indikator 4.1.1 Verifier (b) Occupational health and safety implementation PPEs.
First aid kits and functioning fire extinguishers are not available.

JPIK is using results of this monitoring to improve and strengthen this system.

16. IUIPHHK CV Halmahera

Location	: Trenggalek District, East Java
Certification Type	: VLK
Standard Reference	: Perdirjen BUK No. P.14/VI-BPPHH/2014 in conjunction with Perdirjen BUK No. P.1/VI-BPPHH/2015
Certification Body	: PT Trustindo Prima Karya
Certificate Number	: 073.SVLK.010-IDN.01.15
Validity Period	: 26 January 2015 – 25 January 2021

Monitoring was conducted by JPIK East Java in January 2016.

The monitoring result notes the following indications of non-compliance:

- Indikator 2.1.1 UBusinesses can prove that raw materials are legally sourced.
There are indications that CV Halmahera procures logs from unclear sources for their industrial raw material.⁵¹
- Indikator 3.3.1 V-Legal logo implementation.
Not one log in CV Halmahera is marked with V-Legal logo. JPIK recommends that CV Halmahera mark all their logs with the V-Legal logo.
- Indikator 4.1.1 Verifier (a) Occupational health and safety guide/procedure, and Verifier(b) Occupational health and safety implementation.
Based on JPIK East Java's observation, many CV Halmahera workers were working without wearing the appropriate PPES.

JPIK is using results of this monitoring to improve and strengthen this system.



Figure 42. Unmarked logs lacking V-Legal logo in CV Halmahera

17. IUIPHHK UD Arfindo Raya

Location	: Trenggalek District, East Java
Certification Type	: VLK
Standard Reference	: Perdirjen No. P.14/VI-BPPHH/2014 in conjunction with Perdirjen BUK No. P.1/VI-BPPHH/2015
Certification Body	: PT Trustindo Prima Karya
Certificate Number	: 180.SVLK.010-IDN.10.15 (Trenggalek Wood Joint Business Group Certificate)
Validity Period	: 22 October 2015 – 21 October 2021

Monitoring was conducted by JPIK East Java in January 2016.

The monitoring result notes the following indications of non-compliance:

- Indikator 2.1.1 Verifier (g) Supporting documents for raw material supply plan for industry (RPBBI).

There are indications that UD Arfindo Raya does not have RPBBI documents⁵²

JPIK East Java sent a letter to the Trenggalek District Forestry Agency requesting clarification and a copy of RPBBI document. To date, the forestry agency has not responded to this request.

18. IUIPHHK PT Sumber Abadi Bersama

Location	: Malang District, East Java
Certification Type	: VLK
Standard Reference	: Perdirjen BUK No. P.14/VI-BPPHH/2014 in conjunction with Perdirjen BUK No. P.1/VI-BPPHH/2015
Certification Body	: PT Trustindo Prima Karya
Certificate Number	: 040.SLK.010-IDN
Validity Period	: 24 June 2014 – 25 June 2017

JPIK East Java conducted monitoring in February 2016.

Based on this monitoring, there are no indications of non-compliance with PHPL and VLK Performance Assessment Standard and Guide.

19. TPT-KB PT Alam Lestari Jaya Salbach

Location	: Gresik District, East Java
Certification Type	: VLK
Standard Reference	: Perdirjen BUK No. P.14/VI-BPPHH/2014 in conjunction with Perdirjen BUK No. P.1/VI-BPPHH/2015
Certification Body	: Sucofindo International Certification Services
Certificate Number	: VLK 00585
Validity Period	: 20 March 2015 - 19 May 2021

Monitoring was conducted by JPIK East Java in February 2016.

The monitoring result notes the following indications of non-compliance:

- Indikator 1.1.1 Registered Log Yard (TPT) has legal permits
With regard to permit completion, JPIK East Java did not find any signboards for PT Alam Lestari Jaya Salbach's company name in the concession. This finding is supported by a statement from the Head of Karang Kering Village that PT Alam Lestari Jaya Salbach is not registered in Karang Kering Village.
MoT Regulation No. 37/M-DAG/PER/9/2007 in conjunction with P.116/M-DAG/PER/12/2015 on Company Registration stipulates in Article 9 paragraph (10) that companies with Company Registration Certificate (TDP) must display its TDP in a place that is easily viewed by public. The company's TDP number must be listed on the signboard and company documents used in its business activities.
- Indikator 1.1.2 TPT is equipped with environmental documents.
PT Alam Lestari Jaya Salbach has obtained DPLH No. 660/02/SPPL/437.75/2015 from Gresik Environmental Agency. However, PT Alam Lestari Jaya has never submitted its 6-month periodic reports on DPLH implementation.

JPIK is using results of this monitoring to improve and strengthen this system.

20. IUI CV Delta

Location	: Malang City, East Java
Certification Type	: VLK
Standard Reference	: Perdirjen BUK No. P.14/VI-BPPHH/2014 in conjunction with Perdirjen BUK No. P.1/VI-BPPHH/2015
Certification Body	: PT Trustindo Prima Karya
Certificate Number	: 105.SVLK.010-IDN.03.15
Validity Period	: 23 March 2015 - 23 March 2018

JPIK East Java conducted monitoring in February 2016.

Based on this monitoring, there are no indications of non-compliance with PHPL and VLK Performance Assessment Standard and Guide.

21. IUIPHHK PT Karya Jati Sejati

Location	: Jombang District, East Java
Certification Type	: VLK
Standard Reference	: Perdirjen BUK No. P.14/VI-BPPHH/2014 in conjunction with Perdirjen BUK No. P.1/VI-BPPHH/2015
Certification Body	: PT Transtra Permada
Certificate Number	: 182/LVLK-009/IX/2015
Validity Period	: 14 September 2015 - 13 September 2021

JPIK East Java conducted monitoring in March 2016.

Based on this monitoring, there are no indications of non-compliance with PHPL and VLK Performance Assessment Standard and Guide .

22. IUIPHHK & IUI PT Multimanao Indonesia

Location	: Gresik District, East Java
Certification Type	: VLK
Standard Reference	: Perdirjen BUK No. P.14/VI-BPPHH/2014 in conjunction with Perdirjen BUK No. P.1/VI-BPPHH/2015
Certification Body	: PT BRIK Quality Services
Certificate Number	: BRIK-VLK-0027-RI
Validity Period	: 4 August 2014 – 14 August 2017

Monitoring was conducted by JPIK East Java in February 2016.

The monitoring result notes the following indications of non-compliance:

- Indikator 1.1.1 Verifier (d) Company Registration Certificate (TDP).
With regard to permit completion, JPIK East Java did not find any signboards for PT Multimanao Indonesia's company name in the concession. MoT Regulation No. 37/M-DAG/PER/9/2007 in conjunction with P.116/M-DAG/PER/12/2015 on Company Registration stipulates in Article 9 paragraph (10) that companies with Company Registration Certificate (TDP) must display its TDP in a place that is easily viewed by public. The company's TDP number must be listed on the signboard and company documents used in its business activities.
- Indikator 1.1.1 Verifier (b) Trading Business Licence (SIUP) or trade permit listed in the industrial permit.
JPIK found a discrepancy between the data issued by MoI and IUI issued by Gresik District Investment and Licensing Coordination Agency regarding industrial commodities.
- Indikator 1.1.1 Verifier (f) Environmental documents (AMDAL/UKL-UPL/SPPL/DPLH/SIL/DELH/other similar documents).
Based on information from Gresik District Environment Agency, PT Multimanao Indonesia does not submit its 6-month periodic environmental management report and has never applied for temporary toxic and hazardous waste storage permit.

JPIK is using results of this monitoring to improve and strengthen this system.

23. IUIPHHK UD Yani Indah Jaya

Location	: Jombang District, East Java
Certification Type	: VLK
Standard Reference	: Perdirjen BUK No. P.14/VI-BPPHH/2014 in conjunction with Perdirjen BUK No. P.1/VI-BPPHH/2015
Certification Body	: PT Transtra Permada
Certificate Number	: 266/LVLK-009/VIII/2016 (APIK Jombang Group Certificate)
Validity Period	: 29 August 2016 - 23 November 2020

JPIK East Java conducted monitoring in March 2016.

This monitoring notes indications of non-compliance on raw material legality. Independent monitors had a difficult time verifying this finding because they were unable to obtain evidence of UD Yani Indah Jaya's timber mutation report.

JPIK is using results of this monitoring to improve and strengthen this system.

24. IUIPHHK PT Hutan Lestari Mukti Perkasa

Location	: Gresik District, East Java
Certification Type	: VLK
Standard Reference	: Perdirjen BUK No. P.14/VI-BPPHH/2014 in conjunction with Perdirjen BUK No. P.1/VI-BPPHH/2015
Certification Body	: Sucofindo International Certification Services
Certificate Number	: VLK 00147
Validity Period	: 23 December 2015 - 22 December 2018

Monitoring was conducted by JPIK East Java in March 2016.

The monitoring result notes the following indications of non-compliance:

- Indikator 1.1.1 Verifier (f) Environmental documents (AMDAL/UKL-UPL/SPPL/DPLH/SIL/DELH/other similar documents).
Based on information from Gresik District Environmental Agency, PT Hutan Lestari Mukti Perkasa has never applied for temporary toxic and hazardous waste storage permit.
- Indikator 1.1.1 Verifier (g) IUIPHHK, IUI or IUT
Through monitoring, PT Hutan Lestari Mukti Perkasa's location as stated in the permit issued by the local Forestry Agency is different from the address listed in the permit issued by Local Trade Agency. Based on Forestry Agency permit, PT Hutan Lestari Mukti Perkasa's address is Darmo Sungondo Street 33, Tambak Kiring Village, Kebomas, Gresik District. Meanwhile the local Trade Agency's data lists company's address as Mayjen Sungkono Street 24, Kebomas, Gresik District.

- Indikator 3.3.1 V-Legal logo implementation.
From monitoring in Gresik Harbour and several companies of raw material sources, it is found that there are logs owned by PT Hutan Lestari Mukti Perkasa without any barcode and V-Legal logo.

JPIK is using results of this monitoring to improve and strengthen this system.

25. IUIPHHK UD Ika Jati

Location	: Jombang District, East Java
Standard Reference	: Perdirjen BUK No. P.14/VI-BPPHH/2014 in conjunction with Perdirjen BUK No. P.1/VI-BPPHH/2015
Certification Body	: PT Transtra Permada
Certificate Number	: 266/LVLK-009/VIII/2016 (APIK Jombang Group Certificate)
Validity Period	: 29 August 2016 - 23 November 2020

Monitoring was conducted by JPIK East Java in March 2016.

This monitoring notes indications of non-compliance on raw material legality. Independent monitors had a difficult time verifying this finding because they were unable to obtain evidence of UD Ika Jati's timber mutation report.

JPIK is using results of this monitoring to improve and strengthen this system.

26. IUIPHHK dan IUI PT Surya Saritama

Location	: Surabaya City, East Java
Certification Type	: VLK
Standard Reference	: Perdirjen BUK No. P.14/VI-BPPHH/2014 in conjunction with Perdirjen BUK No. P.1/VI-BPPHH/2015
Certification Body	: Sucofindo International Certification Services
Certificate Number	: VLK 00147
Validity Period	: 23 December 2015 - 22 December 2018

JPIK East Java conducted monitoring in March 2016.

The monitoring result notes the following indications of non-compliance:

- Indikator 3.3.1 V-Legal logo implementation.
Several logs transported by PT Surya Saritama were not marked with V-Legal logo.

JPIK is using results of this monitoring to improve and strengthen this system.

27. IUIPHHK PT Kayu Lapis Indonesia (KLI)

Location : Kendal District, Central Java
Certification Type : VLK
Standard Reference : Perdirjen BUK No. P.14/VI-BPPHH/2014 in conjunction with
Perdirjen BUK No. P.1/VI-BPPHH/2015
Certification Body : PT Mutu Hijau Indonesia
Certificate Number : 0026/MHI-VLK
Validity Period : 12 August 2014 – 11 August 2017

JPIK Central Java conducted monitoring in March to April 2016.

Independent monitor found that all logs that entered PT KLI have been marked with V-Legal logo during monitoring from March to April 2016.



Figure 43. V-Legal logo on logs from PT KLI's log supplier

28. IUIPHHK & IUI PT Waroeng Batok Industri (WBI)

Location	: Cilacap District, Central Java
Certification Type	: VLK
Standard Reference	: Perdirjen PHPL No. P14/PHPL/SET/4/2016
Certification Body	: PT BRIK QS
Certificate Number	: BRIK-VLK-0058
Validity Period	: 27 May 2015 – 26 May 2018

JPIK Central Java conducted monitoring in April 2016.

The monitoring result notes the following indications of non-compliance:

- Indikator 1.1.1. Verifier (d) Company Registration Certificate (TDP). With regard to permit completion, JPIK Central Java did not find any signboards for PT WBI's company name in the concession.
MoT Regulation No. 37/M-DAG/PER/9/2007 in conjunction with P.116/M-DAG/PER/12/2015 on Company Registration stipulates in Article 9 paragraph (10) that companies with Company Registration Certificate (TDP) must display its TDP in a place that is easily viewed by public. The company's TDP number must be listed on the signboard and company documents used in its business activities.
- Indikator 1.1.1. Verifier (f) Environmental documents (AMDAL/UKL-UPL/SPPL/DPLH/SIL/DELH/other similar documents).
JPIK Central Java found that PT WBI does not have a waste treatment system. Wastewater is dumped directly into rivers and caused river water to turn black. Moreover, PT WBI's wastewater also impacts surrounding rice fields. The company has not provided compensation to the affected farmers.
- Indikator 4.2.3 Company does not employ child workers.
There are underage workers (under 17 years old) observed working in PT WBI.

A complaint was filed to PT BRIK QS on 2 December 2016. On 9 December 2016, PT BRIK QS sent the following response:

- PT BRIK QS asked PT WBI to put its TDP number on a signboard or factory gate for clear display to the public.
- Following PT BRIK QS' verification, it is found that PT WBI has a Corporate Social Responsibility programme that supports communities in Neighbourhood Units (RT) 001, 002 and 003 in Community Unit (RW) 009 and RT 001/RW 010, as well as other organisations/institutions.
- During the 2015 re-certification audit, 16 underage workers around 17 year of age were observed. All of them have parental consent letters to work at PT WBI. During the first surveillance in 2016, underage workers (below 18 years old) were no longer found.



Figure 44. PT Waroeng Batok Industri discharges black coloured wastewater that flows directly to river surrounding rivers

29. IUIPHHK PT Dharma Satya Nusantara (DSN)

Location	: Temanggung District, Central Java
Certification Type	: VLK
Standard Reference	: Perdirjen BUK No. P.14/VI-BPPHH/2014 in conjunction with Perdirjen BUK No. P.1/VI-BPPHH/2015
Certification Body	: PT BRIK QS
Certificate Number	: BRIK-VLK-0004
Validity Period	: 13 January 2017 – 12 January 2020

JPIK Central Java conducted this monitoring in April 2016.

The monitoring result notes the following indications of non-compliance:

- Indikator 1.1.1. Verifier (f) Environmental documents (AMDAL/UKL-UPL/SPPL/DPLH/SIL/DELH/other similar documents).
Thick dark smoke was observed coming out of PT DSN with a pungent smell that caused breathing difficulties for farmers working around the factory. PT DSN has also dumped its wastewater directly into rivers causing pollution around the factory. The river water has turned dark brown.

JPIK is using results of this monitoring to improve and strengthen this system.



Figure 45. Dark and pungent smoke seen coming out from PT DSN's smokestack



Figure 46. PT DSN dumping wastewater

30. IUIPHHK & IUI PT Sengon Kondang Nusantara (SKN)

Location	: Magelang District, Central Java
Certification Type	: VLK
Standard Reference	: Perdirjen No. P.14/PHPL/SET/4/2016 in conjunction with Perdirjen BUK No. P.1/VI-BPPHH/2015
Certification Body	: PT Mutuagung Lestari
Certificate Number	: LVLK-003/MUTU/LK-040
Validity Period	: 15 March 2015 – 14 March 2018

JPIK Central Java conducted monitoring in April 2016.

The monitoring result notes the following indications of non-compliance:

- Indikator 1.1.1. Verifier (d) Industrial Registration Certificate (TDI). JPIK Central Java did not find any signboards of PT SKN's company name in the factory.
MoT Regulation No. 37/M-DAG/PER/9/2007 in conjunction with P.116/M-DAG/PER/12/2015 on Company Registration stipulates in Article 9 paragraph (10) that companies with Company Registration Certificate (TDP) must display its TDP in a place that is easily viewed by public. The company's TDP number must be listed on the signboard and company documents used in its business activities.
- Indikator 1.1.1. Verifier (f) Environmental documents (AMDAL/UKL-UPL/SPPL/DPLH/SIL/DELH/other similar documents).
Thick smoke from PT SKN's smokestacks reaches local communities and causes breathing difficulties. In addition, wastewater dumped into the Setro River is causing river water to turn dark and foul-smelling.

JPIK is using results of this monitoring to improve and strengthen this system.



Figure 47. Thick, dark smoke coming out of PT SKN's smokestacks



Figure 48. Dark and foul-smelling wastewater from PT SKN

31. IUI PT Homeware International Indonesia (HII)

Location	: Sleman District, Yogyakarta
Certification Type	: VLK
Standard Reference	: Perdirjen No. P.14/PHPL/SET/4/2016
Certification Body	: PT BRIK QS
Certificate Number	: BRIK-VLK-0339
Validity Period	: 12 October 2016 – 11 October 2022

Monitoring was conducted by JPIK Central Java in April 2016.

The monitoring result notes the following indications of non-compliance:

- Indikator 1.1.1. Verifier (c) Nuisance Permit.
Communities surrounding PT HII were never involved in discussions on nuisance permit.⁵⁴

JPIK is using results of this monitoring to improve and strengthen this system.

32. IUIPHHK CV Agung Jaya Utama (AJU)

Location	: Merangin District, Jambi
Certification Type	: VLK
Standard Reference	: Perdirjen BUK No. P.14/VI-BPPHH/2014 in conjunction with Perdirjen BUK No. P.1/VI-BPPHH/2015
Certification Body	: PT Mutuagung Lestari
Certificate Number	: LVLK-003/MUTU/LK-287
Validity Period	: 13 March 2015 – 12 March 2018

JPIK Jambi conducted this monitoring in May to June 2016.

Monitoring by JPIK Jambi on May to June 2016 has found that CV Aju was still shipping timber even when its S-LK Certificate had been revoked since 13 June 2016. According to the Certification Body, CV Aju's certificate was revoked because the company was not willing to have its first surveillance audit.

33. IUIPHHK UD Mardiana

Location	: Donggala District, Central Sulawesi
Certification Type	: VLK
Standard Reference	: Perdirjen BUK No. P.14/VI-BPPHH/2014 in conjunction with Perdirjen BUK No. P.1/VI-BPPHH/2015
Certification Body	: Sucofindo International Certification Services
Certificate Number	: VLK 00504
Validity Period	: 12 December 2014 – 11 December 2017

JPIK Central Sulawesi conducted monitoring in July to August 2016.

The monitoring result notes the following indications of non-compliance:

- Indikator 2.1.1 Businesses can prove that raw materials are legally sourced. Communities in several villages in Donggala District said that the timber supplied to UD Mardiana is illegal and logged by communities led by timber traders or cukong. The timber comes from Manimbaya, Ketong, Kamonji, Rano, Malei, Walandano, Tibo, Ombo, Sindosa, Sipeso, and Alindau Villages.
- Indikator 3.3.1 V-Legal logo implementation. The independent monitors did not find any V-Legal logo on logs transported from harvesting block, timber raw materials in industries, or on UD Mardiana's products.
- Indikator 4.1.1 Occupational health and safety guide/procedure and implementation. Workers were observed without PPEs.
- Indikator 4.2.3 Company does not employ child workers (outside applicable terms). Underage workers were found.
- According to its IUIPHHK, the company's annual capacity is less than 6,000 m³. However, in its audit Sucofindo ICS applies Annex 2.5 of the timber legality verification assessment standards and guide for IUIPHHK with capacity >6,000 m³/year and IUI investment > IDR 500 million.
- UD Mardiana industry in Dalaka Village is not the only one that active. The company also operates or active in Tada Village, Parigi Moutong District and South Malinou Banawa Village.

A complaint report submitted to Sucofindo on 10 January 2017. On 12 January 2017, Sucofindo responded and answered all JPIK complaint items

34. IUIPHHK dan IUI PT Intracawood Manufacturing

Location	: Tarakan District, North Kalimantan
Certification Type	: VLK
Standard Reference	: Perdirjen BUK No. P.14/VI-BPPHH/2014 in conjunction with Perdirjen BUK No. P.1/VI-BPPHH/2015
Certification Body	: PT Mutuagung Lestari
Certificate Number	: LVLK-003/MUTU/LK-004
Validity Period	: 12 November 2013 – 11 November 2016

Monitoring was conducted by JPIK North Kalimantan and National Secretariat in September 2016.

No indication of non-compliance on Standard and Guidance of Sustainable Production Forest Management and Timber Legality Verification Performance Assessment.

35. TPT UD Usaha Baru Maju (UBM)

Location : Gunung Mas District, Central Kalimantan
Certification Type : VLK
Standard Reference : Perdirjen PHPL No. P.14/PHPL/SET/4/2016
Certification Body : PT Inti Multima Sertifikasi
Certificate Number : IMS-SLK-148
Validity Period : 16 April 2016 – 15 April 2022

JPIK Central Kalimantan and National Secretariat conducted monitoring in October to December 2016.

Based on monitoring, JPIK has found non-compliance between UD Usaha Baru Maju's permit with its operations. The company's permit is for TPT-KB. However, from the monitoring it was found that UD Usaha Baru Maju is operating a sawmill industry.



Figure 49. Indications of UD Usaha Baru Maju's timber sawmill operations



Figure 50. UD Usaha Baru Maju's pile of logs

JPIK sent a complaint to PT Inti Multima Sertifikasi (IMS) in April 2017 based on the monitoring findings. PT IMS responded to the complaint and explained that site reported by JPIK is UD UBM's unloading site for its TPT. PT IMS also explained that site of the company stated in the complaint is located adjacent to UD UBM's registered log yard.

On May 2017 JPIK replied to PT IMS's response. JPIK stated that UD UBM is an industry. JPIK also requested PT IMS for the name of the company located adjacent to UD UBM. To date, there has been no further confirmation from PT IMS regarding JPIK's letter.

36. IUIPHHK Juita

Location	: Gunung Mas District, Central Kalimantan
Certification Type	: VLK
Standard Reference	: Perdirjen BUK No. P.14/VI-BPPHH/2014 in conjunction with Perdirjen BUK No. P.1/VI-BPPHH/2015
Certification Body	: PT Inti Multima Sertifikasi
Certificate Number	: IMS-SLK-128
Validity Period	: 20 February 2016 – 19 February 2019

JPIK Central Kalimantan and National Secretariat conducted monitoring in October to December 2016.



PEMERINTAH PROVINSI KALIMANTAN TENGAH
DINAS KEHUTANAN

Jalan Imam Bonjol No. 1 A Telepon 3221834 - 3236544 Fax: 3221656 - 3221192 Kotak Pos 93
 PALANGKA RAYA 73112

05 Desember 2016

Nomor : 522.2.311/2616/Dishut
 Lampiran : 1 (satu) berkas.
 Perihal : Permintaan Data Salinan
 Dokumen RPBBH Tahun 2016

Kepada Yth.
 Pimpinan Jaringan Pemantau Independen
 Kehutanan Kalimantan Tengah
 di -
 Palangka Raya

* Merindaklanjuti surat Jaringan Pemantau Independen Kehutanan Kalimantan Tengah Nomor : 52/FP-KT/PPK/XI/2016 tanggal 23 Nopember 2016 perihal Permintaan Data Salinan Dokumen Rencana Pemenuhan Bahan Baku Industri (RPBBH) Tahun 2016, bersama ini disampaikan print out dokumen penyampaian Rencana Pemenuhan Bahan Baku Industri (RPBBH) secara online Tahun 2016 sebagai berikut :

No	Nama BPBBH	Dokumen RPBBH 2016
1	IUPBBH Jaita	Tidak Ada
2	UD. Imo	Ada
3	UD. Family Lambang	Tidak ada
4	UD. Karya Abadi	Ada
5	UD. Akselerasi	Tidak Ada

Demikian kami sampaikan untuk dapat dipergunakan sebagaimana mestinya.

KEPALA DINAS,

Ir. SIPET HERMANTO
 Pembina Utama Madya
 NIP. 19600303 198901 1 004

Terbaca, Disampaikan Kepada Yth.

1. Direktur Jenderal Pengelolaan Hutan Produksi Lestari Kementerian Lingkungan Hidup dan Kehutanan di Jakarta
2. Kepala BPHP Wilayah X di Palangka Raya

Figure 51. Letter from Central Kalimantan Forestry Agency



Figure 52. No activities in IUIPHHK Juita

In its monitoring, JPIK found indications of timber transportation document sales by Juita to sawmills in Bereng Malaka Village, Gunung Mas District. These sawmills do not have appropriate permits and S-LK. In addition, IUIPHHK Juita has not submitted its routine RPBBi report to the Central Kalimantan Forestry Agency.

JPIK sent a complaint to PT IMS in April 2016 based on the monitoring. PT IMS responded by asking JPIK for supporting data so that PT IMS can pursue further actions. PT IMS also explained that IUIPHHK Juita's RPBBi has been reported manually to the Gunung Mas District Forestry Agency. On indications of transport document sale, PT IMS is facing difficulties to verify this.

In May 2017, JPIK sent additional information and asked PT IMS to establish an ad hoc team to address complaints or any other mechanism in line with the timber legality verification guide. However, to date, PT IMS has not responded the requests.

37. IUIPHHK T. Jimmy Chandra

Location : Gunung Mas District, Central Kalimantan
Certification Type : VLK
Standard Reference : Perdirjen BUK No. P.14/VI-BPPHH/2014 in conjunction with Perdirjen BUK No. P.1/VI-BPPHH/2015

Certification Body : PT Transtra Permada
 Certificate Number : 230/LVLK-009/III/2016
 Validity Period : 7 March 2016 – 6 March 2019

Monitoring was conducted by JPIK Central Kalimantan and National Secretariat in October to December 2016.

The monitoring result notes the following indications of non-compliance:

- In Supreme Court Decision No. 923K/Pid.Sus/2015, T. Jimmy Chandra (owner of IUIPHHK T. Jimmy Chandra) was named as suspect in the falsification of invoice of processed timber transportation document with indictment of multiple transportation of forest timber without having appropriate documents (SKSHH). The company's S-LK was not considered in the decision of the case.
- Based on JPIK's monitoring during September to October 2016, there were indications of illegal timber use from natural forest by IUIPHHK T. Jimmy Chandra. The timber was then sold to companies in Banjarmasin.
- There was routine non-compliance by IUIPHHK T. Jimmy Chandra on RPPBI reporting.



Figure 53. Timber indicated to be transported to IUIPHHK T. Jimmy Chandra



Figure 54. Trucks transporting illegal timber in front of IUIPHHK T. Jimmy Chandra's site

Based on these findings, JPIK sent a complaint to PT Transtra Permada in April 2017. PT Transtra Permada responded that IUIPHHK T. Jimmy Chandra's S-LK certification was suspended. To follow up on JPIK's complaint, PT Transtra Permada is coordinating with IUIPHHK T. Jimmy Chandra to carry out surveillance audit as soon as possible. JPIK's report will be verified during that first surveillance audit. If IUIPHHK T. Jimmy Chandra is not willing to have its surveillance audit within the specified timeframe, then its S-LK will be revoked. At the end of the S-LK suspension period, IUIPHHK T. Jimmy Chandra's S-LK certificate was revoked because the company did not immediately conduct a surveillance audit.

BAB III. ANALISIS PERKEMBANGAN IMPLEMENTASI SVLK

III.1 Accreditation

SVLK is based on an “operator-based licensing” approach that shares similarities with other forest management or product certification systems. The MoEF nominates a number of Conformity Assessment Bodies or Independent Assessment and Verification Bodies (*Lembaga Penilai Kesesuaian & Verifikasi Independen – LP&VI*) comprising Assessment Body for Sustainable Management of Production Forest Management (*Lembaga Penilai Pengelolaan Hutan Produksi Lestari – LP-PHPL*) and Verification Body for Timber Legality (*Lembaga Verifikasi Legalitas Kayu – LVKL*). These bodies are authorised to audit the legality of operations of timber producers, traders, processors and exporters (“operators”).

The relationship between actors involved in implementing SVLK is illustrated in **Figure 55** below:

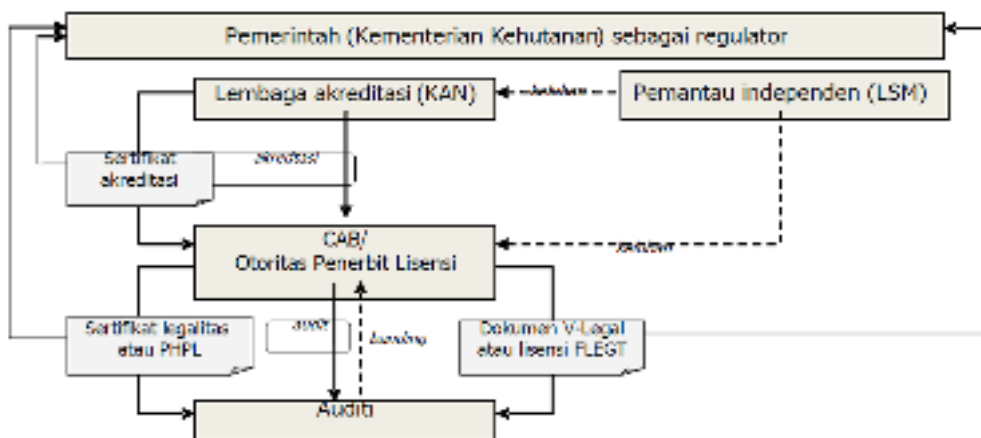


Figure 55. SVLK institutional structure (Source: Indonesia-EU VPA, Annex V page 299)

Indonesian National Standardisation Body and National Accreditation Body

The primary responsibility of the National Standardisation Body (*Badan Standardisasi Nasional – BSN*) is to facilitate, develop and coordinate nationwide standardisation. This agency replaces the functions of the National Standardisation Council (*Dewan Standardisasi Nasional – DSN*). In its duties, BSN refers to Government Regulation No. 102/2000 on National Standardisation. This body implements the Indonesian National Standard (*Standard Nasional Indonesia – SNI*) as

technical standard in Indonesia. BSN was formed based on Presidential Decrees No. 13/1997 as revised by No. 166/2000 on Position, Task, Function, Organisation Structure and Work Procedure of Non-Ministerial Government Institutions, as was finally revised as Presidential Decree No. 103/2001. BSN is a Non Ministerial Government Agency (*Lembaga Pemerintah Non Kementrian* – LPKN) responsible for supervision and development of standardisation in Indonesia.

To develop SNI, as of December 2015 BSN has developed 8,793 SNIs, among other standards on organic food, children's toys, biodegradable plastic bags, batteries for electrical vehicles, and processed timber products. BSN supports SVLK certification that will enable Indonesia's timber products to be accepted in global markets.

BSN's accreditation tasks and functions are executed by the Indonesian National Accreditation Body (*Komite Akreditasi Nasional* – KAN). KAN is an independent accreditation body established through Government Regulation No. 102/2000 concerning National Standardisation and Presidential Decree No. 78/2001 concerning National Accreditation Committee. KAN is responsible for authorising accreditation and providing considerations and recommendations to BSN in establishing accreditation and certification systems.

KAN is internationally recognised by the Pacific Accreditation Cooperation (PAC) and the International Accreditation Forum (IAF) to accredit certification bodies for Quality Management Systems, Environmental Management Systems and Product Certification. KAN is also acknowledged by the Asia Pacific Laboratory Accreditation Cooperation (APLAC) and the International Laboratory Accreditation Cooperation (ILAC).

Accreditation in SVLK

On 14 July 2009, KAN and the Ministry of Forestry (now Ministry of Environment and Forestry) signed a Memorandum of Understanding to provide SVLK accreditation services.

In Article 11 of MoEF Regulation No P.30/Menlhk/Setjen/PHPL.3/3/2016 on Evaluation of Sustainable Production Forest Management Performance and Timber Legality Verification for Holders of Concession, Management Concession, or Private Forest, it is stated that LP&VI is a company duly established under Indonesian law accredited by KAN to evaluate PHPL and/or Timber Legality Verification (*Verifikasi Legalitas Kayu* – VLK). Meanwhile LP-PHPL is an LP&VI that evaluates PHPL performance, while LVLK is another LP&VI that implements VLK.

SVLK accreditation scheme developed by KAN refers to international regulations. To ensure LP-PHPL and LVLK competency, KAN accreditation operates under SNI ISO/IEC 17065:2012. KAN has also developed requirements and guidance for accreditation such as Supporting Documents for Certification Bodies (*Dokumen Pendukung Lembaga Sertifikasi* – DPLS).



Figure 56. Accreditation process (Source: <http://www.kan.or.id/index.php/akreditasi/proses-akreditasi>)

Information on the accreditation process can be accessed through KAN's website on <http://www.kan.or.id/index.php/akreditasi/proses-akreditasi>, and accreditation documents are available at <http://www.kan.or.id/index.php/download/dokumen-akreditasi>.

As of December 2017, KAN has accredited 14 LP-PHPL⁵⁵ and 25 LVLK⁵⁶. LP-PHL and LVLK accreditation period is 4 years.

Tabel 4. Lembaga Penilai dan Verifikasi Independen

Name	LVLK Number	Name	LP-HPL Number
PT BRIK Quality Services	LVLK-001-IDN	PT Ayamaru Sertifikasi	LPPHPL-001-IDN
Sucofindo International Certification Services	LVLK-002-IDN	PT Sarbi International Certification	LPPHPL-004-IDN
PT Mutuagung Lestari	LVLK-003-IDN	Sucofindo International Certification Services	LPPHPL-005-IDN
PT Mutu Hijau Indonesia	LVLK-004-IDN	PT Almasentra Certification	LPPHPL-006-IDN
PT TUV Rheinland Indonesia	LVLK-005-IDN	PT Rensa Global Trust	LPPHPL-007-IDN
PT Equality Indonesia	LVLK-006-IDN	PT Mutuagung Lestari	LPPHPL-008-IDN
PT Sarbi International Certification	LVLK-007-IDN	PT Forescitra Sejahtera	LPPHPL-009-IDN
PT SGS Indonesia	LVLK-008-IDN	PT Equality Indonesia	LPPHPL-013-IDN

PT Transtra Permada	LVLK-009-IDN	PT Multima Krida Cipta	LPPHPL-015-IDN
PT Trustindo Prima Karya	LVLK-010-IDN	PT TUV Rheinland Indonesia	LPPHPL-016-IDN
PT Ayamaru Sertifikasi	LVLK-011-IDN	PT Global Resource Sertifikasi	LPPHPL-017-IDN
PT PCU Indonesia	LVLK-012-IDN	PT Transtra Permada	LPPHPL-018-IDN
PT Global Resource Certification	LVLK-013-IDN	PT Trustindo Prima Karya	LPPHPL-019-IDN
PT Scientific Certification System Indonesia	LVLK-014-IDN	PT Lambodja Sertifikasi	LPPHPL-021-IDN
PT Lambodja Sertifikasi	LVLK-015-IDN		
PT Intishar Sadira Eshan	LVLK-016-IDN		
PT Mandiri Mutu Sertifikasi	LVLK-017-IDN		
PT Nusa Kelola Lestari	LVLK-018-IDN		
PT Inti Multima Sertifikasi	LVLK-019-IDN		
PT Kreasi Prima Sertifikasi	LVLK-020-IDN		
PT Almasentra Sertifikasi	LVLK-021-IDN		
PT Trifos Internasional Sertifikasi (TRIC)	LVLK-022-IDN		
PT Borneo Wanajaya Indonesia	LVLK-023-IDN		
PT Garda Mutu Prima	LVLK-024-IDN		
PT Integritas Persada Sertifikasi	LVLK-025-IDN		

Based on KAN's accreditation of LP&VI, Director General of Sustainable PHPL on behalf of MoT authorises LP&VI to conduct transparent and accountable verification of SVLK.



Figure 57. Sample of MoF Decree on LVLK authorisation as LP&VI (MoF Decree No. SK.5524/Menhut-VI/BPPHH/2014)

Strengthening Accreditation-Related Regulations

Based on the case of PT Sarbi International Certification, in reference to MoEF Regulation No. P.30/Menlhk/Setjen/PHPL.3/3/2016 Article 11 paragraph (6), the Director General of PHPL should not have issued MoEF Regulation No. SK.3807/PHPL/PPHH/HPL.3/7/2017 to the company.

Box 4. Jurisdictional Error in Implementing Accreditation

The case of PT Sarbi International Certification (PT SIC)

MoEF Decree No. SK.3807/PHPL/PPHH/HPL.3/7/2017 dated 6 July 2017 on Suspension of Authority to Verify Timber Legality of IUIPHHK Holders with Less than Six Thousand Cubic Metres Annual Capacity on behalf of PT SIC as LVLK.

And based on Environment Minister Decision No. SK.5516/MenLHK-PHPL/PPHH/HPL.3/10/2017 concerning Revocation of Suspension of the PT Sarbi International Certification LVLK Authority as LP&VI issued on 20 October 2017.

Article 11 paragraph (6) of MoEF Regulation No. P.30/Menlhk/Setjen/PHPL.3/3/2016 states, "In the event in which there are indications that LP&VI has undertaken actions that are not in accordance with applicable laws and regulations, the Director General on behalf of the Minister shall, upon verifying truth of the case, revokes the authorisation". Article 11 paragraph (7) of the same regulation provides, "If said action under paragraph (6) falls under non-administrative violations, and sanctions shall be imposed in accordance with applicable laws and regulations." In addition, Article 11 paragraph (8) provides that, "Further provisions on investigation under paragraph (6) shall be governed by a Director General Regulation."

The PHPL Director General should not have suspended PT SIC's authority as LP&VI but instead should have revoked PT SIC's status as LP&VI if the company's actions are proven to have violated applicable laws and regulations (as stipulated by MoEF Regulation No P.30/Menlhk/Setjen/PHPL.3/3/2016 in Article 11 paragraph 6). In accordance with SVLK accreditation scheme, the authority to suspend LP&VI is held by KAN and not MoEF.

One issue on LP&VI authorisation revocation that is yet to be regulated as stipulated in Article 11 paragraph 6 of MoEF Regulation No. P.30/Menlhk/Setjen/PHPL.3/3/2016 is the lack of Director General Regulation that regulates an investigation mechanism whenever there are indications that LP&VI committed actions violating applicable laws and regulations.

III.II Development of Assessment/Verification, including Surveillance and Publication of Assessment Report Summary

SVLK implementation involves verification and surveillance as well as the availability of public summaries. JPIK has noted that, based on official LIU data, there are 473 assessments/verification conducted in 2014, and 828 verifications in 2015 (2016 assessment/verification data not available).

JPIK observed the following information on SVLK implementation over the 2014-2016 period, including assessments/verifications and surveillances as well as availability of assessment public summaries:

Out of the 25 LVLKs that have been accredited and nominated as verification bodies, JPIK reviewed their performance by sampling 20 assessments/verifications carried out by each LVLK from 2014 to 2016. The review was done by analysing: (i) availability of assessment/verification plan notification, (ii) availability of public summaries for initial certification results, and (iii) availability of public summaries for surveillance results in the SILK website. Sampling distribution and analysis of the availability of this information is presented in **Figure 58**.



Figure 58. MoEF Decree No. SK.3807/2017 concerning Suspension and MoEF Decree No. SK.5516/2017 concerning Revocation of Suspension of LVLK PT Sarbi International Certification

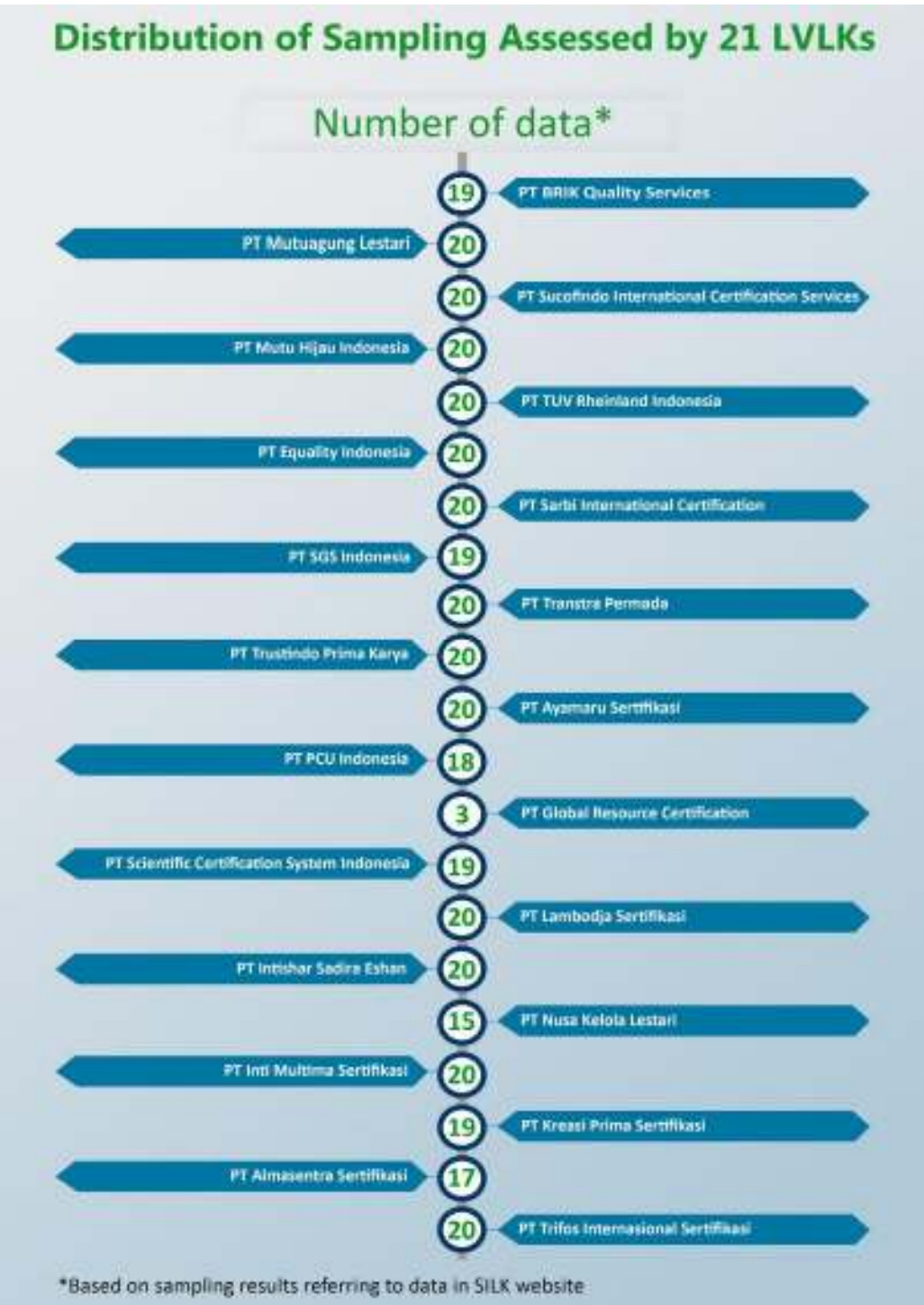


Figure 59. Distribution of samples assessed by 21 LVLKs

Out of 389 samples for 21 LVLKs or approximately 20 samples on average for each LVLK (there are 25 SVLKs as of 1 September 2017), JPIK found that information that should be accessible for public is not yet fully available. Unavailable information includes: (a) assessment/verification plan notification, (b) public summaries on initial certification results, and (c) public summaries of surveillance results. These requirements have not been fully met by all KLHK-accredited and nominated LVLKs.

On the other hand, JPIK also documented improvements that have been made to meet the requirements to deliver information to public from 2014 to 2016. Based on the sample analysis, the average performance in meeting this requirement increased from 67% in 2014 to 74% in 2015 and 87% in 2016.

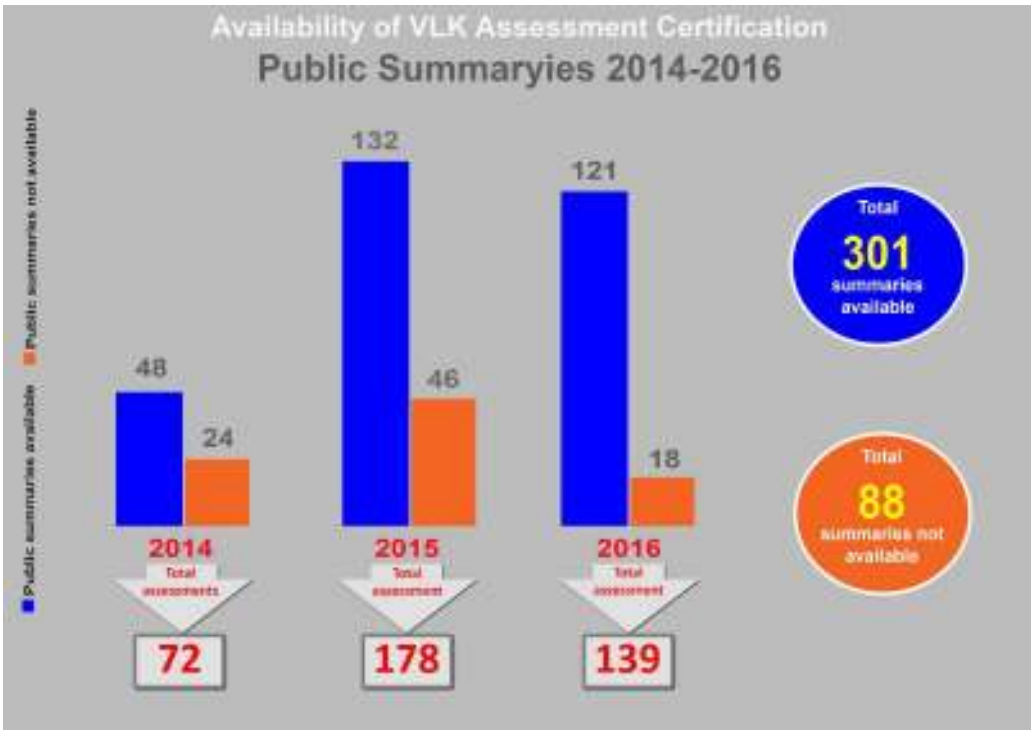


Figure 60. Sampling results of availability of VLK assessment certification public summaries 2014-2016

Availability of assessment information is critical to ensure the implementation of credible, guaranteed and accountable assessment/verification. Monitoring by independent monitors, including local communities, is an important supplement for basic assessment/verification as well as surveillance by verification bodies because initial audits or surveillance by verification bodies are done periodically within a limited time frame.

Information from independent monitors is an important verification input for verification bodies to ensure certification accountability that have been or will be provided to licence holders. This includes, for example, information on progress of S-PHPL or S-LK performance toward meeting assessment/verification standards as well as information on indications of violations against certain laws and regulations. Follow up to complaint reports from independent monitors by verification bodies by forming ad hoc teams, special audits or immediate surveillance all must be well carried out by verification bodies by referring to existing guidelines.

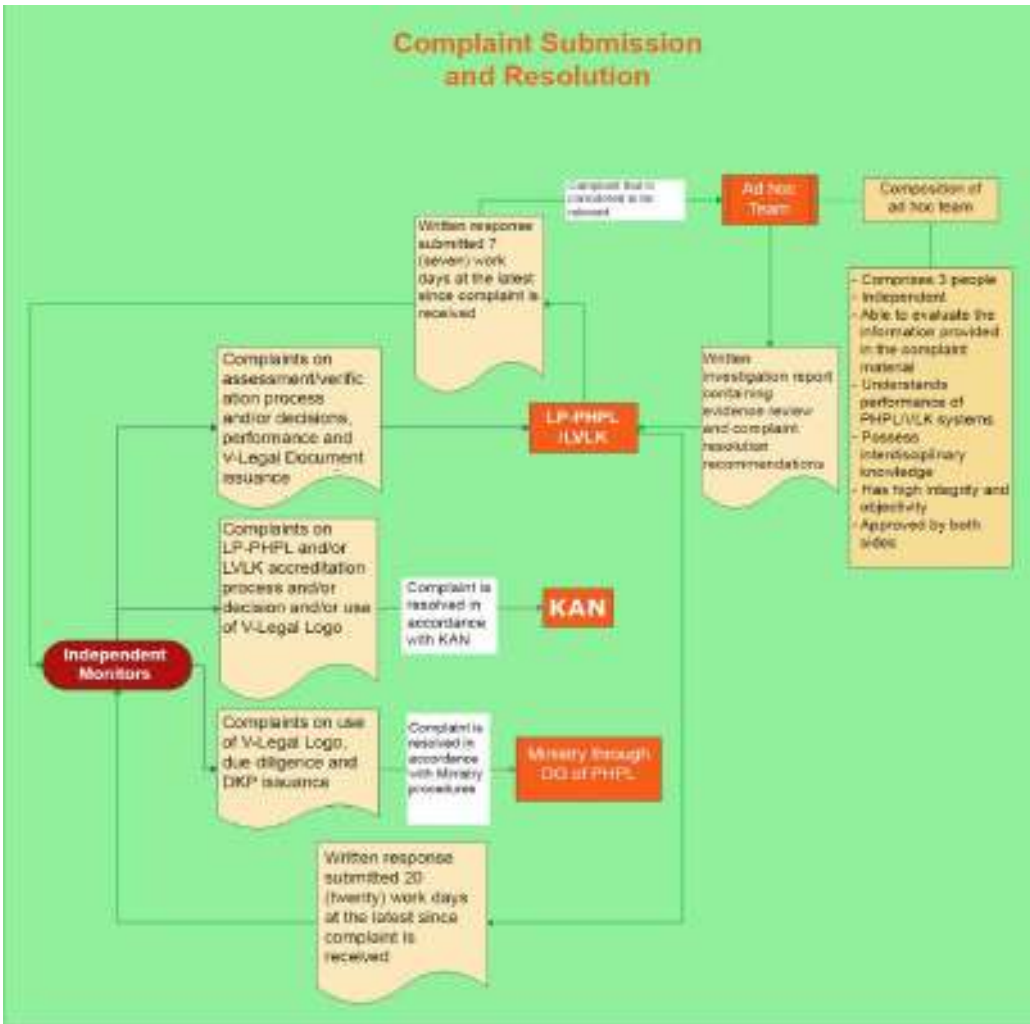


Figure 61. Submission and resolution of complaints from independent monitors

For PHPL certification, JPIK also reviewed the performance of 14 SILK-accredited and registered LP-PHPLs. The review was carried out by collecting data through census to understand: (1) availability of public summaries on initial certification, (ii) availability of public summaries on surveillance, and (iii) indicators or verifiers with the highest frequency of low scores.

Out of a total of 296 PHPL assessments (including initial certifications, surveillance and re-certifications) for IUPHHK-HA and IUPHHK-HT concession holders during the 2014-2016 period, JPIK has noticed an annual increase of in the number of assessments. In 2014 there were 53 assessments while 2015 the number of assessments doubled from that of the previous year to 115 assessments. The numbers also increased in 2016 with 128 assessments.

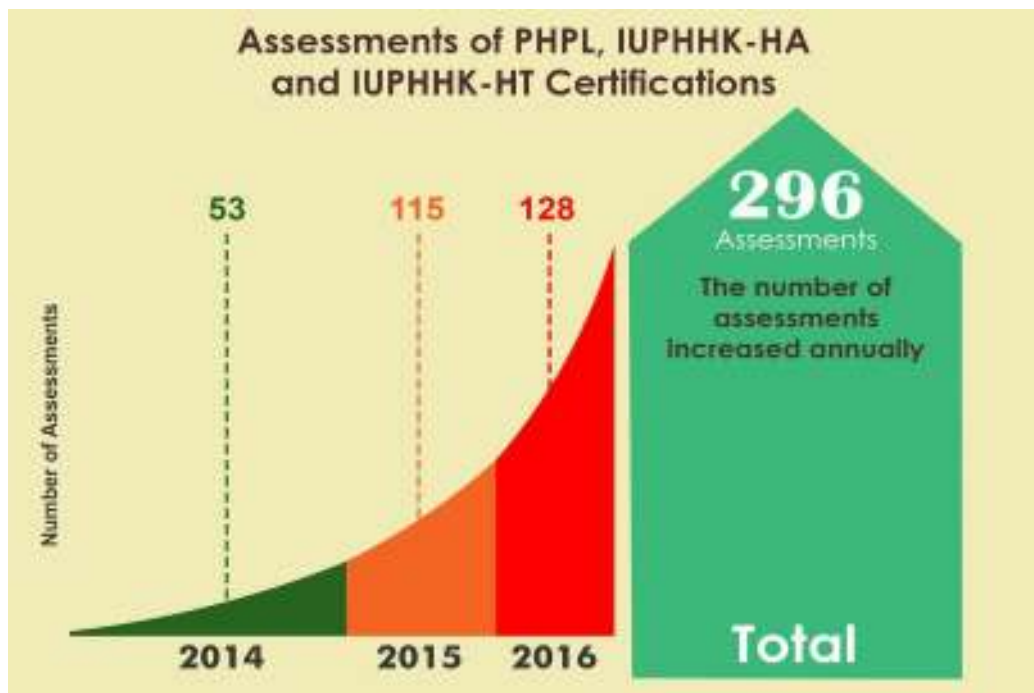


Figure 62. PHPL Certification Assessment from 2014 to 2016

The increase in number of PHPL certifications is positively correlated with an increase of LP-PHPL publications indiscipline in during that same period. The lack of published summaries on assessments, surveillance audits and re-certifications increased in the 2014-2016 period (**Figure 62**).

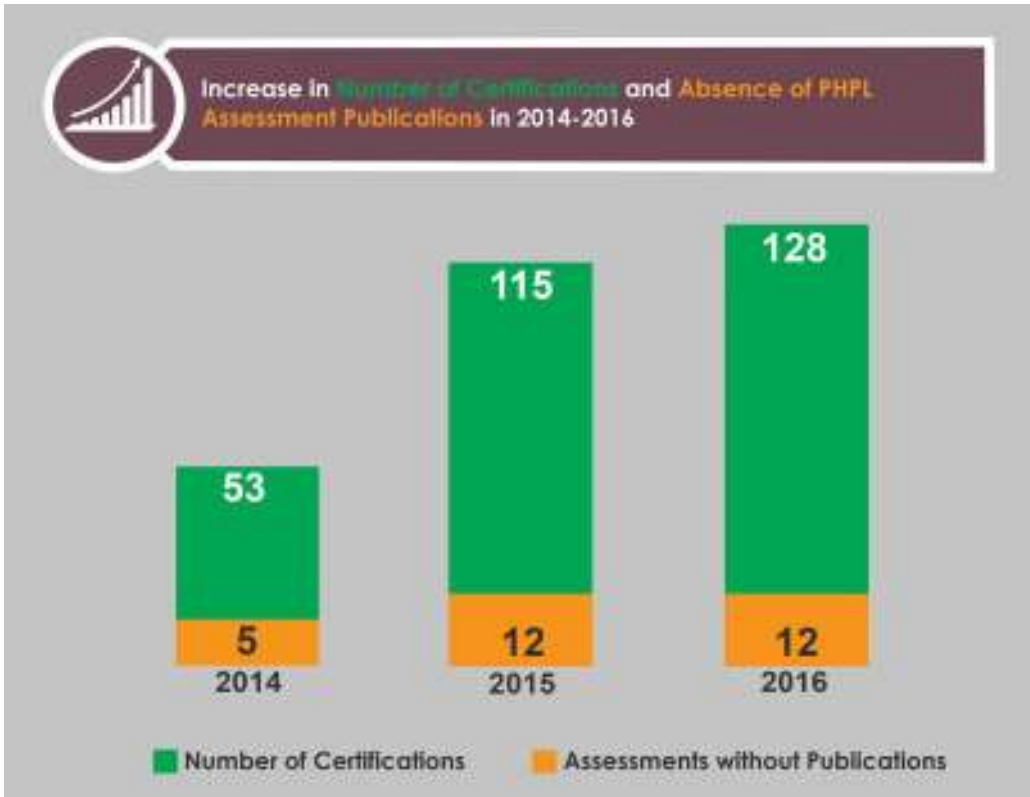


Figure 63. Result of census comparing increased number of certifications and absence of publication in 2014-2016

Based on JPIK's analysis of PHPL assessment indicators/verifiers, production is the component with the greatest number of low scores. Indicator 2.6 – company financial health and adequate investment and reinvestment rates – is the production indicator with the highest number of low scores. Verifiers 2.6.1 and 2.6.3 on financial health and realisation of proportional funding allocation are verifiers with the greatest number of low scores in PHPL assessments.

The number of low scores in the company financial health verifier and adequate investment and reinvestment rates in PHPL assessments brings about questions regarding sustainable forest management practices. Unhealthy company finances will affect the way forest management issues are addressed, especially social and ecological issues.

To address these findings, JPIK recommends that: (1) **KAN** tightens its criteria for passing further accreditation by including a requirement to provide information publicly; (2) **MoEF** must periodically evaluate LP&VI performance against LP&VI's obligations as defined in the SVLK Implementation Guide, and consider the performance evaluation results as grounds for determining whether to revoke or continue LP&VI authorisation; (3) **concerning VPA agreement, periodic evaluations** take verification performance of each LP&VI into account in accordance with the responsibility to announce initial certification or initial verification

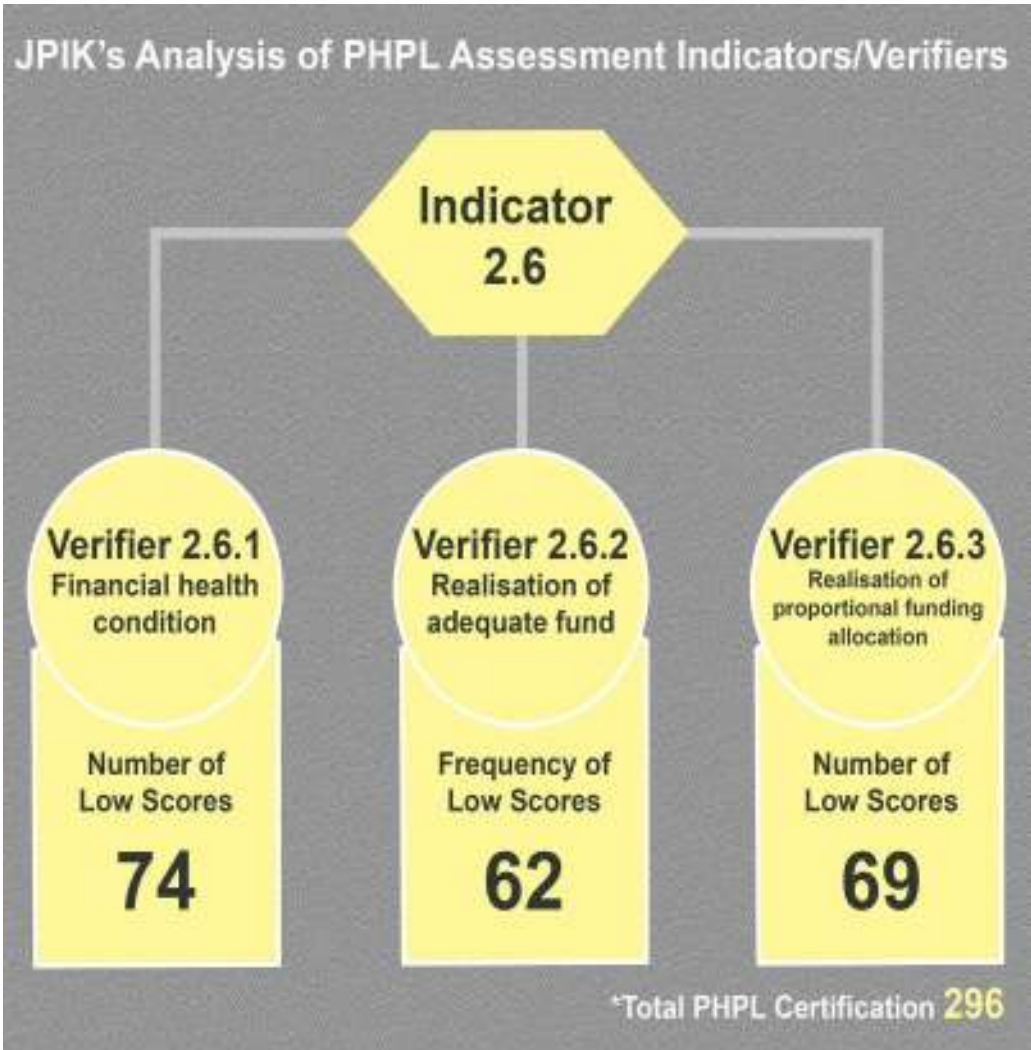


Figure 64. Census analysis of PHPL certification indicators and verifiers with greatest number of low scores

and surveillance public summaries, as these are crucial in ensuring credible and accountable certification performance by enabling a link with monitoring roles or processes that can be carried out or supported through the work of independent monitors; and (4) **for SVLK Implementation Guide** to be strengthened by including clearer follow up mechanisms for submitted complaints, including follow-ups with certain deterrent effects such as temporarily suspending services or enforcing deterrent penalties (especially if monitoring findings indicate certain legal violations), for example by a 'Follow up Team' for findings in the complaints in accordance with SVLK Implementation Guide.

As JPIK has observed, there are still issues on the availability of assessment public summary data and information, especially regarding comprehensiveness of the information. The following are issues observed regarding public summaries:

- a. A number of LP&VIs do not publish their assessment and/or verification public summaries on the MoEF and SILK websites. In addition, some public summaries could not be downloaded from the MoEF or SILK websites;
- b. Lack of information on assessments that do not pass or meet requirements;
- c. Justification for certificate suspension or revocation are not included in the public summaries in MoEF and SILK websites;
- d. Some LVLKs have not published their V-Legal Documents. In addition, V-Legal Document publication does not follow a standard format;
- e. There is no information available on evaluations conducted by MoEF on PHPL assessments with moderate or poor results or verification results that do not meet the requirements, as well as legal enforcement measures

Box 5. SILK: Critical and Must be Improved

As an information centre for timber legality information in Indonesia, SILK is a reference for many national and international stakeholders. Therefore there must be continuous development for this information system to support better SVLK implementation. In addition, this information system is also expected to serve as a tool for improving public information disclosure in MOEF. The process of providing, collecting, classifying, and documenting information and their services in SILK must be continuously improved.

The following are points that SILK can improve: (i) provide more information on SVLK monitoring. At the moment, the page on Independent Monitor in the SILK website does not have adequate information (still blank); (ii) ensure that all information on assessment plans and assessment public summaries are appropriately uploaded. Currently some public summaries have not been uploaded; (iii) provide more information on forestry product imports to facilitate access by the public; and (iv) provide information on law enforcement related to SVLK.

III.III Import Systems Implementation

In addition to exporting timber and timber products, Indonesia also imports other similar products. In 2013, Indonesia's timber and timber product import reached USD 3 billion or approximately IDR 33 billion. The greatest import comes from Europe and the United States. Although Indonesia imports, the country still experiences a trade surplus. In 2013, Indonesia's timber export reached USD 10 billion.⁵⁷ To ensure that the timber produced is sourced legally, a supply chain control system must be able to ensure that timber products can be traced to the harvest site or from import gate to the export gate.

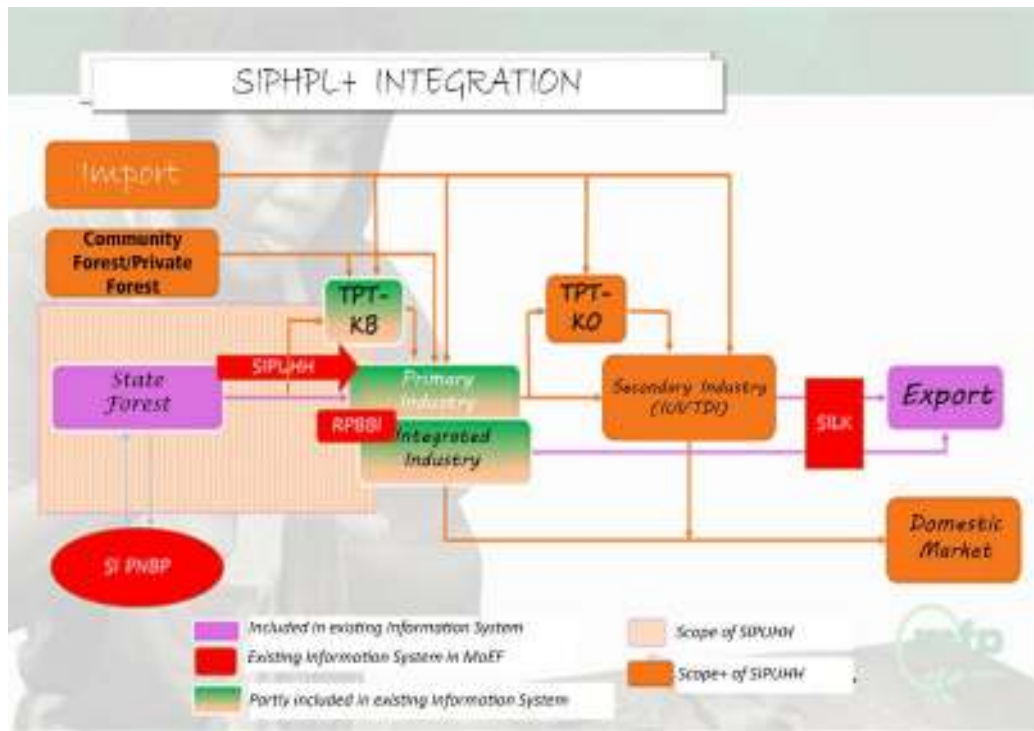


Figure 65. Integration of Information System for Sustainable Production Forest Management (SIPHPL)
Source: Presentation on Information System for Sustainable Production Forest Management

Since 1 January 2016, the government regulates import for 402 HS forestry products. This regulation was issued by the MoT and MoEF. MoT regulations control import mechanisms for forestry products, while MoEF regulations control mechanisms for the issuance of import recommendations. This includes both importers with Producer's Import Identification Number (*Angka Pengenal Impor Produsen* – API-P) and those with General Import Identification Number (*Angka Pengenal Impor Umum* – API-U.)

The Minister of Trade Issued MoT Regulation No. 97/M-DAG/PER/11/2015 concerning Forestry Products Import Regulations which was most recently revised as MoT Regulation

No. 13/2018. Meanwhile, MoEF issued PHPL Director General Regulation No. P.3/2015 concerning Procedures for Due Diligence Implementation, and Issuance of Forestry Product Import Declaration and Import Recommendations. On 25 January 2018, this regulation was amended to PHPL Director General Regulation No. P.3/PHPL/PPHH/HPL.3/1/2018 concerning Procedures for Due Diligence Implementation, Import Declaration Issuance for Forestry Products. Both regulations are interrelated in import licence processes.

The following are the basis for forestry product import regulation in Indonesia:

- a. Adanya trend peningkatan impor produk kehutanan dari periode 2007 - 2013 sebesar a. A 14.41% increase in forestry product import in 2007-2013, with the greatest increase in wood handicraft with 30.03%
- b. Indications of 'timber laundering' where forestry industry raw materials from imported timber were actually illegally logged timber from Indonesia
- c. Support for SVLK and FLEGT-VPA
- d. The Minister of Forestry's letter to the Minister of Trade No. S.93/Menhut-VI/2013 on 7 January 2013 on Timber Import Regulation Plans

Forestry product import regulations aim to: (i) support and ensure environmental conservation, (ii) to monitor the procurement of imported forest products, (iii) ensure traceability and legality of imported timber products, and (iv) ensure administrative compliance for import and oversight for imported forestry products.

In accordance with existing regulations, forestry product import may be done only by companies with API-U and API-P. Import limit applies for 402 Tariff Post/HS forestry products. API-U owners are permitted to import timber/timber products only to meet domestic industrial demands and are prohibited from exporting overseas before completing further production processes in the country. Meanwhile, API-P can only import forestry products in the form of raw materials or additional materials for their own production processes and are not allowed to sell and/or transfer imported goods to other companies. API-U and API-P companies applying for Forestry Product Import Approval must complete the required API and Import Declaration. Forestry Product Import Approval and Import Approval application can only be submitted online through the INATRADE website (www.INATRADE.go.id).

Companies must report and submit requests for Import Approval revisions whenever there are information changes in the previous Import Approval. Import Approval revision may be made for data/information on goods description, 8 (eight) digit Tariff/HS code, total and number of units of goods, country of origin and importing port destination in the Import Declaration. Documents required for Import Approval are the import document to be changed and the original Import Approval. Application for Import Approval revision can only be made online through the INATRADE website (www.INATRADE.go.id).

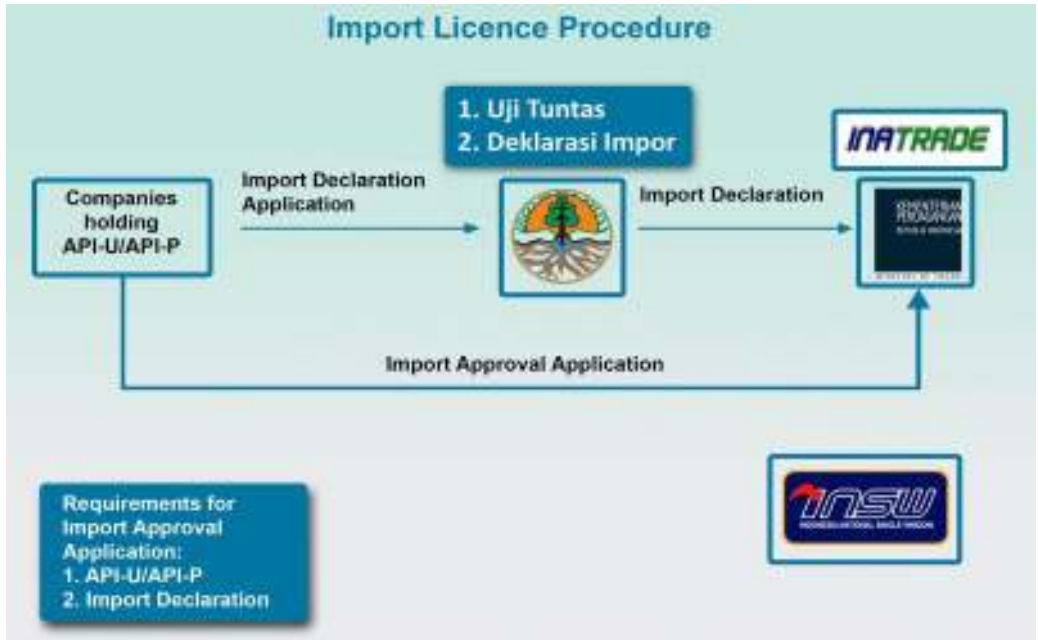


Figure 66. Import Approval procedure

Due Diligence and Import Declaration Procedures

Due diligence is a process to collect data and information on legality assurance of certain imported forestry products. Due diligence results along with accompanying documents are shared online in the SILK website (<http://silk.dephut.go.id>).

Import Declaration is a statement letter from importers stating that the imported forestry product is in accordance with the results of due diligence process conducted by the importer.

Figure 66 shows forestry product import permit is issued through the following procedure: (i) registering for Access Rights, (ii) completing Due Diligence form, (iii) writing and submitting Import Declaration.

Facilitation, oversight and control are carried out for S-LK holders if the following are found: (i) noncompliance/falsification during due diligence process, (ii) noncompliance/falsification during Import Declaration process, (iii) Import Declaration misuse, (iv) violations against Forestry Product distribution regulations in import origin country, and (v) import violations. If importer is found to have committed violations, sanctions will be imposed on the importer in accordance with applicable regulations

Customs Control Mechanisms

The Directorate General of Customs and Excise (*Direktorat Jenderal Bea dan Cukai* – DJBC) has published the book ‘Mekanisme Pengawasan Post Border’ (‘Mechanisms for Post Border Surveillance’) on data surveillance procedures, risk principles and management, and forms of monitoring. This book is used for post border surveillance. DJBC continues to support

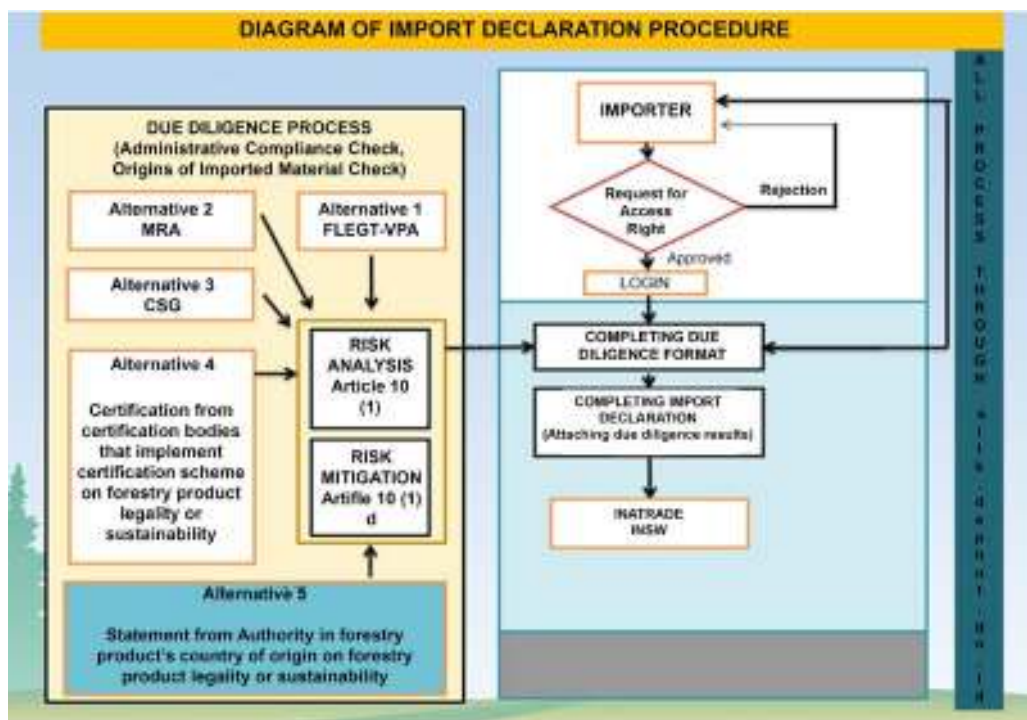


Figure 67. Import Declaration procedure

surveillance for customs/physical checking of goods based on management risks, researching tariff and customs value (HS code accuracy). Results of these review and study will be notified to relevant ministries or government agencies through the Indonesia National Single Window (INDW) portal.

To implement regulations on forestry product import, DJBC does not validate Import Approval at the border. DJBC's surveillance is done post border periodically and at any moment. In the case of violation during import process, administrative sanction will be imposed on the importer through Import Approval revocation and the importer cannot apply for Import Approval for another 2 years. In addition, the goods will be recalled from distribution and destroyed, and import is blocked and prohibited by DJBC.

Expectations for Import System

Forestry Product Import Requirements are imposed to apply a cautionary principle on imports to prevent 'illegal' timber import from origin countries, including the possibility of laundering of Indonesian timber. With this import regulation in place, it is expected that 'illegal timber' does not enter Indonesia's timber supply chain. In addition, with this import regulation SVLK implementation will be more comprehensive because verification is done not only to domestic timber.

III.IV V-Legal Document Issuance

The V-Legal Document is a document declaring that timber destined for export has met all timber legality assurance standards in compliance with regulations from the Government of Indonesia. V-Legal Document is issued by a timber legality verification body nominated as V-Legal Document licensing authority. V-Legal Document Issuance is applied as part of timber product export requirements progressively put into force since 2013. By mid-2016, all timber product exporters, including producing and non-producing exporters must provide V-Legal Documents for their export.⁵⁸

By the end of 2016, 178,444 V-Legal Documents were issued for export to 203 countries including to 28 EU countries. All of this timber product export is valued at USD 9.27 billion and include furniture, pulp, paper, wood panels and *woodworking products*.⁵⁹

V-Legal Document issuance is the last node of timber product legality verification before the timber leaves its point of export to international markets, and therefore guiding regulations and implementation of V-Legal Document issuance must be credible and potential violations are minimised.

To this day, V-Legal Document issuance is one of the most closed off procedures in the entire SVLK process. According to the V-Legal Document issuance guideline regulated in PHPL Director General Regulation No.14/PHPL/SET/4/2016, V-Legal Document process from application to issuance is a closed correspondence between applicant and licensing authority without external oversight of the exported timber products.

Moreover, there is almost no information on V-Legal Document issuance available for the public, whether on the SILK website or V-Legal Document licensing authorities' websites even though V-Legal Document licensing authorities are mandated to upload V-Legal issuance public summaries every month in the SILK and V-Legal Document legal authorities' websites.⁶⁰

Legality assurance for Indonesia's exported timber products is even more imperative because in August 2016, Indonesia and EU agreed on full VPA implementation through FLEGT licence enforcement for all timber exported to EU starting from November 2016. FLEGT Licence is a V-Legal Document that accompanies timber product shipments destined to EU, assuring the legality of the timber products.

In early 2016, JPIK published a report disclosing a number of cases of allegedly illegal timber product exports, which are contributed to poor timber product export regulations.⁶¹ In the meantime, by the end of 2016, a German organisation began to spotlight mahogany product export from Indonesia to Germany of allegedly falsified origins.⁶²

JPIK regrets such poor information transparency regarding V-Legal Document issuance and timber export. As an SVLK component whose function is to monitoring SVLK system implementation, JPIK finds it difficult to monitor V-Legal Document issuance and follow up on indications and initial findings in timber product export. In fact, for purposes of this publication, response to data and information on V-Legal Document issuance and timber

product export made to MoEF was slow and the information provided was different from the requested information.

III.V Certificate and V-Legal Logo Use and DKP Mechanism

Certificate Use

S-PHPL and S-LK are defined in Article 1 paragraphs 18 and 19 of MoEF Regulation No. P.30/Menlhk/Setjen/PHPL.3/3/2016. Meanwhile, definition of Certificate Issuance (certificate validity period, minimum information provided on certificate) is stipulated in Article 15 paragraphs 1-7 as well as PHPL Director General Regulation No. P.14/PHPL/SET/4/2016 Annexes 3.1-3.8.

Table 5. Certificate validity period

Certificate Type	Validity	Remark
S-PHPL for IUPHHK-HA/HT/RE/Management Rights Holder	5 years	Surveillance conducted at least once every 12 months
S-LK for IUPHHK-HA/HT/RE/Management Rights Holder	3 years	Surveillance conducted at least once every 12 months
S-LK IUPHHK-HTR/HKm/HD/HTHR licence holders	6 years	Surveillance conducted at least once every 24 months
S-LK for IPK including IPPKH	1 years	6 months before certificate validity period ends
S-LK for IUIPHHK whose entire raw materials is sourced from private forest timber that applies Transportation Documents or SKAU for timber forest product administrations	6 years	Surveillance conducted at least once every 24 months
S-LK for IUIPHHK with capacity greater than 6,000 m3/year	3 years	Surveillance conducted at least once every 12 months
S-LK for IUIPHHK with capacity up to 6,000 m3/year	6 years	Surveillance conducted at least once every 12 months
S-LK for IUI with investment value more than IDR 500,000,000 (five hundred million Rupiah)	6 years	Surveillance conducted at least once every 12 months

S-LK for IUI with investment value up to IDR 500,000,000 (five hundred million Rupiah), TPT, TDI, and companies marketing forestry industry products with TDP	6 years	Surveillance conducted at least once every 24 months
S-LK for private forest owners and home industries/craft industries	10 years	Surveillance conducted at least once every 24 months

Source: MoEF Regulation P.30/Menlhk/Setjen/PHPL.3/3/2016

Since its initial implementation, there are still actors taking advantage of SVLK's loopholes to sell and trade illegal timber from natural or plantation forests. On October 2015, JPIK gained information about falsified S-LK documents from LVLK Sucofindo ICS in East Java. Following-up on this information, JPIK corresponded with Sucofindo ICS on the truth of that finding. Sucofindo ICS explained that they discovered that one of PT Usaha Loka's suppliers (at the time being audited for re-certification by Sucofindo ICS) has falsified their S-LK document. The supplier is UD Narda Jati Jaya.

S-LK falsification was discovered when one of PT Usaha Loka's suppliers, UD Ika Jati, attached an S-LK certificate for APIK Jombang that appeared to be different from the one produced by UD Narti Jati Jaya. Upon noticing this discrepancy, Sucofindo ICS confirmed to PT Transtra Permada as LVLK for APIK Jombang's S-LK certificate and learned that UD Narda Jati Jaya is not a member of APIK Jombang.

APIK Jombang's actual S-LK certificate number is 072/LVLK-009/XI/2014 and was issued by the LVLK PT Transtra Permada on 6 January 2015 through group certification. In accordance with APIK Jombang's certificate, the group members listed are UD Ika Jati, UD Barokah, UD Rimba Asri and UD Yani Indah Jaya. The falsified APIK Jombang S-LK certificate number is 072/LVLK-009/XI/2014 issued by LVLK PT Transtra Permada on 24 November 2014 with APIK Jombang members consisting of UD Ika Jati, UD Barokah, UD Rimba Asri, UD PK Mojopahit and UD Narda Jati Jaya. UD Narda Jati Jaya's S-LK falsification is a legal violation that weakens SVLK.

LVLK Transtra Permada reported the case to MoEF only after JPIK wrote to LVLK Transtra Permada on October 2015. For that case, JPIK also reported the case to KLHK and called for action against UD Narda Jati Jaya for S-LK falsification. However, until March 2016 KLHK had not done anything to UD Narda Jati Jaya. Upon ground checking on March 2016, UD Narda Jati Jaya was found to be no longer operational.

PT Usaha Loka should have detected this certificate falsification by UD Narda Jati Jaya sooner without having to wait for auditor's finding during re-certification or surveillance. This case should be a lesson in SVLK implementation, in which there are still actors who are trying to weaken and take advantage of the SVLK processes. Cooperation from every stakeholder in monitoring SVLK implementation in Indonesia is imperative to ensure credibility of SVLK implementation.

V-Legal Logo Use

The V-Legal logo is a logo placed on timber, timber products, packaging or transportation document indicating that the timber and timber products have met PHPL or VLK standards or DKP. Concession holders, Management Rights holders, and private forest owners that have obtained S-PHPL or S-LK must use the V-Legal logo.

“LPPHPL or LVLK provides the right/sub-licence to apply the V-Legal logo to auditees through a “V-Legal Logo Usage Agreement”, including the rights and responsibilities of LP-PHPL body or LVLK as well as auditee’s rights and responsibilities.” (PHPL Director General Regulation No P.14/PHPL/SET/4/2016 in Annex 6).

V-Legal logo is described in MoEF Regulation No. P.30/Menlhk/Setjen/PHPL.3/3/2016 Article 1 paragraph 25, while obligations related to V-Legal logo application are defined in MoEF Regulation No. P.30/Menlhk/Setjen/PHPL.3/3/2016 in Article 17 paragraphs 7-8, and PHPL Director General Regulation No. P.14/PHPL/SET/4/2016 in Annex 6.

Note:

x Certificate number issued by LPPHPL or LVLK

y: LPPHPL or LVLK accreditation number from KAN

Figure 68. V-Legal logo

The V-Legal logo is owned by the Ministry, and the Ministry authorises KAN to use the V-Legal logo. As mandate recipient, KAN has the right to give rights/licence to accredited LP-PHPL or LVLK in accordance with the scope of the accreditation through a V-Legal Use Agreement. This includes LP-PHPL or LVLK's rights and responsibilities and KAN's rights. KAN is responsible for ensuring that LP-PHPL or LVLK complies with all the provisions regarding the use of V-Legal logo. LP-PHPL or LVLK provides the rights/sub licence for V-Legal logo use to auditees through V-Legal Use Agreement, which includes the rights and responsibilities of LP-PHPL or LVLK and auditees.

V-Legal logo use is integrated with the Information System for Timber Forest Product Administration from Natural Forest, Plantation Forest and Production Forest through PHPL Director General Regulation No. P.17 Year 2015 and No. 18 Year 2015. All forest timber products transportation, control, or ownership must be accompanied with a Timber Forest Product Legality Certificate (*Surat Keterangan Sahnya Hasil Hutan Kayu* – SKSHHK).

The image shows a sample SKSHHK (Surat Keterangan Sahnya Hasil Hutan Kayu) document. It features a large map of Indonesia in the center, with a QR code at the bottom left. The document is divided into several sections with various fields for data entry, including a header with the Ministry of Forestry logo and title, and a footer with a QR code and a small map of Indonesia.

Figure 69. Sample SKSHHK document

Monitoring V-Legal Logo Use in Log Distribution

JPIK conducted monitoring of 22 companies that use logs in on March 2015 in 6 (six) provinces – Riau, Banten, Central Java, East Java, Central Kalimantan and South. Only one company in Central Kalimantan complies with V-Legal logo use regulations although not all timber and timber products in the company are given the V-Legal logo. The remaining 21 companies do not comply with V-Legal logo use.

Based on monitoring by JPIK East Java in Tanjung Perak Port and Gresik Port in 2015, many logs from West Papua (Fak-Fak, Manokwari, Bintuni), Maluku and Central Kalimantan did not have V-Legal logo. A similar finding took place in 2016 when V-Legal logo is used to distinguish logs from IUPHHK-HA that are S-PHPL or S-LK certificate holders with noncertified IUPHHK-HA.

SVLK mandates every IUPHHK-HA to apply the V-Legal logo. Absence of logo can indicate the distribution of illegal timber. The government, in this case MoEF, must take strategic steps to address the conditions on the ground, such as the case in East Java. If this noncompliance is allowed to continue, illegal activities by actors taking advantage of this condition will weaken SVLK.

Supplier's Declaration of Conformity (DKP)

The regulation that stipulates SVLK comprises 2 concepts to ensure that fulfilment of sustainability and/or timber legality standards are stipulated in its implementing regulation (SVLK assessment standards and guide is regulated in PHPL Director General Regulation No. P.14/PHPL/SET/4/2016).

The first is ensuring that standard compliance through certification scheme is done by an independent third party (LP&VI) to obtain S-PHPL and/or S-LK. The scope of PHPL assessments only cover state forests managed by concession holders (except for Timber Harvesting Permit or IPK) or Forest Management Unit, while Timber Legality Verification covers a wider scope from upstream (state and private forest) to downstream (primary industry, secondary industry, TDI holder, home industry, TPT, non-producer exporters/export traders).

The second is ensuring compliance with DKP standards. This scheme refers to international standards adopted as Indonesian National Standard, namely SNI/IEC 17050:2010 on Conformity Assessment – DKP. This standard consists of 2 sections: ISO/IEC 17050:2010-1, Section 1 General Requirements and SNI ISO/IEC 17050-2:2010, Section 2 Supplementary Documents).

DKP's objective is to ensure conformity between the identified object with the referenced specific requirements, and to clarify who is responsible for the declaration of conformity. In the meantime, as regulated in MoEF Regulation P.30/Menlhk/Setjen/PHPL.3/3/2016, DKP is a statement of conformity issued by suppliers based on compliance with requirements. Simply put, within the SVLK scheme, DKP is a declaration issued by timber suppliers assuring

that the timber or timber product that is supplemented with DKP document has met timber legality verification standard requirements in accordance with the standards referenced or self-declaration.

DKP may be applied for timber and timber products sourced from private forest (not natural forest timber species), as well as secondary distribution of plantation timber from management rights holder (such as Perhutani) who are also S-LK holders. This considers the distribution of low risk timber and timber products that may be applied by Private Forest owner, Registered Log Yards, home industries, small-medium industries or industries that produce or use entirely low risk raw materials. Recipients of DKP-declared timber or timber products must check and validate the information to ensure legality of timber distributed with the DKP.

DKP-declared logs and processed timber has the right to use V-Legal logo. Therefore, is this self-declared DKP scheme as effective in ensuring timber legality as a third party certification?

In reference to SNI ISO/IEC 17050: 2010, the issuance of declaration of conformity must be based on the appropriate assessment (such as evaluation, measurement, audit, surveillance or investigation) by one or more first-, second- or third-party assessor. The entire assessment process must be well documented and can be reviewed at any time as need.

DKP implementation in SVLK, which has been enforced for more than 3 years (since it was first stipulated in MoF Regulation P.43/2014) to this day, is still far from the standards set as its reference when DKP was first established. In general DKP issued by suppliers and proof of DKP check by recipient is regarded only as additional administrative requirements.

It is difficult to find evidence of conformity assessment that should have been done through timber legality standards in accordance with scope of DKP issuance. In addition, control mechanisms regulated through random and targeted surveillance are not executed. There is no adequate information on completed general and targeted DKP surveillance in line with the regulated guidelines.

In addition, information available on independent monitoring of DKP use and implementation is minimum (it rarely becomes the object of monitoring), and increasingly so when DKP for private forest timber is attached to transportation papers for private forest timber. This is recently regulated in MoEF Regulation P.21/2015 on Administration of Forest Products from Private Forests, to the current MoEF Regulation P.85/2016 concerning Transportation of Cultivated Timber Forest Products from Private Forests.

The objective of DKP system implementation is to facilitate timber legality assurance for timber cultivated in private forests, including logs or processed timber, without the need for certification which would be an additional expense. Considering that private forest timber management and administration must be facilitated meanwhile timber legality assurance must continue, this DKP concept is thus implemented for this particular scope.

To this date, DKP can be used to ensure timber legality for logs harvested in private forests as well as processed timber from industries or craft industries, as well as registered storage for logs or processed timber from private forests.

However, considering the impact of DKP implementation to SVLK credibility as an internationally recognised timber legality system in Indonesia, this system requires further review. Extending DKP implementation can harm SVLK's credibility because of DKP's direct negative impacts, such as:

- Declining selling power of logs from S-LK certified community forest/private forest. The majority of S-LK certified cultivated private forest management is not extending their S-LK certification for lack of incentives from S-LK. At first managers expected to have greater access for their log production than logs from non S-LK certified private forests, especially after the discourse that IUIPHHK can only accept S-PHPL or S-LK certified logs. However, these measures were futile because the policy being implemented is that IUIPHHK can accept non certified logs as long as they supplemented by DKP.
- S-LK certified private forest managers' hope to gain direct access to IUIPHHK without going through middlemen has dissipated because middlemen can issue DKP.
- Sustainable private/community forest management proven through certification has become unpopular because this instrument cannot compete economically with the simplicity of DKP.
- The initiative for sawmills processing timber from community/private forest to obtain full licence such as IUIPHHK, Trade Business Licence (*Surat Izin Usaha Perdagangan* – SIUP), TDP, Environmental Documents, and other legality documents has taken a plunge. These documents are verified when sawmills apply for SVLK certification. However, through DKP, these documents are not verified.

So that these impacts do not damage SVLK's credibility, DKP implementation should only be a transitional policy so that managers of private forest, small-medium industries, and community forest sawmills can further prepare themselves take part in SVLK. A possible option is to apply progressive quota for accepting DKP-declared timber for industries processing community timber. After a certain time period (for example, 5 years), the percentage of DKP-declared timber accepted will gradually and annually decline and in the sixth year since the policy was first implemented, the industry will only accept SVLK (S-PHPL and/or S-LK) certified raw materials. Therefore SVLK implementation will be fully credible and at the same time can reduce opportunities for illegal timber smuggling.

Box 6. DKP Issuance: An Illustration

Private forest managers can issue DKP for cultivated private forest logs that will be shipped to sawmills/buyers. Therefore private forest managers are ensuring that their logs meet timber legality standards and criteria for private forests. This standard is exactly the same as the standards applied by independent bodies (LP&VI) to assess timber legality for private forest

In another example, primary industries with less than 6,000 m³/year production capacity that only process private forest timber can issue DKP for their products, namely sawn timber, to send to secondary industries. With this DKP, primary industry owners or managers can ensure that their sawmills meet timber legality standards for IUIHHK with capacity of less than 6,000 m³/year.

III.VI Independent Monitoring

Monitoring is a series of activities done to ensure that oversight for public forestry services for LP&VI accreditation; S-PHPL, S-LK and DKP assessment and issuance; due diligence; V-Legal Document and/or V-Legal logo use are done in compliance with applicable laws and regulations. Monitoring is done by independent monitors from civil society of legal entities, whether individuals or group, to monitor public services in the forestry sector. Independent monitors carry out monitoring of all assessment stages, for both PHPL and VLK, from the notification of upcoming assessment or verification up to V-Legal Document issuance.

Currently there are 4 independent monitor networks in Indonesia directly involved in SVLK monitoring: JPIK, Eyes on the Forest (EoF), Alliance of Sumatra Independent Forest Monitor (*Aliansi Pemantau Independen Kehutanan Sumatra* – APIKS), and Anti Forest Mafia Coalition. JPIK currently has 51 groups and 421 individual members from Aceh to Papua. JPIK also has 24 focal points in 25 provinces.

From 2014 to 2017, JPIK has actively monitored 54 companies and submitted 77 reports: a) 62 complaints to certification bodies, b) 5 reports to KAN, c) 2 reports to Minister of Trade, d) 7 reports to Directorate General of PHPL and Director General of Forestry Law Enforcement, and e) 1 report to Customs. JPIK still finds issues on complaint mechanisms that are non-procedural and not in accordance with complainants' demands, such as lack of targeted audits for management units that have been reported, and lack of ad hoc team established to resolve complaints. In addition, JPIK still observes poor law enforcement from relevant ministries and agencies regarding violations that occur.



Figure 70. JPIK's monitoring activities and reports, 2014-2017

JPIK's monitoring in 2014-2017 for S-PHPL certificate holders has noted that most concessions have unclear boundaries, including unclear mechanism for participatory boundary delineation/boundary reconstruction and conflict boundary resolution. These problems lead to conflicts and social issues among local and indigenous communities. Therefore assessment standards must be strengthened to place conflict and the processes for obtaining licences as primary indicators for passing the assessment.

Meanwhile in the majority of its monitoring of S-LK certified industries, JPIK found indications of licence holders who do not have all the legal permits and do not enforce the use of personal protective equipment. For V-Legal logo use, JPIK still finds that the V-Legal logo is not directly placed on ends of individual logs. JPIK realises that this is not a violation because V-Legal logo can also be applied on processed product or on documents/attachments or packaging. To make it easier for public however, V-Legal logo must be placed on the ends of logs.

To increase monitoring effectiveness and push for full SVLK implementation, JPIK is directly involved in numerous discussion forums, communication, coordination and evaluation for the achievement of the FLEGT-VPA action plan. The forums that JPIK frequently attend include: 1) meetings to discuss regulation revisions, 2) Joint Working Group (JWG), 3) Joint Expert Meeting (JEM), 4) Joint Implementation Committee (JIC), and 5) other meetings on governance reform. These forums include representatives of the Government of Indonesia, delegates from the European Union and ministries/agencies, civil society organisations, and other multi stakeholder associations.

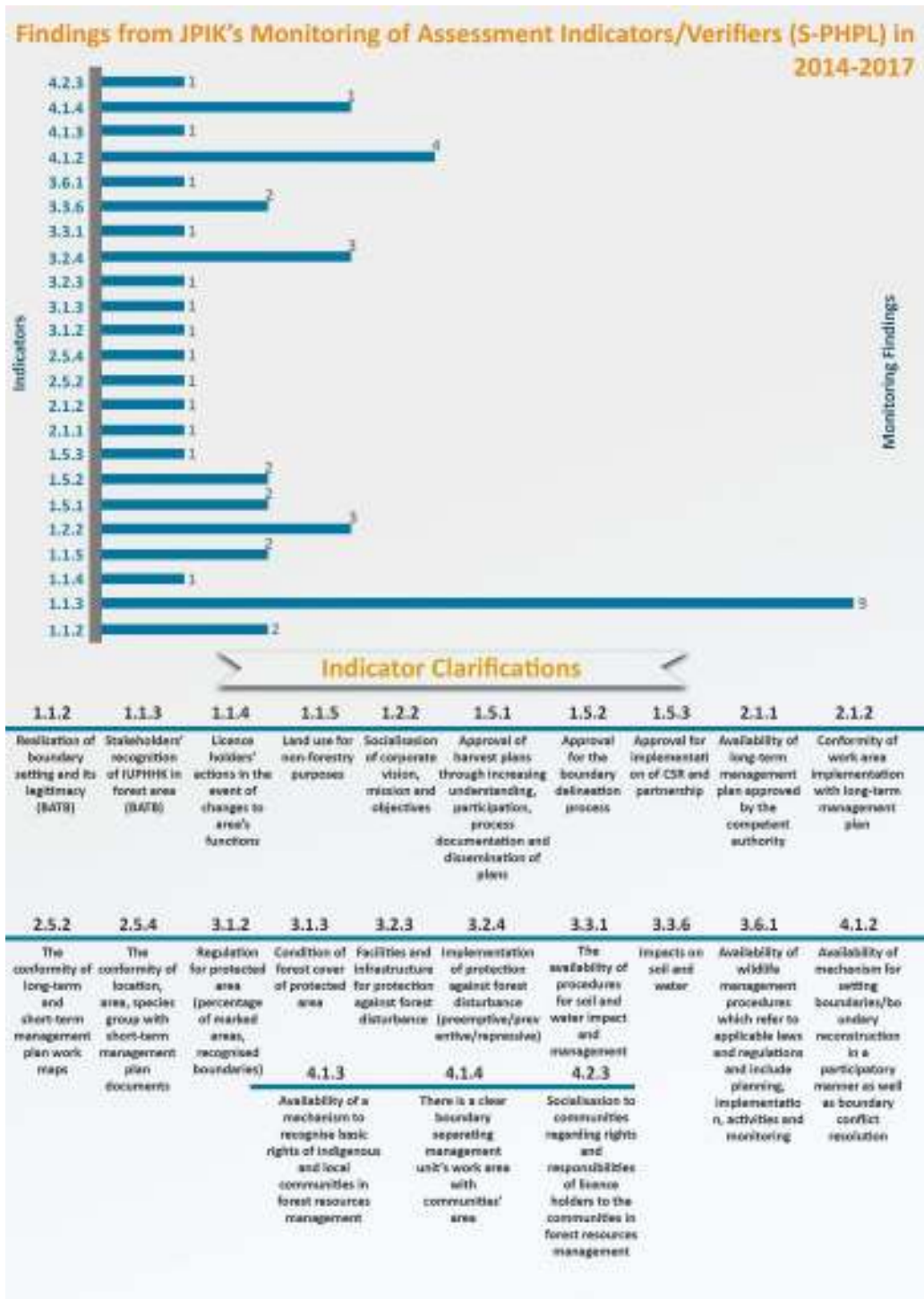


Figure 71. Analysis of JPIK's monitoring of PHPL assessments

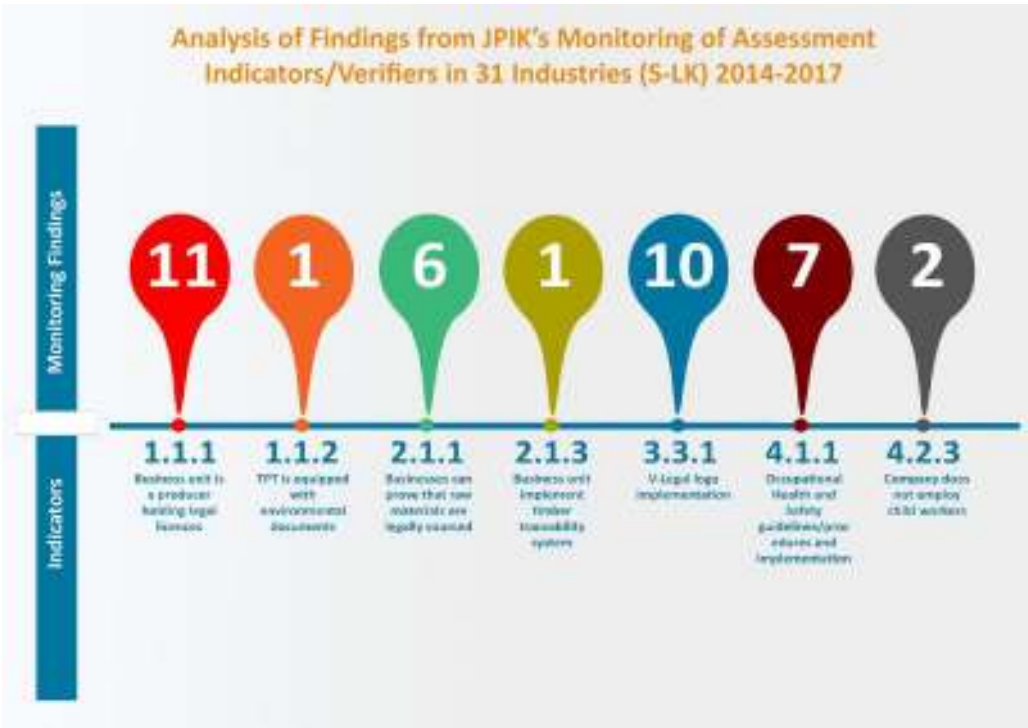


Figure 72. Analysis of JPIK's VLK assessments monitoring activities

While actively involved in these forums, JPIK continue the push to ensure implementation of these critical aspects of Independent Monitoring: (a) access to data and information to support monitoring activities, (b) improvement of complaint mechanism, (c) ensuring monitoring security and safety, (d) sustainability of monitoring support, and (e) oversight and law enforcement.

In SVLK's sixth revision through MoEF Regulation No.30/Menlhk/Setjen/PHPL.3/3/2016, Independent Monitors' proposal for improving data and information access was accommodated by MoEF. Following a public information dispute between FWI/JPIK with MoEF and the issuance of MoEF Regulation No.30/Menlhk/Setjen/PHPL.3/3/2016, MoEF began to disclose data and information, especially those pertaining Annex 9 of the VPA. However, not all data and information can be accessed by independent monitors, such as timber distribution, trade, export and import data. In addition, this level of transparency is not yet implemented by other ministries or agencies such as Ministry of Trade, Ministry of Industry, Ministry of Finance (Customs) and local government agencies.

Still there is substantial obstacles on the level of transparency of publicly accessible data, including clarity of the data and information to be disclosed and those that are exempted. JPIK views a need for a Public Information List for MoEF and other ministries/agencies.

MECHANISM FOR COMPLAINT SUBMISSION AND RESOLUTION

A. DEFINITION

1. *A complaint is a written expression of dissatisfaction from an individual and/or agency about the activities of a Licence holder, Management Rights Holder, Private Forest Owner, companies operating in trans boundary forestry industry product transportation, household industries/craft industries, LP-PHPL, LVLK or KAN.*
2. *An appeal is a written request from Licence holder, Management Rights Holder, or Private Forest Owner to LPPHPL or LVLK to review the decision of a certification process or from LP-PHPL or LVLK to KAN to review the decision of an accreditation process.*
3. *Ad hoc team for Complaint or Appeal Resolution is a team authorised to review documents, consult with relevant stakeholders and conduct field verification regarding the complaint or appeal materials.*

B. ACTIVITIES

1. *Complaint and Appeal*
 - a. *Complaint and Appeal Materials*
 - 1) *Complaint that can be followed up is one that includes evidence relevant to accreditation, PHPL performance assessment or LK verification, V-Legal logo use, V-Legal Document issuance, due diligence and Supplier's Declaration of Conformity issuance.*
 - 2) *Appeal that can be followed up is one that includes evidence relevant to accreditation, PHPL performance assessment or LK verification, V-Legal logo use, due diligence and Supplier's Declaration of Conformity issuance.*
 - b. *Parties who may submit complaints:*
 - 1) *Independent Monitors to:*
 - a) *LP-PHPL and/or LVLK*
For assessment/verification process and/or decisions as well as performance of Licence holder, Management Rights Holder, Private Forest Owner, companies operating in trans boundary forestry industry product transportation, household industries/craft industries, and/or issuance of V-Legal Documents, and/or due diligence, and raw material certification using DKP.
 - b) *KAN*
for accreditation processes, accreditation decisions, or LP-PHPL performance and/or accredited LVLK
 - c) *Ministry through Director General*
for DKP issuance or evaluation of SVLK implementation for system or policy reform.

- 2) Central and/or local government to KAN and/or MoEF for LP-PHPL and/or LVLK's performance.
 - 3) Central and/or local government to MoEF for V-Legal Logo use and DKP issuance.
 - 4) Licence holder, Management Rights Holder, Private Forest Owner, companies operating in trans boundary forestry industry product transportation to LP-PHPL or LVLK for assessment/verification processes. LP-PHPL or LVLK to KAN for accreditation processes.
- c. Parties who may file for Appeal:
- 1) Licence holder, Management Rights Holder, Private Forest Owner, companies operating in trans boundary forestry industry product transportation to LP-PHPL and/or LVLK for assessment/verification decisions.
 - 2) LP-PHPL and/or LVLK to KAN for accreditation decisions.
2. Procedure for Submitting Complaints and Appeals
- a. Complaint and appeal is submitted in writing, along with:
- 1) Clear identity of the complainant or appellant, containing at least:
 - a) name;
 - b) address;
 - c) phone number that can be contacted and/or email address;
 - d) accountable supporting evidence, including:
 - (1) Preliminary data/information from news media and/or first-hand witness account from resource persons (informant or respondent) supplemented by supporting materials that have not been cross checked or validated.
 - (2) Irrefutable data/information which is the Independent Monitor's eyewitness account supplemented by supporting materials, and/or preliminary data/information that has been cross checked or validated.
 - e) A statement that the information provided is true and supplemented with adequate duty stamp.
- b. Period for Submitting Complaint and Appeal
- 1) Complaint may be submitted at any time.
 - 2) Appeal to LP-PHPL and/or LVLK may be submitted 14 (fourteen) calendar days at the latest since the assessment/verification decision report is received.
 - 3) Complaint and appeal against KAN is submitted in line with KAN's provisions.
 - 4) Complaint to the Ministry may be submitted since DKP issuance or V-Legal logo is used.
3. Complaint or Appeal Resolution
- a. Complaint or Appeal Resolution
- 1) Complaint or appeal submitted by Licence holder, Management Rights Holder,

Private Forest Owner, home industries/craft industries or companies operating in trans boundary forestry industry product transportation:

- a) *Complaint or appeal against assessment/verification process and/or decision as well as performance is addressed to LP-PHPL or LVLK and copied to the Director General.*
 - b) *LP-PHPL or LVLK reviews the complaint or appeal and provides a written response regarding said complaint or appeal 7 (seven) work days at the latest since the complaint or appeal is received.*
 - c) *The written response as stated in point b) above is based on LP-PHPL or LVLK's analysis on the relevance of the complaint or appeal material.*
 - d) *Complaint or appeal that is considered to be relevant is then processed by an Ad Hoc Complaint or Appeal Resolution Team as nominated by LPPHPL or LVLK.*
 - e) *The Ad Hoc Complaint or Appeal Resolution Team delivers a written investigation report containing material review as well as recommendations for complaint or appeal resolution to LP-PHPL or LVLK.*
 - f) *LP-PHPL or LVLK provides a written answer to the complainant or appellant, based on the report of the Ad Hoc Complaint or Appeal Resolution Team.*
- 2) *Complaint or appeal submitted by LP-PHPL and/or LVLK:*
- a) *Complaint or appeal against accreditation process and/or decision is addressed to KAN and copied to the Director General.*
 - b) *Complaint and appeal is resolved in accordance with KAN's procedures.*
- 3) *Complaint submitted by central and/or local government:*
- a) *Complaints about PHPL performance assessment and/or timber legality is submitted to the Ministry and/or KAN.*
 - b) *Complaint concerning V-Legal Logo and/or Suppliers' Declaration of Conformity is submitted to the Ministry.*
 - c) *Complaint is resolved in accordance with the Ministry or KAN's procedures*
- 4) *Complaint submitted by Independent Monitors:*
- a) *Complaint submitted to LPPHPL and/or LVLK:*
 - (1) *Complaints about assessment/verification process and/or decision, performance and V-Legal issuance is addressed to LP-PHPL or LVLK and copied to the Director General and KAN.*
 - (2) *LP-PHPL or LVLK reviews the complaint and provides a written response regarding said complaint or appeal 7 (seven) work days at the latest since the complaint is received.*
 - (3) *The written response as stated in point (2) above is based on LP-PHPL or LVLK's analysis on the relevance of the complaint material.*
 - (4) *The complaint that is considered to be relevant is then processed by an Ad*

Hoc Complaint Resolution Team as nominated by LP-PHPL or LVLK

(5) The Ad Hoc Complaint Resolution Team delivers a written investigation report containing material review as well as recommendations for complaint resolution to LP-PHPL or LVLK.

(6) LP-PHPL or LVLK provides a written answer to the complainant based on the report of the Ad Hoc Complaint Resolution Team.

b) Complaint submitted to KAN:

(1) Complaints about LP-PHPL and/or LVLK accreditation process and/or decision and/or use of V-Legal Logo is submitted to KAN and copied to the Director General.

(2) Complaint is resolved in accordance with the KAN's procedures.

c) Complaint submitted to the Ministry:

(1) Complaint about use of V-Legal Logo, due diligence and DKP issuance.

(2) Complaint is resolved in accordance with the Ministry's procedures.

b. Ad Hoc Complaint or Appeal Resolution Team

1) Audit team, Decision Makers for the case in the complaint or appeal material, complainant or appellant, complaine, and relevant government agencies may not become member of the Ad Hoc Complaint or Appeal Resolution Team.

2) The Ad Hoc Complaint or Appeal Resolution Team comprises an odd-number of members of at least 3 (three) people of relevant competence with the complaint or appeal material.

3) Ad Hoc Complaint or Appeal Resolution Team members:

a) Must be independent, and provide a statement of impartiality.

b) Must be able to evaluate the information provided in the complaint or appeal material.

c) Must have a good understanding of PHPL and timber legality verification performance assessments

d) Must have interdisciplinary knowledge and able to work with other team members

e) Must have high integrity and uphold objectivity in the complaint or appeal resolution process

f) Must be approved by both sides

c. Time Period for Conflict or Appeal Resolution

1) Complaint or appeal resolution by LP-PHPL and/or LVLK is delivered in writing to the complainant or appellant 20 (twenty) calendar days at the latest since complaint or appeal is received.

2) For complaint or appeal addressed to LP-PHPL and/or LVLK that cannot be resolved by LP-PHPL and/or LVLK, the complaint or appeal may be addressed to

KAN, with copy to the Minister through the Director General.

3) Complaint or appeal against KAN is resolved in accordance with KAN's procedures.

4) During the complaint or appeal resolution process, S-PHPL or S-LK issued is still valid.

Source: PHPL Directorate General Regulation No.14/2016.

III.VII Local Government's Initiative in SVLK Implementation

The MoEF, through PHPL Directorate General, is working on developing local government initiative to support expediting SVLK in Indonesia. This effort is supported by the Multi stakeholder Forestry Programme (MFP) and other agencies such as Kemitraan since 2011. The momentum of mandatory attachment of the V-Legal Document in every forestry product export since 1 January 2015 was the main target at the time.

On March 2015, it was stated that six provinces in Indonesia firmly support the declaration to expedite SVLK: Central Java, East Java, Yogyakarta, West Java, Banten and Bali.⁶³ After further inquiry of this local government initiative, it was discovered that one District Head's Decision (Jepara, Central Java), two District Head's Regulations (Jombang in East Java and Klaten in Central Java) and one Memorandum of Understanding (Bali Province) have been issued.

The collaboration with MoEF, facilitated by MFP and Bali Provincial Government, specifically the Bali Province Trade and Industry Agency and Bali Province Council for Craft, was made possible after a multi stakeholder dialog to prepare small scale industries to implement SVLK on April 2011.⁶⁴

This collaboration aims to push for forest governance reform through SVLK development and implementation. This initiative is based on the condition of the many small-medium and craft industries in Bali that export their products overseas. The Bali Province Government through the Bali Province Trade and Industry Agency and Bali Province Council for Craft have built an SVLK information centre named SVLK Clinic. This is similar to the case in Jepara District with their small and medium scale industry potential and export-oriented markets.

The support for SVLK implementation from Head of Jombang District, East Java began with the formation and nomination of the Jombang District SVLK Working Group through Decision Letter of Head of District No. 188.4.45/93a/415.10.10/2014, followed up by District Head Regulation No. 14 Year 2015 concerning SVLK Implementation Guide. This regulation requires the use of the V-Legal Document for all forest product export as per 1 January 2015. This entire initiative aims to implement legal timber trade in Jombang and expedite SVLK



implementation in the district. This District Head Regulation came into force on 12 May 2015, along with the signing of cooperation between Jombang District Government and Kemitraan. This regulation specifically applies only for timber business that will, is and/or have completed SVLK, such as Private Forest owners, TPT, small-scale IUIPHHK, secondary industries licence holders, and home/crafts industries that have and/or have not complied for SVLK.⁶⁵

MoEF's work to expedite SVLK is done through facilitation and funding for certification and surveillance. The total budget allocation is IDR 33.2 billion from national budget and from MFP's support. Local government support will automatically dismiss businesses' reasons of difficulties in obtaining legality, such as Trade Business Licence, Industry Registration Certificate, or Nuisance Permit which are under local government authority.⁶⁶

The Yogyakarta Province Government has stated its preparedness to accelerate SVLK in forestry industry. Declaration of Head of Province Industry, Trade, Cooperatives and Small-Medium Enterprise Agency with the Director of Forestry Business Development of MoEF was signed on 23 March 2015 in Yogyakarta. MoEF states that small-medium industries



and IUIPHHK with annual capacity up to 6,000 m³ will receive government-funded SVLK acceleration. MoEF will facilitate certification, as well as assist certification preparation processes and first time group ownership for small-medium industries to expedite SVLK. This is a solution for IUIPHHK holders with 6,000 m³/year capacity who are not yet SVLK certified.

The inquiry to obtain Jepara District Head Decision No. 500/139 Year 2013 and Jombang District Head Regulation No. 14 Year 2015, and MoU between MoEF and Bali Province was unsuccessful. However the Klaten District Head Regulation No. 16 Year 2014 to expedite SVLK system was obtained.

Klaten District Head Regulation No. 16 Year 2014 provides leniency for businesses to obtain timber legality certificates, such as quicker processing time and an incentive of 25% discount in fees. In addition, the Klaten District Government also disseminated this regulation with businesses and assisted businesses to obtain their certification. The Klaten District Government formed a working group to accelerate and coordinate the SVLK process. This policy applies only to private forest owners, TPT, small-scale IUIPHHK, home/craft industries,

Summary of Local Government Initiatives in SVLK Implementation

Jepara District Head Decision No. 500/139 Year 2013, containing:

- Licence simplification
- SVLK socialisation
- SVLK Clinic
- Pro-community activities
- Trainings
- Training guides development

Jombang District Head Regulation No. 14 Year 2015, containing:

- Expediting SVLK-related licences
- Incentives and non-fiscal support
- Facilitation
- Funding assistance
- Trainings and information dissemination
- Working Group on expediting SVLK

Klaten District Head Regulation No. 16/2014

- Expediting SVLK-related licences
- Incentives and non-fiscal
- Facilitation
- Funding assistance
- Trainings and information dissemination
- Working Group on expediting SVLK

MoU between Directorate General of Forestry Business Development and Bali Province Council for Craft on 6 September 2013 on the commitment to push for SVLK implementation in Bali Province.

Source: Presentation on “Kebijakan SVLK dan Percepatan Sertifikasi Berkelompok” by Dr. Ir. Dwi Sudharto, M.Si, Director of Forest Product Processing and Marketing. 2nd Public Consultation for Director General Regulation on Import Recommendation Application and Issuance and System Trial. Jakarta, 13 May 2015

IUI, and IUI with TDI, SIUP, and TDP that will, is currently, and/or have met SVLK requirements. This policy has brought much positive impact in SVLK implementation in Klaten District, including an increase in S-LK certification among timber industries, the establishment of SVLK information centre (SVLK Clinic), and increase in administrative compliance among timber industry and forest governance.

Since 2015 there was almost no information about other government initiatives from other areas in the form of policies supporting SVLK, when in reality the issuance of district and province SVLK regulations are needed to ensure continuous synergy between central and local governments. The central government through MoEF should be able to continue supporting local government initiatives toward procurement policy and increase other local government initiatives in areas with potential timber industries.

In addition, local government regulations on nonconformities between licences and ministry regulations must be reviewed, and if possible, a new regulation must be issued to ensure relevance between ground conditions and ministry regulations and on basic licence that businesses must have when they operate. This includes Industrial Business Licence, Trade Business Licence, Nuisance Permit, Company Registration Certificate, and Tax Identification Number. In the future, facilitation is needed from groups concerned with SVLK acceleration along with local government to ensure that more small-scale forestry businesses can access SVLK.



CHAPTER IV. IMPROVING GOVERNANCE THROUGH SVLK

IV.1 Information Disclosure

Public Information Disclosure in Indonesia is stipulated in Law No. 14 Year 2008. In the VPA between Indonesia and EU, information that is to be made publicly available is elucidated in Annex IX.

Forest Watch Indonesia (FWI) and JPIK tested the Public Disclosure of Information Law by testing the information access to obtain data and information to support SVLK monitoring. In this testing, it took 3 years to obtain the requested data and information after a number of Public Information Disclosure and Administrative Court trials.

The MoEF Regulation No.30/Menlhk/Setjen/PHPL.3/3/2016 and PHPL Director General Regulation No.14/PHPL/SET/4/2016 already regulate information access for independent monitors, in which independent monitor can obtain data requested within 8 to 10 work days. However, based on JPIK's experience, it takes much longer time to obtain the data and information requested.

JPIK has found that much of the data to be published is still lacking in the Ministry and LP&VI's websites. According to PHPL Director General Regulation PHPL No.14/PHPL/SET/4/2016, LP&VI must publish every SPHPL and S-LK issuance, amendment, suspension and revocation in the LP&VI and Ministry's website (www.dephut.go.id and silk.dephut.go.id) 7 (seven) calendar days at the latest after the decision is made.

In the SILK website, data on VLK and PHPL assessment notifications are still lacking, such as: uploaded data on issuance, suspension, rejection, revocation, and assessment/verification processes are often not where they are supposed to be uploaded; process and issuance document (public summary and certificate) is often unavailable. In the meantime, not all LP&VI upload process documents and certification results and V-Legal document issuance in their websites.

Disclosure of public information provides significant contribution to improve forest governance in Indonesia as well as space for the public to actively participate in monitoring SVLK implementation. Therefore JPIK recommends for the Ministry's website managers (for www.dephut.go.id and silk.dephut.go.id) to periodically check documents uploaded by LP&VI, conduct periodic update of RPBBI, compile public information list so that data and information accessible to public is clear and available, and carry out capacity building for managing data that should be available at national and province levels.

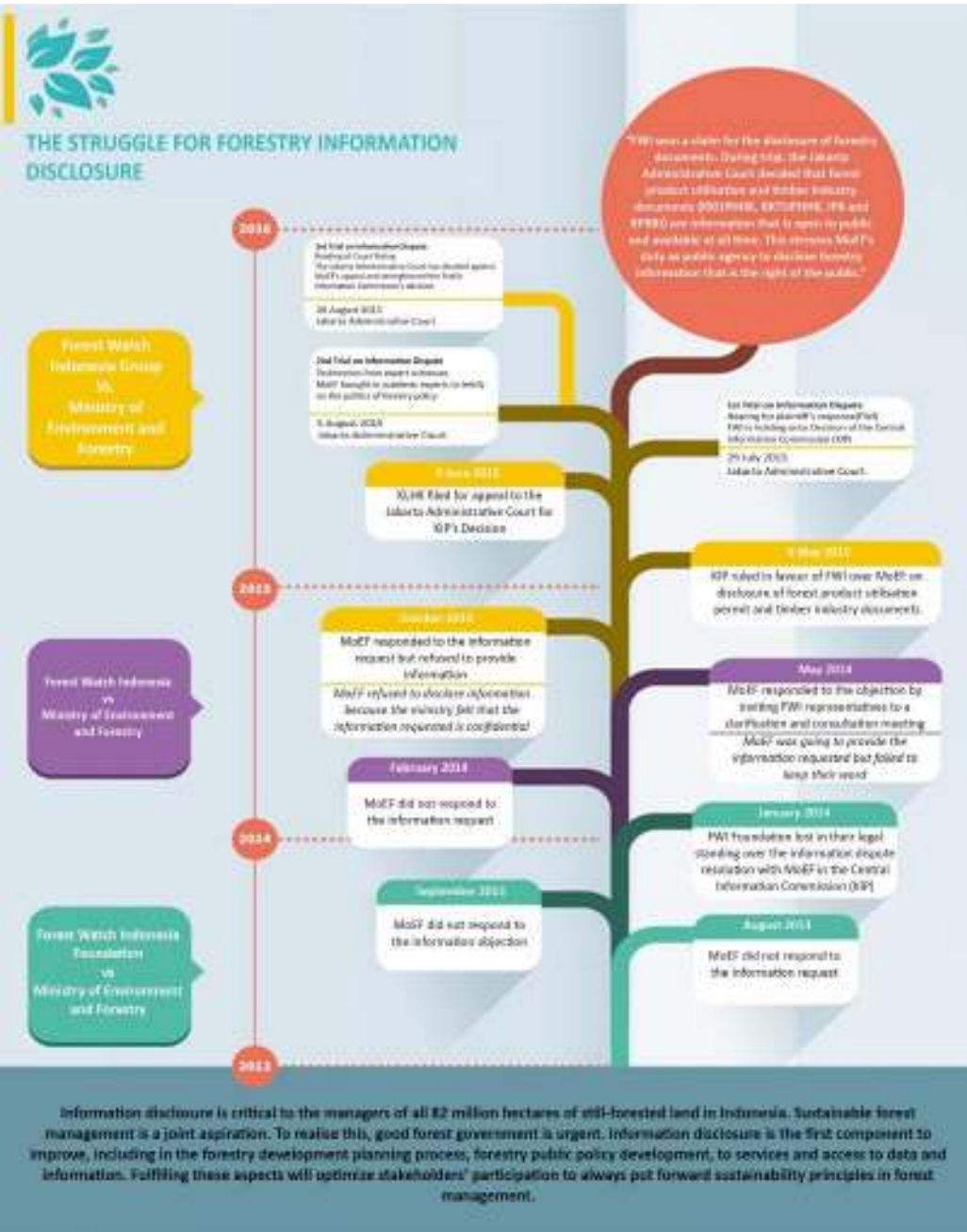


Figure 73. FWI's for data request process

IV.II Law Enforcement (and Measures to Prevent Repeat Findings of Noncompliance)

It is inevitable that certain noncompliance or nonconformity can be found in a mandatory system, including indications of violations during independent monitoring. In VPA, enforcement is one component that is given special attention, especially in the event of noncompliance which in consequence requires certain follow up due to the specific nature of the irregularities or legal violation (for example, violation in the storage of goods or nominee arrangement, or indications of falsification of SVLK, V-Legal Document, or FLEGT Licence).

There must be a deterrent effect through this system to maintain credibility and accountability of the entire system from the likelihood of repeated violations by certain actors.

The government (as system regulator and owner) must strengthen SVLK implementation document by integrating a deterrent mechanism (imposing certain sanctions for failure to fulfil certain obligations, especially on performance of verification bodies such as publishing certifications and creating public summaries, or sanctions for other violations as stipulated in applicable regulations). Law enforcement is expected to create a deterrent effect so that other similar violations can be prevented from being repeated. This includes prevention through strengthening certain system components or imposing certain sanctions or penalties as consequence of failure to fulfil obligations. Synergy with enforcement, including prevention, must be taken into consideration so that SVLK can become a credible and accountable instrument to improve good governance by verifying and assuring that only legal timber is harvested, transported, processed and marketed by forestry management or business units in Indonesia.



Box 7. Forestry Crimes in Central Kalimantan

Forest Clearance for Oil Palm Plantations

The Environmental Investigation Agency (EIA) and JPIK revealed that forest clearing for oil palm plantation development is causing large-scale deforestation. Their case study, focusing in Central Kalimantan, has gathered findings including permit issuance through corrupt practices involving local officials, and the police halting its investigation after pocketing company bribes. Numerous legal reform attempts in Indonesia's forestry and timber sector is clearly failing.

The palm oil companies named in the report ***Permitting Crime: How palm oil expansion drives illegal logging in Indonesia*** include PT Nusantara Sawit Persada, PT Flora Nusa Perdana, PT Prasetya Mitra Muda, PT Kahayan Agro Plantations, PT Suryamas Cipta Perkasa and PT Sawit Lamandau Raya. This report also states that nearly all oil palm plantations in Indonesia are intentionally avoiding SVLK. Since coming into force on September 2010, SVLK has not reduced illegal logging from clearing for oil palm plantation.

EIA and JPIK's findings indicate that oil palm plantations in Central Kalimantan are breaking the law. There is a high noncompliance rate and increasingly rampant illegal logging. EIA and JPIK believe that the district heads and companies are conspiring to facilitate licensing processes. Heads of districts have immense authority in licence issuance and oftentimes licences are issued without oversight. Companies are getting rich while communities and the environment are suffering.

EIA and JPIK's investigation focuses in Gunung Mas District. In addition to the vast forest remaining in the district, Head of District Hambit Bintih has issued many licences. In 2012, four concession licences were issued to three businessmen: Cornelis Antun, Elan Gahu and Edwin Permana. The concessions issued were not immediately developed for oil palm, but instead they sold their concession to the Malaysian plantation CB Industrial Product Holding Berhad (CBIP). From this concession deal they profited USD 9 million.

So far SVLK's focus has been on IUPHHK-HA, IUPHHK-HT and timber concessions, but in reality other sources of timber from forest conversion into oil palm plantation or IPK are still untouched. Oil palm expansion, especially in Central Kalimantan, is leading to massive illegal logging of forests. Poor governance, weak law enforcement and corruption are the underlying factors.

Another case is PT Flora Nusa Perdana. The company obtained its Location Permit in 2006 and Plantation Business Permit in 2007 for 10,000ha. Satellite data analysis shows that about 85% of the concession was still forested at that time. The Central Kalimantan government has no record of the company's Environment Permit or IPK, and MoEF confirmed that in 2013 the forest release process remained at the "application stage".

Nevertheless, since 2007 the company has cleared 4,500 ha forest. At the moment, most of this area is now planted with oil palm while extraction of commercial timber stands is on-going. This case has been filed in court after a customary leader reported the case to the police.

Although IPK is included within SVLK, in reality only a small percentage of IPK holders have S-LK. Law enforcement is weak. PT Sawit Lamandau Raya is another example. EIA and JPIK obtained evidence that the company sent an internal memo to its head office in Jakarta requesting IDR 400 million to have the Lamandau Police to stop their investigation.

EIA and JPIK hope for a system reform with an instrument to understand the corruption taking place in the oil palm plantation licensing processes. MoEF must make timber legality audit mandatory for all timber harvesting in oil palm plantations and impose penalties to revoke licences of companies that refuse audits.

IV.III Outstanding Issues: Forest Fires, Licensing Corruption, Social Conflicts

SVLK is part of a soft approach measure that, through developing legality standards and its verification system, complements the hard approach of law enforcement. The two approaches are done in parallel with the development of other law enforcement measures such as anti-corruption and anti-money laundering regulations.

From Forestry Ministry Regulation No. 38/Menhut-II/2009 to MoEF Regulation No. 30/Menlhk/Setjen/PHPL.3/3/2016, SVLK has undergone six revisions. The points revised are implementation mechanisms, indicators and verifiers, information transparency, monitoring security and safety, and monitoring sustainability. Though there are those who view the revisions to indicate system weakness, many others see that the revisions are efforts to improve the system and accommodate multi stakeholder participation.

Three topics are often raised by civil society organisations (CSO) when discussing SVLK regulation revision, namely licensing corruption, fires and social conflicts. CSOs enthusiasm in including licensing corruption, fires and social conflict is based on the idea that the government, as SVLK scheme owner, has not accommodated their recommendations.

JPIK has highlighted licensing corruption in 2013 when the Corruption Eradication Commission (*Komisi Pemberantasan Korupsi* – KPK) investigated 14 companies on alleged forestry corruption cases in Riau involving a number of high ranking officials, including the Governor at the time.⁶⁹ Another case in 2007 involving Head of Pelalawan District in Riau Province was also due to legal violations in IUPHHK-HT issuance.⁷⁰ In late 2016, the Anti-Forest Mafia Coalition urged KPK to immediately release the names of 20 corporate suspects in Riau's IUPHHK-HT corruption cases which took place in 2001-2005.⁷¹

Rampant fires in 2015 led to MoEF penalising 23 companies.⁷² At least 3 companies had their licences revoked while 16 companies had their licences were suspended and 115 companies received warnings for their involvement in forest and land fires in 2015.⁷³

Table 6. Forestry companies in Riau under KPK Investigation

Company	Group	Certificate Type
PT Riau Andalan Pulp & Paper	APRIL	S-PHPL
PT Merbau Pelalawan Lestari	APRIL	S-LK
PT Mitra Kembang Selaras	APRIL	S-LK
PT Citra Sumber Sejahtera	APRIL	S-LK
PT Bukit Betabuh Seindah	APRIL	S-LK
PT Suntara Gajapati	APP	S-LK
PT Rimba Mandau Lestari	APP	S-LK
PT Arara Abadi	APP	S-PHPL
PT Wana Rokan Bonai Perkasa	APP	S-LK
PT Anugerah Bumi Sejahtera	APRIL	S-LK
PT Madukuro	APRIL	S-LK
PT Bina Duta Laksana	APP	S-PHPL
PT Inhil Hutan Pratama	APP	S-LK
PT Nusa Prima Manunggal	APRIL	S-LK

Source: JPIK's press conference, "Cabut Sertifikat SVLK yang diperoleh APP & APRIL Group" (<http://jpik.or.id/cabut-sertifikat-svlk-yang-diperoleh-app-dan-april-group/>)

Conflicts between communities and companies are the primary cause of conflicts in the forestry sector. In 2015, 43 conflicts took place in Riau over a total of 116,927 hectares involving both communities and companies.⁷⁴ The number and area of conflicts increased significantly from previous years.

SVLK have attempted to incorporate these three conflicts in its implementation standards and guideline (PHPL Director General Regulation No.14/PHPL/SET/4/2016). The integration

of conflicts, licensing corruption and fires in SVLK is closely linked to CSOs' on-going effort to revise SVLK regulations. This Directorate General Regulation regulates conflicts, licensing corruption and fires as some of the indicators assessed. However, since the assessment applies an accumulative method and good-average-poor grading system, these three issues will be reduced when they are accumulated with the rest of the assessment indicators.

SVLK should create a different assessment method for these three aspects. Conflicts, licensing corruption and fires must be treated as primary indicators for obtaining SVLK certification on the grounds that these three are fundamental issues that have not been entirely resolved. This will also provide clarity on SVLK's stand as a system that aims ensure sustainability and business legality in the forestry sector.

CHAPTER V. CONCLUSION AND RECOMMENDATIONS

SVLK was established through Forestry Minister Regulation in 2009 and came into effect on September 2010. This regulation underwent 6 (six) revisions along its refinement process. Since SVLK was first implemented, forestry industry export regulations also went through a number of changes. MoT Regulation 20/M-DAG/PER/5/2008 that was in effect before SVLK was then revised to MoT Regulation 64/M-DAG/PER/10/2012. Afterward, MoT Regulation on forestry industry product export underwent 5 (five) revisions. The latest applicable regulations on forest industry product export include MoT Regulations No. 84/M-DAG/PER/12/2016 in conjunction with No. 12/M-DAG/PER/2/2017 in conjunction with No. 38/M-DAG/PER/6/2017 issued on 12 June 2017.

SVLK implementation took a significant step forward when the FLEGT licence is applied to timber products from Indonesia. The decision to enforce FLEGT licence was mutually agreed in the JIC forum on 15 August 2016 in Yogyakarta. This licence application is a concrete materialisation of international recognition and continuous support for good governance, as well as Indonesia's achievement as the first country in the world to hold FLEGT licence for exported timber products. Indonesia has also made agreements with other major market countries including Australia, Japan, US, South Korea and China.

This international recognition is in turn a great consequence for the Government of Indonesia to continue to build on this trust by ensuring SVLK credibility and accountability. Independent monitoring must be continued as one way to ensure that credibility and accountability continues to improve good forest governance in Indonesia.

JPIK, as one of the forest monitoring networks in Indonesia, has actively monitored SVLK since the system first came into force.⁷⁵ From 2014 to 2017, JPIK has carried out monitoring in 54 S-PHPL and S-LK certified companies. The following are some important points from the monitoring results:

- There are sawmills with capacity of less than 6,000 m³/year that are not SVLK certified. This is due to poor oversight and law enforcement and lack of clear punishment for licence holders who are still failing to carry out their obligations.
- There are a number of certified licence holders who have not completed their surveillance assessment although these licence holders are currently operating and trading timber.

- There are certification bodies that are not following SVLK standards and guide when handling complaints submitted by independent monitors. KAN as an accreditation body must review these nonprocedural incidences and provide information on the resolution process to the public.

- The DKP system was first implemented to facilitate timber legality assurance for timber cultivated in private forests, including logs or processed timber. However, in practice there is no information on the implementation of general and special DKP surveillance audits in line with the guidelines and regulations.

- Traceability of raw materials through SIPUHH has not automatically lock in on non-SVLK certified timber distribution. This condition allows non-certified timber to mix with certified raw materials. In addition, information on administration including its distribution is still inaccessible to the public.

- Information on SVLK implementation, including timber product export and import, currently unavailable or entirely accessible to public, especially independent monitors. This condition also applies to data and information under the authority of local governments.

- Coordination among directorates in certain ministries, inter-ministerial coordination, and coordination between central and local governments are still weak. This makes SVLK implementation oversight and evaluation by other stakeholders even more challenging.

- Social issues are still occurring due to lack of socialisation and participatory boundary delineation. This in turn triggered conflicts among local/indigenous communities with licence holders. The situation is worsened by ineffective conflict resolution.

- The domestic timber market has not fully implemented SVLK, including for procurement of goods and services for government facilities and/or infrastructure.

- Although rights and obligations of Independent Monitors are regulated in SVLK, Independent Monitors are still facing obstacles in accessing data and information for their monitoring needs.

From this conclusion, JPIK believes that the implementation of SVLK still has its weaknesses. Nonetheless SVLK has provided its contributions and shown significant changes in improving good forest governance in Indonesia. Therefore, continuous development and revision of SVLK must be done to ensure its credibility and accountability. The following are recommendations to improve SVLK:

1. **Improving monitoring and law enforcement.** Strengthening regulations, in this case Minister Regulation and PHPL Directorate General Regulation, concerning SVLK implementation must incorporate mechanisms for punishments with deterrent effect so that violations are prevented and avoided. In addition, there is also the need to synergise prevention and law enforcement with applicable regulations so that SVLK can truly become the manifestation of a credible and accountable instrument to improve good governance.
2. **Transparency in SVLK implementation.** The entire SVLK implementation, including providing data and information for monitoring and the process of handling and addressing incoming reports, must be transparent and accessible to public.
3. **Licensing review.** Government must follow up on licence holders who are not fulfilling their obligations for surveillance audits, including holders of revoked licences (licences that are no longer valid), by revoking their business permits. In addition, certification bodies must review the licence holders' supply chains to ensure that timbers from non-certified sources are not entering the supply chain.
4. **Enhancing and strengthening SVLK assessment processes.** PHPL assessments must show trend of improving performances, in which auditees with average or poor scores improve in subsequent surveillance or re-certification assessments.
5. **SVLK's clear 'position'.** As a system, SVLK must ensure that sustainability and business legality are the primary indicators in approval for certification. Therefore SVLK must prioritise conflict, licencing processes (licencing corruption) and forest fires as main indicators for assessment decisions.

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- ²Forest Futures Scenario Analysis. NRM-Bappenas-MFP. Jakarta. October 2004
- ³'V-Legal' is a term indicating that legality has been verified (Verified Legal), whether in the form of a V-Legal Document (as export 'licence'; for European Union nation destination countries this applies as 'FLEGT Licence' with 'FLEGT Licence' stated on a box on the upper right hand side), or indicated by a V-Legal logo (on product, packaging and/or documents).
- ⁴FLEGT Voluntary Partnership Agreement (VPA) is a bilateral agreement between European Union and timber exporting nations. It is aimed to improve good forestry governance and ensure that timber and timber products imported to the EU are produced in compliance with regulations in partner countries.
- ⁵<http://silk.dephut.go.id/app/Upload/hukum/20140715/4113c610651757feb3347a29f3bdb38c.pdf>
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- ¹⁶Procurement of environmentally friendly and legally compliant goods, including the proposal to add 1 paragraph in Article 105 of President Regulation No. 54 Year 2010: Specifically for procurement of timber-based goods for government, timber must comply with SVLK requirements. This includes the proposal to include timber products into e-catalogue, such as plywood, furnitures, particle wood, sawn timber and moulding.
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³⁴Based on interview and report from Community Study and Initiative Development Group (KSPPM).

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³⁶Based on interview.

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⁴¹Article 10 Paragraph 4 of MoEF Regulation No. P.12 Year 2015 stipulates that protected area is prioritised in peat domes, water catchment areas, coastline, riparian buffers, around dams/lakes, springs, mangrove, and habitats of protected wildlife species.

⁴²Based on findings of logged-over (harvested) acacia stand that was later taken over by the Temenggung Amal community as indicated by the signboard placed by the community.

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⁵⁹Timber Legality Information System (SILK), <http://silk.dephut.go.id/index.php>

⁶⁰PHPL Director General Regulation No. P.15/2014 on LVLK as V-Legal Document licensing authority.

⁶¹<http://jpik.or.id/broker-kayu-memanfaatkan-peraturan-menteri-perdagangan-mengancam-reformasi-hukum-dan-perjanjian-internasional/>

⁶²<https://www.robinwood.de/pressemitteilungen/robin-wood-warns-after-timber-analysis>

⁶³<http://www.mfp.or.id/index.php/id/berita-menu/82-berita/279-enam-provinsi-dukung-percepatan-penerapan-svlk>

⁶⁴<https://www.antaranews.com/berita/394429/website-pasar-lelang-komoditas-mudahkan-perdagangan> and <http://www.baliprov.go.id/Dekranasda-Provinsi-Bali-Dorong-Kemajuan-Industri-Kecil>

⁶⁵<http://jombangkab.go.id/index.php/web/entry/dukung-svlk-bupati-jombang-tetapkan-peraturan-pedoman-pelaksanaan-svlk-sebagai-wujud-percepatan-svlk-dikabupaten-jombang.html>

⁶⁶<http://www.mfp.or.id/index.php/id/berita-menu/82-berita/279-enam-provinsi-dukung-percepatan-penerapan-svlk>

⁶⁷<http://www.mongabay.co.id/2015/04/03/yogyakarta-siap-melaksanakan-percepatan-svlk/>

⁶⁸Annex IX of the VPA elaborates on forestry-related information to be made available to public, the bodies responsible for making that information available, and the mechanisms by which it can be accessed.

⁶⁹See JPIK's press release at <http://jpik.or.id/cabut-sertifikat-svlk-yang-diperoleh-app-dan-april-group/>

⁷⁰https://ti.or.id/publikasi/program/forestry/korupsi_perzinan_perusahaan.pdf

⁷¹<http://jikalahari.or.id/kabar/rilis/kpk-segera-tetapkan-20-korporasi-sebagai-tersangka-korupsi-kehutanan-riau/>

⁷²<http://jpik.or.id/23-korporasi-kena-sanksi-kementerian-lhk/>

⁷³<http://www.antaranews.com/berita/608331/presiden-minta-izin-perusahaan-terlibat-karhutla-dicabut>

⁷⁴<http://scaleup.or.id/press-release-catatan-konflik-sda-riau-sepanjang-2016/>

⁷⁵JPIK's monitoring work from 2011 to 2013 can be downloaded from: <https://drive.google.com/file/d/0B1B1aAJe4EI9dIpSR2IsNUx3SUU/view>

