Forest Management in Indonesia, Illegal Logging and Associated Trade, FLEGT, VPA, SVLK, and Forest Management Unit (KPH) for the Future of Indonesia Forestry"

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December 2016
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Forest Management in Indonesia
A. Forest

• Forestry shall be an integrated system of management pertaining to forests, forest area, forest products.

• Forest shall be an integral a unit of ecosystem in the form of lands containing biological resources, dominated by trees in their natural environment.

• Forest area shall be a certain area which is designated and or stipulated by government to be preserved as permanent forest

➔ Forestry Laws No. 41/1999
B. Forest functions, forest management, forest utilisation

1) By function, forest areas are categorised as:
   • Conservation forest
   • Protection forest
   • Production forest
2) Forest management:
   • Managed by the owners on private forest land
   • Managed by the community on communal forest land/adat land
   • Managed by the government on state forest land
     • Conservation – central government
     • Protection, production – managed by sub-national government

3) Forest utilisation:
   • By forest owners
   • By forest managers
   • By concessionaire holders
Performance

• At the past, Indonesia is known as among the world’s leading wood products exporters, and is the leading plywood exporter.

• The forest sector had grown rapidly and by 1990-ies amounted to 487 concessions occupying 56 million hectares.

• Log export ban has been applied since 1985, in order to boost the growth of wood processing industry

• The extraction of timber from concessions was over 40 million cum per year whereas the government-determined threshold for sustainable production was 22 million cum per year.
Forest Utilisation by Commercial Actors

• Natural Forest Utilisation is going down. Legal forest businesses could not compete with illegal operations.
• However, commercial Forest Plantation is going up. Big scale investment grown remarkably in pulp and paper industry.
## Status at the last 5-years

<table>
<thead>
<tr>
<th>Forest type</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
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<tbody>
<tr>
<td></td>
<td>Unit</td>
<td>Hectare</td>
<td>Unit</td>
<td>Hectare</td>
<td>Unit</td>
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<td>Plantation</td>
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<td>238</td>
<td>9,834,744</td>
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</table>
Log production from natural forests, 2015

<table>
<thead>
<tr>
<th>No</th>
<th>Provinsi</th>
<th>Jumlah UM</th>
<th>Rencana Volume (m³)</th>
<th>Realisasi Volume (m³)</th>
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<tr>
<td>1</td>
<td>NAD</td>
<td>3</td>
<td>-</td>
<td>-</td>
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<tr>
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<td>374,543</td>
<td>177,113.69</td>
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<td>3</td>
<td>SUMATERA BARAT</td>
<td>4</td>
<td>123,291</td>
<td>121,924.39</td>
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<tr>
<td>4</td>
<td>RIAU</td>
<td>4</td>
<td>570,865</td>
<td>89,591.38</td>
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<tr>
<td>5</td>
<td>JAMBI</td>
<td>2</td>
<td>21,716</td>
<td>-</td>
</tr>
<tr>
<td>6</td>
<td>SUMATERA SELATAN</td>
<td>1</td>
<td>20,099</td>
<td>-</td>
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<tr>
<td>7</td>
<td>BENGKULU</td>
<td>2</td>
<td>55,029</td>
<td>4,737.30</td>
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<tr>
<td>8</td>
<td>KALIMANTAN BARAT</td>
<td>24</td>
<td>681,795</td>
<td>22,150.69</td>
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<td>9</td>
<td>KALIMANTAN TENGAH</td>
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<td>PAPUA BARAT</td>
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<td>1,278,500</td>
<td>258,173.89</td>
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Jumlah 269, 10,300,872, 5,843,179.25

Sumber: Direktorat Jenderal Pengelolaan Hutan Produksi Lestari
Log production from industrial forest plantation, 2015

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<tr>
<th>No</th>
<th>Provinsi</th>
<th>Panen Hasil Tanaman Tahun 2015</th>
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<td>Rencana</td>
<td>Realisasi</td>
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<tr>
<td></td>
<td></td>
<td>Luas</td>
<td>Volume</td>
<td>Luas</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(ha)</td>
<td>(m³)</td>
<td>(ha)</td>
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<tr>
<td>1</td>
<td>NAD</td>
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<td>343</td>
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<td>4</td>
<td>Riau</td>
<td>177,122</td>
<td>18,961,280</td>
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<td>7</td>
<td>Lampung</td>
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<td>65,673</td>
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<td>Bangka Belitung</td>
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<td>5,488</td>
<td>125</td>
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<td>Kalimantan Barat</td>
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<td>10</td>
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<td>11</td>
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<td>23</td>
<td>Perum Perhutani</td>
<td>0</td>
<td>831,475</td>
<td>0</td>
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<td></td>
<td>Total</td>
<td>515,025</td>
<td>53,912,011</td>
<td>266,163</td>
</tr>
</tbody>
</table>

Sumber: Direktorat Jenderal Pengelolaan Hutan Produksi
D. Community forests

1) Forests on private land (HR)
2) Forest under customary/adat forests
3) Community legal scheme on state forest land
   • Village forest (HD)
   • Community forestry holder (HKm)
   • Community plantation forest (HTR)
   • Community forest partnership (HRK)
Illegal logging and Associated Trade
Root causes

• The production capacity of wood processing industries exceeds the sustainable raw material production capacity of natural forests and timber plantations.

• This forest industry overcapacity is one of a direct causes of illegal logging in Indonesia.

• The political change in 1998-1999 affected the scheme of forest management. Control to forest management operations were loosened. Illegal practices and associated trade were rampant.

• In 2000, the Indonesian government committed to closing down the highly indebted wood industries under IBRA control and linking the debt write-offs to capacity reduction.
ILLEGAL LOGGING AT SUMATERA (2004)
• The recognition that illegal logging is a worldwide problem
• Emphasis on national roles and responsibilities
• Broad definition of issues (illegal logging, arson, wildlife)
• The value of consultation and collaboration with diverse stakeholders
• Commitment to communicate on follow-up
• Task Force on Forest Law Enforcement and Governance created
• Advisory Group created, comprising NGOs, industry, civil society, other relevant stakeholders
• Decision to hold next Ministerial meeting in 2003 to review progress on first actions to implement Declaration.
FLEGT, SVLK and EU-FLEGT VPA
EU ACTION
PLAN

Forestry system In transition

BALI DECLARATION MoF PRIORITY POLICIES

MEASURES

UK-INA MoU

Exercises in MoU Action Plan

Exercises in MoU Action Plan

Exercises in MoU Action Plan

IL AND TRADE ENVIRONMENT

EU VPA

IDN VPA

EU ACTION PLAN
Indonesia's Historical Milestones of the SVLK Development & FLEGT VPA Negotiation

- 2001: Bali Declaration on FLEGT (Sept)
- 2002: RI-UK signed MOU for combating ILLOG (Apr), EU FLEGT Action Plan (May)
- 2003: EU adoption the Regulation no. 2173 on Licensing Scheme for Export Timber to EU Through VPA
- 2004: Joint Statement FLEGT VPA, Minister MS. Kaban with Stavros Dimas and Louis Michel (Jan)


- 2008: Intensively FLEGT VPA Negotiation Processes and System Trial Development Toward VPA Implementation
- 2009: Finalization of SVLK and adoption as mandatory regulation
- 2010: Timber Regulation adopted by EU Parliament (Jul)
- 2011: Joint Statement VPA Conclude on Senior Official Meeting, Brussels (Apr), Initiating VPA by Minister of Forestry RI and Trade Commissioner EU (May), Minister of Forestry launched V-Legal Logo, Amendment of SVLK regulation as P68/2011
- 2012: Developed and Launched Timber Legality Information System (Aug), Develop Run Test Shipment to EU
- 2013: EU Timber Regulation fully implemented (March)

P38/2000 officially regulated
EU-Indonesia VPA
• A Voluntary Partnership Agreement (VPA) is a legally binding trade agreement between the EU and a timber-exporting country outside the EU. A VPA aims to ensure that all timber and timber products destined for the EU market from a partner country comply with the relevant laws of that country.

• When a VPA partner country has implemented a timber legality assurance system and other measures set out in the VPA it will be able to issue FLEGT licences for timber products that are verified to be legal.

• Timber and timber products covered by a valid FLEGT-licence automatically comply with the requirements of the EU Timber Regulation (EUTR), which prohibits EU operators from placing illegally harvested timber and timber products on the EU market.
VPAs provide for Timber Legality Assurance Systems (TLAS) consisting of 5 core Elements:

1. Timber **Legality definition** (country specific).
2. **Supply chain control System** (traceability system).
3. **Verification System/ Capacity** (both supply chain & legality).
4. **Timber Licensing** (Issuance of FLEGT Licenses).
5. **Independent Audit** of the entire TLAS.
Interaction between the 5 elements of Timber Legality Assurance Systems (TLAS)

1. Legality Definition
2. Timber Supply chain
3. Verification of compliance for operators and timber products
4. Issuing of FLEGT Licenses
5. Independent Audit
Status

- FLEGT licencing started: 15 November 2016
- VPA entry into force: 1 May 2014
- VPA ratified: April 2014
- VPA signed: 30 September 2013
- VPA agreed: 4 May 2011
- Negotiations started: March 2007
- Initiation – joint statement of commitment: January 2007
SVLK – Indonesia timber legality assurance systems
SVLK

• Legal timber should comply with all legal requirements in the origin, harvesting license, logging procedures, transportation, processing, trade and change of custodian.

• SVLK (Sistem Verificasi Legalitas Kayu) is the acronym of Indonesia’s national timber legality assurance system, which is a mandatory legality and sustainability certification system built on a national multistakeholder consensus.
• SVLK certification and related documents (SVLK certificates and export licences called V-Legal Documents) constitute proof of legality for Indonesian timber products. Until the start of FLEGT licensing, Indonesian products with a V-Legal Document that are exported to the EU will have to go through the normal due diligence process under the EU Timber Regulation (EUTR).

• Once FLEGT licensing starts, FLEGT-licensed products will be considered comply with the EUTR requirements, meaning that no due diligence is required.
Progress

By the end of 2015, the following areas and industries were SVLK-certified:

**FOREST**

- **100%** of all active (holding an annual logging permit) concessions operating in natural forest or plantations
- **23 million hectares** of production forests
- **356 forest** management units and timber-producing conversion areas
PRIMARY AND SECONDARY INDUSTRY

• 100% of the large-scale primary industries, which produce more than 6000 m³ of timber products each year, and 82% of the registered mills that produce 2000-6000 m³ each year

• 1226 secondary processors

• In total, 2363 industries hold SVLK certification, an increase of more than 200% since the end of 2014

• 124 timber depots (operated by domestic wood traders)
EXPORTERS

- 95% of all industries and traders that export timber products, a total of 1794 companies
- The Ministry of Environment and Forestry and Indonesia’s Multi-stakeholder Forestry Programme (MFP3) are facilitating SVLK certification of the remaining 5%
SMALL ENTERPRISES

• **143 small mills**, whose yearly production is below 2000 m³
• **285 small industries**, whose average production was 120 m³ of timber products in 2015

• In 2015, small scale private forest owners issued more than one million Supplier’s Declaration of Conformity documents, which **covered an average of 17 m³ of logs/document**.

• Such smallholders are now a key source of wood in Indonesia.
EU-FLEGT-License
A FLEGT licence is a document that confirms that a shipment of timber or timber products has been legally produced, in accordance with the relevant laws of the country of harvest. FLEGT-licensed timber and timber products are considered to comply with the requirements of the EU Timber Regulation (EUTR).

The EUTR requires that operators (defined as any natural or legal person that places timber or timber products on the EU market) exercise due diligence when placing timber or timber products on the market. Exercising due diligence means undertaking a risk management exercise so as to minimise the risk of placing illegally harvested timber, or timber products containing illegally harvested timber, on the EU market.
• Operators in the EU do not need to exercise due diligence on imports of FLEGT-licensed timber.

• FLEGT licences can only be issued by countries that have ratified a Voluntary Partnership Agreement (VPA) with the EU. To issue FLEGT licences, a VPA partner country must implement a timber legality assurance system and other measures specified in the VPA.

• Once a VPA country begins FLEGT licensing, all shipments of timber products listed in the amended annex I of the VPA’s product scope, and exported from the VPA country to the EU, must be FLEGT-licensed in order to be released for free circulation in the EU.
FLEGT Licensing Authorities

• FLEGT Licensing Authorities are the authorities in countries with Voluntary Partnership Agreements (VPAs) with the EU that are responsible for issuing FLEGT licences.

• In Indonesia, The licensing authorities are independent organisations registered with the Ministry of Environment and Forestry, which lists them on the SILK website: https://silk.dephut.go.id/index.php/info/vlegal

• In Indonesia, independent private certification bodies, called Conformity Assessment Bodies (CABs), are accredited by the National Accreditation Committee (KAN) and mandated by the Ministry of Environment and Forestry to carry out legality verification functions nationwide. By June 2016, 22 of the CABs had also been accredited and mandated as licensing authorities.
• Indonesia began shipping FLEGT-licensed products on 15 November 2016. Products covered by Indonesia’s timber legality assurance system and issued with export licences after 15 November 2016 must be accompanied by FLEGT licences, not V-Legal Documents, if they are exported to the EU.

• Products covered by the Indonesian FLEGT licensing scheme include all those for which the EU Timber Regulation (EUTR) requires due diligence. You can check the products covered by the EUTR here: http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32010R0995
In addition to the minimum requirements of the product scope of a VPA, the Indonesian FLEGT licensing scheme also covers furniture, fuel wood, wooden tools, wooden packing material, builders' joinery and carpentry of wood, wood pulp, paper and paper products, kitchen and tableware, and other products. See the revised Annex I of the Indonesia-EU Voluntary Partnership Agreement (VPA) for details: http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32015D1158

Shipment: V-legal documents should contain “European Union” and “FLEGT” starting November 15, 2016
Reconstruction of forest governance – development of permanent forest management units (FMU/KPH)
Basic concept

• Legal concept: the Forestry Law (Law No. 41/1999) stipulates that Forest Management Units (FMUs) are to be established not only in production forest, but covering all forest areas and functions – it is the landscape approach on forest areas.

• FMU management is mandated to purview and coordinate the various operators in its territory.

• Commercial forest concessionaires, community-based forestry operations, and other forest land uses have to be under supervision of FMU

• FMU/KPH is designated to be the implementing unit for REDD+ concept
FMU configuration at Berau Watershed, East Kalimantan

- KPHP Berau Utara (Unit VI) Luas : 322.439 ha
- KPHP Berau Tengah (Unit XV) Luas : 362.229 ha
- KPHP Berau Pantai (Unit XVI) Luas : 193.180 ha
- KPHP Berau Barat (Unit XII) Luas : 786.021 ha
Case: KPH/FMU Berau Barat and configuration of concessionaires
<table>
<thead>
<tr>
<th>Company</th>
<th>License type</th>
<th>Hectarage in FMU area</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pt. Inhutani I (Unit Segah Hulu)</td>
<td>IUPHHK-HA</td>
<td>9.372</td>
</tr>
<tr>
<td>PT. Sumalindo Jaya IV</td>
<td>IUPHHK-HA</td>
<td>62.145</td>
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<tr>
<td>PT. Inhutani I (Unit Labanan)</td>
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<td>PT. Aquila Silva</td>
<td>IUPHHK-HA</td>
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<td>PT. Amindo Wana Persada</td>
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<td><strong>Total</strong></td>
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<td><strong>507.582</strong></td>
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FMU/KPH and certification

A. Types of certification
1) Timber production management certification
2) Non-timber production management certification
3) Environmental services certification
4) Certification along supply chain (chain of custody)
5) Personal competency certification
B. Design for FMU certification

• Basic design: single certification management under FMU

• Structures:
  • Governing individual forestry operator certification (encouragement, coordination, supervision, guidance, promotion, information management)
  • Aggregate certification under FMU management (collaboration, control system, information management system)
  • Mix-governance on certification
C. FMU/KPH and SVLK – FLEGT licensing

• FMU/KPH is the point of negotiation

• FMU/KPH management is to be responsible for the implementation, monitoring, evaluation, and accomplishment of the forestry operators under respective jurisdiction areas in the implementation of SVLK

• Moving towards efficiency of certification – one stop services on certification including FLEGT licensing
Thank you