



PUBLIC SUMMARY

**Results of Joint Assessment of
The Indonesian Timber Legality Assurance System**

Stage Two, 23 September to 31 October 2014

Context

Indonesia embarked on a negotiation process with the European Union (EU) regarding a Voluntary Partnership Agreement (VPA) under the Forest Law Enforcement, Governance and Trade (FLEGT) Action Plan in 2007. Central to the VPA is a timber legality assurance system (TLAS) or *sistem verifikasi legalitas kayu* (SVLK) as laid down in Forestry Minister's Regulation P.38/Menhut-II/2009 and its amendments P.43/Menhut-II/2014. SVLK assures that timber and timber products harvested and processed in Indonesia are originated from legal sources and comply with Indonesian laws and regulations.

The parties concluded VPA negotiations in May 2011 and signed the Agreement on 30 September 2013. The Agreement was ratified in 2014 by the Council of the EU and the Government of Indonesia. Once the FLEGT licence is operational, all Indonesian timber-based products covered by the Agreement's Annex I and imported into the EU must be accompanied by a valid FLEGT licence. Any products covered by the Agreement that arrive in the EU without a valid FLEGT licence will be denied entry.

The VPA stipulates that a technical assessment of the TLAS will be carried out before FLEGT licensing of Indonesian timber for the EU market can commence. The evaluation criteria are defined in Annex VIII of the VPA. To meet this obligation, the parties to the VPA agreed to conduct a joint assessment of Indonesia's TLAS in stages and with the support of an independent team of experts.

The first stage of the assessment was concluded on 24 September 2013. Based on the assessment's findings, Indonesia and the EU agreed to an action plan in November 2013 to address the issues raised by the assessment team and to improve the design and implementation of the SVLK. The second stage of the assessment took place from 23 September to 31 October 2014 and is the subject of this public summary. This assessment was conducted jointly by experts from Indonesia and EU as agreed by the Joint Implementation Committee.

The objective was to inform both Parties to the VPA about the technical preparedness of the TLAS, both system and actors, in relation to the start of FLEGT licensing.

The terms of reference was to assess: revisions made to SVLK regulations (especially related to the timber legality definition, supply chain control and licensing) and necessary ensuing changes to the VPA; measures taken to improve information sharing, referring to the requirements laid out in Annex IX of the VPA; measures taken to ensure and secure the role and activities of independent monitoring organisations in the SVLK; measures taken to advance SVLK implementation on the ground; and information shared among auditors, independent monitors, local government authorities and licensing authorities.

Information and materials related to the changed system description in the revised SVLK regulations were collected in Jakarta. Implementation of the SVLK was observed in three

provinces: Banten (of Java), Central Kalimantan and North Sumatra. The feedback collected from a stakeholder workshop in Jakarta on 17 October 2014 and a subsequent meeting with representatives from both parties to the VPA, and written comments were incorporated into the joint assessment report.

Assessment Findings

The assessment made suggestions based on findings, summarised below.

Legality standards. The revised SVLK regulations contain legality standards for management of forests and for processing and trading timber products. The report suggests that Indonesia elaborates its reasons why the description of processes to allocate forest resources and to issue rights to harvest are not included in the standards in the SVLK regulation and subsequently in the VPA legality Annex II as well.

Supply chain controls. All sources of legal timber have been identified and included in the SVLK. Procedures for determining the legality of imported timber in the country of harvest have yet to be developed. A new supply chain control procedure was introduced in the revision of the SVLK regulation: Supplier's Declaration of Conformity (DKP) and examination of the DKP by the buyer following ISO/EC 1750:2010.

Legality verification. New implementation guidelines for legality verification by SVLK verification bodies addressing all the revised legality standards were published in July 2014. The two surveillance audits observed during this joint assessment found that the quality of the work of the verification bodies was good. The report suggests that additional SVLK audits are observed by independent experts to inform joint decision-making on the start of FLEGT licensing.

Licensing. The current procedure to issue V-Legal Documents may still include timber from non-certified sources or timber which is not DKP declared. Indonesia expects this practice to end on 1 January 2015. Indonesia has decided that the Ministry of Environment and Forestry, not the National Accreditation Body (KAN), will oversee the licensing authorities. The report suggests that the Ministry of Environment and Forestry develops a scheme to assess the competence of SVLK verification bodies to act as licensing authorities.

Public disclosure. The VPA requires that important forestry-related information be made available to the public. The assessment found that there are still some development needs. The report suggests that Indonesia develop guidelines for anyone requesting information and for authorities meeting those requests.

Independent monitoring. Updated procedures for independent monitors to submit complaints are detailed in the revised SVLK Regulation. A new element enables submission of complaints to the Ministry of Environment and Forestry on using the V-Legal Label and issuing Supplier's Declaration of Conformity (DKP). Monitoring activities are often limited by a lack of funding, technical capacity to carry out field missions and skills to write reports on monitoring findings. The security of independent monitors was also raised.

Periodic Evaluation. The report suggests that the Government of Indonesia prepare terms of reference for the periodic evaluation and issues a public call for tender to appoint the evaluating organisation in consultation with the EU.

Sharing information among SVLK actors. The revised SVLK regulations provide guidelines on how verification bodies must publicly announce and inform stakeholders about

audits and share information about verification results. Relevant authorities are required to inform the verification bodies in case of any detected violation of legal requirements.

SVLK implementation. A rapid analysis during this joint assessment indicates that the operations of long-term forest concessions and large and medium sized primary and secondary industries are already well equipped with the registered technical staff (*ganis*) and technical supervisory official (*wasganis*).

There was insufficient information available on *ganis* and *wasganis* for small-scale primary industry and registered timber depots (TPTs). More information is also needed on the number of trained village heads that play an important role in the issuance of transport documents for timber from privately owned forests and land.

Conclusions

Significant improvements had been made to the SVLK since the first stage of the assessment. The report finds that most of the areas for improvement with regard to systems were addressed; the only unaddressed aspect is the procedure for determining the legality of imported timber in the country of harvest.

The introduction of the DKP procedure provides private forest owners, registered timber depots (TPTs) and household industries with a cost-efficient instrument to meet the SVLK requirements. The authorities are still educating businesses about the DKP procedure and it will take time before the relevant actors have built their capacities for practical application. SVLK certification already covers most of the concession areas, but progress in conversion areas (IPKs), private lands (HGUs), and small-sized industries is also needed if timber from such sources are entering to the commercial supply chain.

The report also suggests that information be made available on the implementation capacity of private sector operators, verification bodies and the Government as well as on the progress of SVLK certification to evaluate Indonesia's preparedness for FLEGT licensing. This may require improvements in information management systems.

The report suggests the parties to the VPA should agree on how and when to work on the remaining areas of work and the extent of SVLK implementation on the ground to inform decision-making on the commencement of FLEGT licensing.

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