



Record of Discussion
7th JOINT IMPLEMENTATION COMMITTEE IDN-EU
Jakarta, 18 November 2019

Opening

Dr. Agus Justianto, IDN Co-Chair opened the meeting and welcomed participants to the Seventh Joint Implementation Committee (JIC). He emphasized the significance of the participation of all stakeholders in the VPA process, and underlined the importance of continuing to work together to strengthen the SVLK system. Dr. Justianto stated that this JIC commemorates the third year of FLEGT Licensing and tenth year of SVLK in Indonesia.

H.E. Vincent Piket, EU Co-Chair thanked representatives from Indonesia for the warm welcome. He mentioned that he has been involved in FLEGT for many years. Due to Indonesia's commitment and perseverance, the country now has a fully functioning VPA in place. This is a unique achievement for both Parties. H.E. Piket echoed the statement by the Indonesian Co-chair that work remains to be done to continue to strengthen the system that the parties have established together, and to ensure that it continues to deliver benefits to relevant stakeholders, particularly the timber industry in Indonesia.

Mr. Bojan Grlaš, Team Leader for International Forest Issues, from Director General of Environment of the European Commission (EC), thanked the Indonesian partners for the excellent cooperation. He mentioned that the VPA with Indonesia is the best example for the implementation of the FLEGT Action Plan and the EU Timber Regulation (EUTR). Mr Grlaš emphasised the commitment of the EC to continue the close collaboration with Indonesia to maintain and strengthen the system.

Agenda 1. Agreement on the second Periodic Evaluation (PE2)

The EU FLEGT Facility informed that the second periodic evaluation was conducted between June and July 2019 by a team of independent consultants to assess the functioning of the Timber Legality Assurance System / SVLK. PE2 covered six principle aspects: (i) legality standards, (ii) control in the timber supply chain, (iii) verification and accreditation, (iv) licensing and management of non-compliances, (v) monitoring and public disclosure, and (vi) implementation of recommendations from the first PE. Overall, PE2 concluded that the **SVLK is functioning as envisioned in the VPA**. The evaluation team witnessed active involvement of stakeholder in applying and implementing the SVLK. PE2 provided 19 recommendations, 8 of which are classified as high priority, to further improve the system.

Both parties accepted the PE2 executive summary and agreed on making it public. The expert teams were advised to ensure that the summary and full PE2 report are aligned. The full report is expected by end of November 2019.

Agenda 2. Agreement on Joint EU-Indonesia Action Plan 2020

a. Closing of Interim EU-Indonesia Action Plan 2019

Indonesia presented the recommendations from the first Periodic Evaluation, which were endorsed by the JIC in March 2018 and formed the basis of 2019 Joint Action Plan. Implementation was completed for 11 of the actions described in this plan. The EU Co-chair noted good progress in the majority of action points, and suggested that the activities related to the **9 remaining actions are carried over into the 2020 Action Plan.**

b. Joint EU-Indonesia Action Plan 2020

The EU FLEGT Facility presented the draft joint EU-Indonesia Action Plan for 2020, which is based on the 19 recommendations from PE2. The primary thematic areas included in the 2020 Action Plan are legality definition, supply chain control, SVLK certification, law enforcement, licensing, periodic evaluation, independent market monitoring, independent monitoring by civil society, market outreach and the maintenance of Licensing Information Unit (LIU) and technical structures that support the JIC.

Both parties endorsed the Joint EU-Indonesia Action Plan for 2020 and agreed to monitor regularly its implementation.

Agenda 3. Update on Independent Market Monitoring (IMM)

The IMM project, funded by the EU, presented the recent work on analyses of trade data and surveys with EU and VPA partner countries. IMM noted that the volume of furniture imports to the EU have decreased, yet the overall value of furniture imports from Indonesia has increased. Exports of Indonesian plywood to the EU have increased significantly. The UK remains the biggest importer, followed by the Netherlands and Germany.

IMM surveyed the EU furniture sector perceptions on the competitiveness of Asian supplier countries. Indonesia ranked very strongly on the quality of furniture exports, but lower on the reliability of logistics. More broadly, a trade survey by the IMM noted that the vast majority of respondents asserted that FLEGT licensing was making importing from Indonesia easier. IMM found that 41% of businesses surveyed asserted that they prefer FLEGT licensed timber products to those that are not licensed. However, the most important decision factors for importers remain the price, quality, reliability of supply, speed of logistics and delivery time.

Indonesia emphasised the need for greater promotion of FLEGT licensed timber products as well as the enforcement of due diligence requirements within the EU member states in order for Indonesian export businesses to realise the benefits of FLEGT licensing.

The EU informed that it has been working closely with EU member states to ensure that information regarding FLEGT licensed timber and timber products is disseminated along the supply chain. The EU also stressed that enforcement of due diligence and strict scrutiny on imports from non-FLEGT licensing countries into the EU, including those that are engaged in VPA processes, remains robust.

Agenda 4. FLEGT Licensing

a. Update on addressing licensing issues

Indonesia mentioned that in the 3 years since FLEGT licensing began, about USD 3.5 billion worth of FLEGT licenced timber products have been exported to the EU. Less than 1% of these licenses have encountered issues which have been officially reported to Indonesia. A majority of these issues relate to mismatches in HS codes, data discrepancies, incomplete information, non-inclusion in the product scope of the VPA, and expired licences. To resolve these issues, MoEF has published a series of Circular Letters to clarify, among others, the correct procedures to follow regarding product scope, HS coding, and usage of licences. EU and Indonesia have cooperated closely to resolve these issues. MoEF has also conducted a series of dissemination sessions with exporters to clarify the correct procedures to follow. A recent mission for the Indonesian team to the Netherlands also resulted in several agreements on how to resolve and manage licensing issues.

Both parties agreed that the statement letters prepared by Indonesian Licensing Authorities will no longer be issued to inform EU competent authorities given that they do not have any legal bases. Enquiries from competent authorities in the EU will be directed to LIU and responses will only be done by LIU.

b. Progress on E-licensing

Indonesia on the progress towards establishing and implementing electronic licensing for FLEGT. This would help to reduce the workload and errors of administrators, improve control of licensing and transparency as well as enable real time data reconciliation between Indonesia and the EU. A recent scoping study concluded that the EU 'FLEGT-IT' and the Indonesia 'SILK' system can be linked. MoEF informed that it is collaborating with an IT provider to pilot this system.

The EU expressed support to quickly move ahead with work on e-licensing.

Agenda 5. Maintaining consistency of SVLK regulations and VPA requirements

a. Tracking consistency of SVLK regulatory changes with VPA requirements

Both parties agreed to consult with each other prior to making any major regulatory changes that would have relevance for the VPA. The EU and Indonesia earlier agreed to capture, analyse, evaluate and document changes on an expert level, for notice of the JIC, and to ask the PE teams to pay special attention to these when conducting their evaluations.

b. Coordination and communication prior to major policy changes

The EU FLEGT Facility presented a table that captures SVLK regulatory changes since 2015 and evaluates these against VPA requirements. Since 2015, it was noted that more than 20 new regulations and circular letters have been issued with relevance for the VPA. The majority of these changes are recommended by experts to be acceptable to the EU.

Both parties noticed the regulatory changes and agreed that the table presented will be included in the JIC Minutes of Meeting as an Annex (Annex 3). **Both parties also agreed to initiate a revision process of VPA annexes at the end of 2020.**

Agenda 6. Independent monitoring

a. Activity highlights from 2019 and key points for 2020

Independent Forest Monitoring (IFM) Fund shared an update on IFM activities for 2019, which included submission of compliant reports to SVLK conformity assessment bodies and MoEF – resulting in the revoking of eight certificates and the suspension of one certificate. IFM Fund has engaged in discussions with MoEF, National Accreditation Council (KAN) and partner organisations on long term financing options, particularly on the possibility to allocate a portion of the SVLK licencing fee to finance IFM operations.

EU Co-chair emphasised the importance of long-term, sustainable financing for IFM. MoEF will organize a workshop in December 2019 or January 2020 to explore options for funding support to IFM.

b. Non-compliance portal – update on operations and procedures

In September 2019, MoEF issued a Circular Letter on Procedures for Submitting and Uploading Complaints to the public via SILK website. Eight new cases of non-compliances are presented on the public website, which related to malpractice in the transportation and export of timber. All these cases have been resolved.

EU recommended to MoEF to develop and English version of the portal. This would boost the credibility of the system's ability to address issues in the supply chain, and would be of much interest to the businesses and competent authorities in the EU.

Agenda 7. Supply chain controls

a. Update on the status of SIPHPL and strengthening of SIPUHH

Indonesia highlighted that progress is being made on these two timber administration and data management systems, which are considered essential for the Government of Indonesia to efficiently collect taxes and control the timber supply chain.

Multi-stakeholder Forestry Programme (MFP) 4 updated on progress made by a pre-test of the new integrated timber production information system (SIPHPL). Subject to approval, next step will involve allocation of MoEF's dedicated staff to manage the new system and procurement of hardware. MFP4 also shared an

update on a review of the Timber Administration Information System (SIPUHH). Actions are required to strengthen the SIPUHH system as outlined in the Joint EU-IDN Action Plan 2020.

b. Update on progress with due diligence for timber imports

Indonesia shared an update on the change from border to post-border due diligence system for timber imports starting from January 2018. The number of registered timber exporters keep increasing. There are more than 600 importers that are newly registered who import timber products under 380 different product codes (HS Codes). MoEF, with support from MFP4, has conducted a series of due diligence socialisation events with importers across major import hubs, and has established a multi-stakeholder working group on timber import control with support from the EU FLEGT Facility to review relevant regulations and data systems.

EU noted the complexity of this work, and the crucial importance of addressing this issue to ensure the credibility of the FLEGT licensing system. EU also expressed the willingness to support MoEF in addressing due diligence issues, based on their experience in implementing the EUTR. EU emphasized that Indonesia should strengthen the checks on due diligence processes for imported timbers.

Agenda 8. Update on EUTR implementation

EU provided an update on the implementation of the EUTR. Legality under the EUTR relates to rights to timber harvesting, environmental considerations, third parties' legal rights, payments, and trade and customs in the country of harvest. EC supports EU member states to implement the EUTR, organizes regular FLEGT and EUTR expert meetings, and produces bi-monthly briefing notes for EU competent authorities. These represent a considerable source of information and are available online. All EU competent authorities are performing checks and taking preventative measures. During the period of January to June 2019, authorities conducted 2 948 domestic operator checks and 477 importing operator checks. EC received 171 substantiated concerns from civil society, spread across 9 EU member states.

Responding to request from IND Co-chair on the application of EUTR for timber imported to the EU from China and Japan, EU clarified that imports from China to the EU are much greater than that from Japan. Thus, specific checks and studies have been conducted on products such as plywood exported to the EU via China. There are several cases where the imports from China were confirmed to be non-compliant, and thus corresponding corrective actions were applied.

Raising the concern from businesses in Indonesia, MoEF requested clarification on the perception among businesses in the EU that it may be more straightforward to conduct due diligence on imports from other timber exporting countries than verifying FLEGT licences from Indonesia. The EU asserted that the EUTR due diligence measures are complex, and that compliance with the measures is difficult and expensive for importers. This means that the benefits of FLEGT licensing outweighs the costs for importers to exercise EUTR due diligence.

Agenda 9. Communication

a. Agreement on the Annual Report 2018

Both parties agreed to the substance of the Annual Report 2018. A final proofreading should be done before the report is made public.

b. Agreement on next friendly email

Both Parties agreed to distribute an informative email on the results of the JIC to relevant stakeholders.

Agenda 10. Any Other Business

a. Resources and Staff recruitment

Indonesia informed that MoEF is recruiting staff for the JIC Secretariat, with support from the FAO-EU FLEGT Programme. State budget is limited, and thus support from partners such as MFP4, FAO Indonesia and EU FLEGT Facility to continue effective operation of the JIC is appreciated.

EU noted MoEF's ongoing commitment and the significant amount of work of each member of LIU. EU also noted it is of high importance to the EU that sufficient resources are allocated by Indonesia for this work to continue.

b. Next JEMs and JIC

It was agreed that the next JEM will be held in **March or April 2020** and later in **September or October 2020**. It was also agreed that the next JIC will be on **7 December 2020**, pending on the successful completion of PE3.

Closing

The EU Co-chair and IDN Co-chair expressed their satisfaction with the decisions and agreements and thanked all participants for their contributions.