

Implementation of FLEGT Licenses Must Be Accompanied by Continuous Governance Improvement in the Forestry Sector and Trade



On April 21, 2016 President of Indonesia Joko Widodo, European Commission President Jean-Claude Juncker and President of the European Council Donald Tusk issued a joint statement that the European Union and Indonesia have agreed to move swiftly towards implementation of the first Forest Law Enforcement, Governance and Trade (FLEGT) licensing scheme, a strategy from both parties to reduce illegal logging and promote the trade of legal timber.

Implementation of the FLEGT licensing scheme is one of the main achievements of the Voluntary Partnership Agreement (VPA) between Indonesia and the European Union on FLEGT that was signed in 2013 and ratified in 2014. The latest development in Indonesia was the issuance of Decree of Minister of Commerce No. 25 of 2016 which ensured that all timber products from Indonesia must comply with the Timber Legality Assurance System (TLAS) indicated by the issuance of the V-Legal Document for exported timber products. This Timber Legality Assurance System is known in Indonesia as the *Sistem Verifikasi Legalitas Kayu* (SVLK) and is implemented throughout the entire supply chain from the source of timber to the point of export, as a requirement prior to issue of a FLEGT license for timber trade

between Indonesia and the European Union. The implementation of FLEGT licences is expected to not only strengthen the economic value of timber trade between Indonesia and the European Union but also to encourage ongoing improvements in governance, especially in the forestry sector and related trade.

This development must be appreciated and regarded as a show of commitment by all parties in Indonesia and the European Union in their joint effort to address illegal timber trade and forest degradation. However, it must be noted that trade incentives will not be achieved if stakeholders do not work together to build and maintain credibility. Stakeholders must prepare mitigation safeguards for the potential negative impacts that may occur during this stage of FLEGT licensing implementation, especially safeguarding indigenous and local communities whose livelihoods depend on the forests.

There are still challenges in forestry governance and law enforcement. Issues pertaining to information transparency, boundaries in forest tenure/utilisation and management, conflicts, environment devastation through forest conversion, corruption and forms of maladministration still occur. In addition, the Timber Legality Assurance System itself must be adapted further to achieve sustainable forest management.

The credibility of the SVLK to assure timber legality will greatly depend on how the system achieves its own accountability. In this sense, the Government's role is crucial, especially in ensuring monitoring and effective law enforcement in the event of non-compliance or violations. It must be known that this diligence of demonstrating accountability – and therefore credibility – is imperative as one of the main focuses for real improvement, especially regarding the Government's actions in responding to reports of violations submitted by independent monitors within the SVLK scheme. If accountability and law enforcement is not implemented in an effective manner, this will not only erode the credibility of the system but also becomes a false incentive, thus developing a rent-seeking behaviour in the certified timber market. Within the same context, responsibility for monitoring is not only on the Indonesian side; the European Union must also take the same measures to ensure that the legal timber trade is recognised through concrete, effective and stringent implementation of the EU Timber Regulation (EUTR) in all European Union member states.

Therefore, Indonesian civil society groups recommend the Government of Indonesia, the European Union and the private sector in forestry and trade in both Indonesia and the EU to:

1. Strengthen the credibility of the timber legality assurance system through ensuring accountability and effective firm law enforcement.

- a. The Government of Indonesia must demonstrate the accountability of the timber legality by ensuring legal certainty in monitoring and effective law enforcement on non-compliances found in assessment/verifications or independent monitoring activities.
- b. The Government of Indonesia must ensure public transparency by providing Independent Monitors with access to public information as stipulated in the VPA annex. It must also strengthen the Timber Legality Information System by including information that can be accessed by the public on law enforcement conducted by the Government on these findings regarding violations and/or non-compliances.



- c. The Government of Indonesia must ensure genuine multi-stakeholder participation in strengthening the SVLK, which includes standards (criteria, indicators and verifiers) as well as SVLK implementation guidelines.
- d. The Government of Indonesia, along with business associations in the forestry sector and its trade, must rigorously implement policies and regulations to ensure timber legality. Trades dealing with export and import must ensure there is no illegal timber being laundered or dubious gaps in the legality of timber.



2. Ensure that implementation of the Timber Legality Assurance System also applies to domestic markets, provides benefits for small-scale businesses and takes steps to mitigate potentially negative impacts due to implementation of the Timber Legality Assurance System and FLEGT licensing.

- a. The Government of Indonesia must develop more concrete efforts so that all businesses in the forestry sector and trade can adhere to this system. Government assistance for certification must be rolled out to broadly reach the public, including community-based forest management units and small-scale timber industries.
- b. The Government of Indonesia must review and improve its public services regarding licensing including those for business and land permits, especially for community and small-scale

- c. The Government of Indonesia must develop policies and regulations on Government goods/services procurement that require verified legal timber and timber products. This is a real incentive for SVLK implementation for domestic market.
- d. The Government of Indonesia, along with the European Union, must undertake meaningful mitigation measures of potential negative impacts of VPA implementation that will be identified in the VPA Impact Monitoring.

3. Reform regulations and policies to protect the rights and access of forest communities as stakeholders and improve policies to address deforestation and environmental degradation.

- a. The Government of Indonesia must review and improve policies and regulations regarding forest governance and community management area, including recognition of indigenous peoples' rights and improving access to forest and land for indigenous and local communities.
- b. The Government of Indonesia must review and revise spatial plans in the forestry sector that can potentially exacerbate land and forest degradation.
- c. The Government of Indonesia should utilise the momentum of FLEGT licensing for greater goals, including conducting parallel efforts to resolve the issues of conflicts, designation of boundaries, human rights violations and prosecuting perpetrators behind large-scale forest degradation or environmental destruction, especially those caused by illegal forest conversion or creating negative impacts on communities and environment.

4. Push for the strengthening of implementation on Independent Market Monitoring (IMM) as part of the VPA and strengthen implementation of the European Union Timber Regulation (EUTR).

- a. As part of IMM preparedness within VPA and EUTR strengthening, the European Union should develop a more detailed information system that is accessible to the public regarding the trade of timber and timber products, especially timber products originating from Indonesia.
- b. Strengthening of the EUTR must be supported through robust monitoring and law enforcement mechanisms by the European Union, ensuring information from independent monitoring organisations or any other sources on illegal timber entering the European Union is followed up. This could help address timber laundering through certain third countries before entering the European Union.
- c. The Governments of European Union member states, along with businesses, must ensure they

accept only legal timber and timber products. Information on EUTR law enforcement in EU member countries must be consolidated by an accessible information system so that progress in EUTR implementation can be widely monitored.

- d. Indonesia and the European Union must build a more effective law enforcement framework to combat illegal timber trade, whether through mutual legal assistance or by attempting to restore state losses due to forestry crimes or illegal timber trade.
- e. The European Union shares the responsibility in continuous efforts to improve and strengthen good governance, law enforcement and trade within Indonesia's forestry sector that could be implemented through co-operation between governments or between private sectors/businesses.

Bogor, May 11, 2016

Independent Forestry Monitoring Network (Jaringan Pemantauan Independen Kehutanan – JPIK), Forest Watch Indonesia (FWI), Indonesian Ecolabel Institute (Lembaga Ekolabel Indonesia – LEI), Indonesia Center for Environment Law (ICEL), WWF Indonesia, Eyes on the Forest (EoF), AURIGA, Coalition of Aceh Rainforest Movement (Koalisi Peduli Hutan Aceh – KPHA)

