

STILL PERMITTING CRIME

How Impunity for Illegal Palm Oil Undermines
Indonesia's Flagship Timber Reforms



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EXECUTIVE SUMMARY

A palm oil plantation, PT Prasetya Mitra Muda (PT PMM), established and developed illegally in 2013 and 2014 has since then continued to clear forests illegally with impunity. Worse still, the timber cut by PT PMM is certified legal under Indonesia's flagship Timber Legality Assurance System, the SVLK (*Sistim Verifikasi Legalitas Kayu*).

This is despite repeated reports being filed to government, enforcement officials and certification company staff over a two-year period by EIA and JPIK. The concession, located in Gunung Mas district, Central Kalimantan, has produced illegal timber itself, but also provided cover and a road network that have inspired seasoned local timber barons to establish a spate of illegal sawmills in and around Bereng Malaka village, set within the plantation.

Many of the sawmills are established and run completely illegally, and procure wood either from PT PMM, or from illegal logging sites allocated by well-connected locals on PT PMM's periphery. Forest clearance for plantation development provides useful cover for timber transports, and paperwork is known to be both forged or purchased. Some mills in this illegal timber town and in regions surrounding it have been certified as legal under Indonesia's SVLK, including by the same certification body that ignored criminal offences when certifying PT PMM's timber as legal.

That certification body has ignored JPIK's complaints, and the body designed to hold them accountable, KAN – the National Accreditation Committee, has similarly failed to provide account. While JPIK's complaints under the SVLK system has prevented some of the illegal wood flowing out of Bereng Malaka from being certified, and some certificates have been suspended and revoked, timber from the illegal palm oil concession is now considered legal under it, and mills processing illegal timber remain certified legal. A larger number of sawmills appear to merely ignore the SVLK entirely, and it them.

Moreover, outside of the SVLK as a proxy framework for the underlying forestry, timber trade, environment or anti-corruption laws of Indonesia, impunity persistently prevails in Gunung Mas, and at the Provincial and National levels. Explicit reports from JPIK and EIA of serious criminal offenses – the illegal deforestation or degradation of hundreds of hectares of natural forest prior to the issuance of any permit – have been systematically ignored by the government of Indonesia at every step.

Indonesia's government is still permitting crime to occur in its palm oil industry, while the timber cleared in its path is certified as 'V-Legal'. With such impunity holding sway in remote districts, Indonesia's SVLK still has a rough road ahead.

PALM OIL IMPUNITY

A HISTORY OF CRIME

In late 2014, EIA and JPIK published *Permitting Crime*, a report detailing case studies of the widespread illegality perpetrated by oil palm companies driving massive deforestation in Indonesia's Central Kalimantan province, and the officials facilitating them.

A focus of the report was the way the enormous illegal oil palm industry was undermining key reforms made to Indonesia's timber sector over the previous decade, the SVLK.

Following the release of *Permitting Crime*, over 2015 and 2016, JPIK repeatedly reported named companies to enforcement officials in Gunung Mas, and at the provincial and national levels.

The response has been virtually non-existent, and ongoing field monitoring over 2016 and 2017 have evidenced ongoing legal irregularities in Central Kalimantan's Gunung Mas District, particularly in and around the plantation of PT Prasetya Mitra Muda (PT PMM).



Regulating Conversion Timber

Timber cut when forests are cleared for oil palm plantations is licensed under a **Timber Utilisation Permit (IPK)**, which can only be issued for land classified as forest estate after it has been released from it by a **Forest Relinquishment License (SK-PKH)**.

For oil palm, this should be issued before a **Plantation Business Permit (IUP)** or a **Commercial Use Right (HGU)** is issued. No logging should occur prior to an IPK permit being issued in this way.

IPK permits are in turn regulated under the SVLK, and permit holders' operation of them needs to be audited by accredited certification bodies for the timber to be certified as legal and to be legally circulated within Indonesia's timber market, or exported.

See [Plantation permitting stages](#), right

Plantation permitting stages



Figure 1 Left: Natural forest clearing in PT PMM concession (001°35.129'S 113°41.340'E)

At the time of writing this report, there has been no enforcement of the Indonesian law by those Indonesian authorities, and PT PMM continues its illegal operations unhindered

Prasetya Mitra Muda: Founded on Crime

EIA/JPIK's *Permitting Crime* report included a case study on the plantation of PT Prasetya Mitra Muda (PT PMM), a company incorporated in 2010 by Yantoni Kerisna, a prominent sub-contractor who has undertaken land-clearing operations for dozens of palm oil companies in Central Kalimantan.

In April 2012 PT PMM obtained a 13,883 ha location permit (*Izin Lokasi*) and in November 2012 applied for a forest release permit (*Izin Pelepasan Kawasan Hutan – IPKH*).¹

In March 2014, a new forest release permit for 13,496.07 hectares spread across eight villages in the Gunung Mas District was obtained by PT PMM.² A timber utilization permit (*Izin Pemanfaatan Kayu – IPK*) was issued in June 2014.³ (See map, Figure 4)

However, EIA and JPIK investigators had found that PT PMM had begun clearing in April 2013, and by mid-2014 had cleared 400 hectares of natural forest illegally before obtaining these required IPKH and IPK permits. The illegally logged timber was initially processed at two sawmills located near Bereng Malaka village.

By the end of 2013 – still long before an IPK was issued, PT PMM's clearance operations intensified, and a dozen sawmills were set up surrounding the concession to process thousands of cubic meters of illegal wood.

Indebted to Impunity

Following the publication of *Permitting Crime*, JPIK reported PT PMM's forestry crimes to the Directorate General of Law Enforcement at the Ministry of Environment and Forestry (Ditjen Gakum KLHK).

JPIK also reported the crimes conducted by PT PMM and other companies to the Gunung Mas Resort Police in March 2015.⁴ Due to the slow

response of Gunung Mas Resort Police, JPIK sent a report of the same case to the Central Kalimantan Police in July 2015. Three weeks later, an investigator from Gunung Mas Police requested information from JPIK to initiate an investigation. Yet after three months, the Gunung Mas Police had not announced any results.

In October 2015, in order to bring some attention to the case, JPIK made a complaint and reported this lack of activity to the Indonesian Police Headquarters,⁵ and filed another report to the Directorate General of Law Enforcement at the Ministry of Environment and Forestry (Ditjen Gakum KLHK).⁶

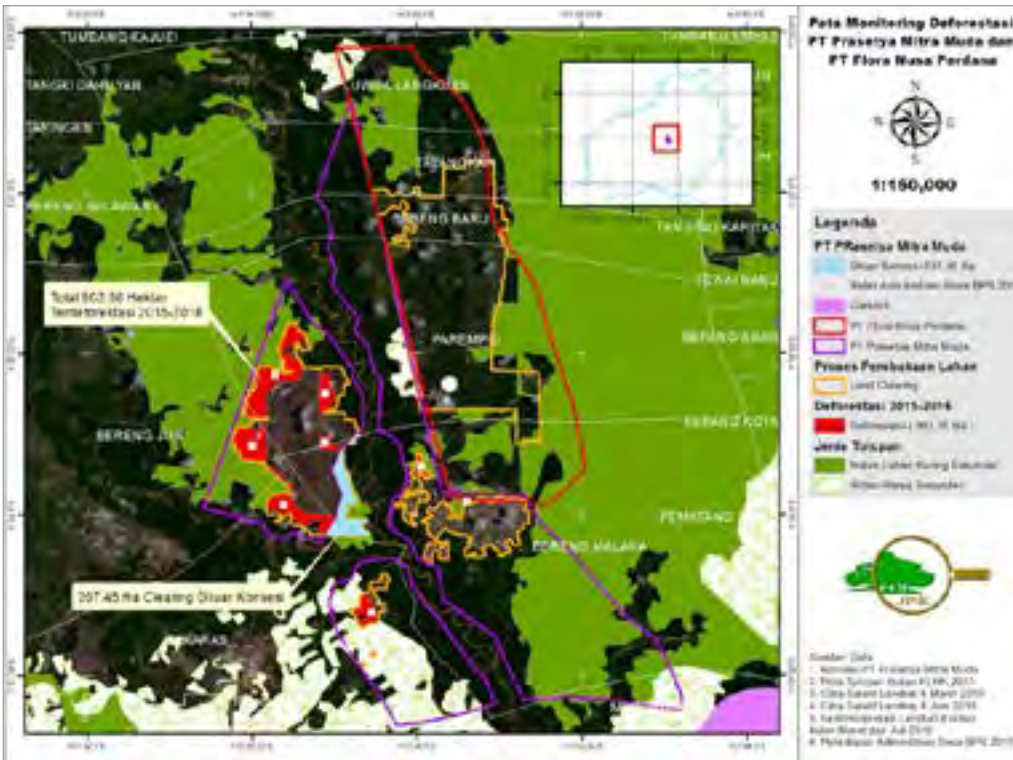
In December 2015, JPIK received a report with findings from the Gunung Mas Resort Police, which claimed that they identified only one sawmill operating in the PT PMM concession, and made no mention of the dozen mills outlined in the JPIK reports.⁷ Having had no response from Ditjen Gakum KLHK, JPIK resubmitted a letter in February 2016, and subsequently attended a hearing in May 2016, at which Ditjen Gakum KLHK officials stated that JPIK's case was not registered in the case-handling list. JPIK resubmitted a report on the case several days after the hearing. In August 2016, JPIK again sought information from Ditjen Gakum KLHK on progress of the case, but has still not received a sufficient response.

To date, JPIK has yet to receive clarity from the KLHK on the handling of criminal cases reported since 2014. JPIK is also yet to receive any clarity from the Gunung Mas Police.

At the time of writing this report – more than two years after initially reporting the case to authorities – there has been no enforcement of the Indonesian law by those Indonesian authorities, and PT PMM continues its illegal operations unhindered.

Figure 2, 3 Right: Natural forest clearing by PT PMM





Certified Legal

Incredibly, not only has the state failed to enforce the law, but so too has the timber cut during concession development been legalized under the SVLK.

Despite logging thousands of cubic meters of wood illegally prior to receiving any relevant permit, and despite public reports of this illegal activity, in April 2016 PT PMM obtained an SVLK V-Legal Certificate, issued by PT Inti Multima Sertifikasi (PT IMS).

Given the wealth of evidence available on PT PMM's operations, it appears clear that PT IMS could not have conducted a rigorous background check on the company, nor have investigated any reported violations by PT PMM.

No SVLK certificate should have been issued at all, and this was not the only suspect certification under the SVLK in the area.

See [Compromised Certifications page 6](#)

CONTINUOUS CRIME

Not only has PT PMM enjoyed impunity in relation to criminal offences committed in 2013 and 2014, but it has done so while continuing to commit such offences.

JPIK field investigations between September and December 2016 found ongoing legal violations in and around PT PMM.

Investigators documented natural forest clearing ongoing within the PT PMM concession, despite the company's IPK having expired.⁸

Additionally, Landsat satellite analysis of the vegetation cover in the concession (*see map, Figure 4*) indicates that 207 ha of the 903 ha of natural forest converted to palm oil plantations by PT PMM between 2015 and 2016 had been opened up outside of its legal boundaries, illegally.

Further, timber harvested from areas outside the concession is believed to be mixed with timber originating from the area licensed under the company's IPK, and flows into the SVLK certified supply chain. This timber laundering allows unlicensed sawmills to place the V-Legal logo of SVLK-licensed operations on illegal timber.

Figure 4 Top left: Result of PT PMM image analysis map

Figure 5, 6 Above: Timber result of old logging IPK of PT PMM (001°34.799'S 113°877'E)



Figure 7 Above: PT PMM's IPK Timber, with the V-Legal Logo (001°34.799'S 113°877'E)

COMPROMISED CERTIFICATIONS

The timber cut by PT PMM has been certified as legal under the SVLK by PT Inti Multima Sertifikasi (PT IMS).

It appears clear that PT IMS could not have conducted a rigorous background check on PT PMM, nor have investigated any reported violations

PT IMS exists within the certification division of PT Multima Krida Cipta, and conducts assessments on PHPL and VLK certification under the SVLK. It obtained re-accreditation as a Sustainable Production Forest Management Assessor (LP PHPL) on 21 September 2014,⁹ and as a Timber Legality Verification Agency on 22 April 2015.¹⁰

Under SVLK rules, accredited certification bodies are required to publish a summary of each audit and the associated certification decision on their websites, and the Ministry of Environment and Forestry's website (www.intimultimasertifikasi.com and silk.dephut.go.id) within seven days.¹¹

The Timber Legality Information System (SILK) website indicates PT IMS has conducted 308 VLK audits (verified legal timber certification) and 26 PHPL audits (sustainability certifications). PT IMS have published most of the public summaries of the 334 SVLK-related audits it has conducted, both on PT IMS' and SILK's websites. However, several PT IMS summary reports were conspicuous in their absence from either website.

From September to December 2016 JPIK investigated several sawmills and IPK holders audited by PT IMS throughout 2016, for which PT IMS did not publish any audit result summary, as required.

Ironically, PT IMS audited several related permit holders involved in all levels of industry, from forestry, through primary to secondary industries.

JPIK found several mills acquiring their round wood supply (RPBBI) from unclear sources. Other clients of PT IMS do not report their RPBBI periodically to the Central Kalimantan Provincial Forestry Office, and even some of them operate in ways not allowed under the permits obtained.

JPIK have sent at least twelve complaints letters to PT IMS, and letters to the National Accreditation Committee (KAN) regarding PT IMS's failure to transparently publish SVLK audit summary reports.

PT IMS has argued that technical problems prevented them uploading more than a decision letter and a copy of an SVLK certificate to the SILK website, but that they had uploaded the summary reports to their website. However, JPIK has not been able to find any evidence of these files' existence on PT IMS' website.

PT IMS have also certified several companies trading wood logged in and around PT PMM.

UD Usaha Baru Maju

Most of the timber logged by PT PMM is delivered to the Log Registration Depot (TPT-KB) of UD Usaha Baru Maju (UD UBM), located at Takaras Village, Manuhing Sub-district, Gunung Mas District. However, UD UBM is not operating in accordance with the permits it possesses.

UD UBM is registered as a 3-ha timber Log Registration Depot, under a Decree of Gunung Mas District Forest Office Head,¹² but JPIK fieldwork has confirmed it is operating a sawmill, receiving and processing raw timber reportedly from PT PMM, which it then delivers to UD Karya Budi. It has no permit to do this, and does so illegally, yet, incredibly, it obtained a S-LK certificate from PT IMS, valid from 16 April 2016 until 15 April 2022.

UD Karya Abadi

UD Karya Budi is a sawmill located in Parenggean Sub-district, East Kotawaringin District. The mill can produce 2,750 m³ of sawn wood a year under its license (IPHKK).¹³ UD Karya Budi's SVLK Certificate was also issued by PT IMS, and is valid from 31 March 2016 to 30 March 2019. The owner of UD Karya Budi is Santo Riadi who also owns UD UBM, one of the timber suppliers to UD Karya Budi (see previous section). Another supplier to UD Karya Budi is IUIPHKK Juita based in Bereng Malaka Village.¹⁴

Figure 8 Below: UD Usaha Baru Maju (001°34.799'S 113°877'E)





Figure 9 Left: UD Usaha Baru Maju
(001°34.799'S 113°877'E)

Figure 10 Above: IUIPHHK Juita
V-Legal Mark
(001°333.350'S 113°41.116'E)

IUIPHHK Juita (Juita Sawmill /Juita)

Juita is a primary sawmill (IPHHK) with a 2,000 m³ per year capacity. The Juita sawmill obtained its business permit in April 2012 from the Gunung Mas District Head¹⁵ and was issued its SVLK Certificate by PT IMS in May 2016, valid until May 2022.

When JPIK visited the sawmill in November 2016, no sawing activity was observed, nor any loading or unloading of timber. JPIK investigators did however find log piles marked with V-legal tags that stated the name 'Juita'. Locals testified that all activities at the Juita sawmill had stopped since October 2016.

Further investigations found that the marked timber found in the Juita yard was registered with the Forest Product Administration (PUHH) in January 2016 as Medang (*Schima wallichii*). The logs were however still registered as 'Stock Opname' (SO), which means that at the time of the investigation, the supply of logs had not yet entered the Forest Products Administration System (*Sistem Penatausahaan hasil hutan* – SIPUHH), as they should have done.

It was also later confirmed by the Timber Licensing Unit in the Ministry of Environment and Forestry that the use of the V-Legal stamp by IUIPHHK Juita had been found to be in breach of the SVLK regulation, as the origin of the timber remained unclear. In order to try and confirm the origin of the timber processed at the Juita sawmill, JPIK filed a request to the Central Kalimantan Forestry Office in November 2016 to have access to the company's raw material sourcing plan (*Rencana*

Pemenuhan Bahan Baku Industri – RPBBi)¹⁶ for 2016. The Forestry Office responded that the Juita sawmill had not filed an RPBBi and the document was thus not available for consultation.¹⁷

In an apparent contradiction to this answer, PT IMS's summary report of its audit of Juita's operations reported that the sawmill had submitted an RPBBi in 2016 to the Head of the Central Kalimantan Provincial Forestry Office, referencing a RPBBi document delivery letter (Letter No. 04/JA/II/2016 (period January – March 2016)) as proof of submission by the company. The Central Kalimantan Forestry Office has not yet answered a renewed request made by JPIK in December 2016 to see the document in question.

The JPIK investigation was however able to confirm that on 5 February 2016, IUIPHHK Juita signed a supply contract with UD Usaha Baru Maju (UBM). UD UBM does not appear to be operating in accordance with its TPT-KB¹⁸ (log depot) permit from the Head of the Gunung Mas District Forestry Office, but has been found to process and saw timber. Additionally, UD UBM obtained its SVLK Certificate from PT IMS on 16 April 2016. This seems to imply that the supply contract between UD UBM and IUIPHHK Juita was signed while neither of the two entities had an SVLK Certificate.

In early April 2017, JPIK filed a complaint with PT IMS regarding violations committed by IUIPHHK Juita and UD UBM related to non-compliance with RPBBi reporting and breaching the terms of permits. In response, PT IMS requested further evidence in support of the complaints, but has to date not yet responded to the actual complaints made.

BERENG MALAKA ILLEGAL TIMBER TOWN

A systematic culture of impunity for illegal oil palm has ensured illegal timber continues to flow out of Kalimantan's last remaining natural forests



Figure 11 Top right: Location of Bereng Malaka village sawmills. Map base: September 2013 © Google Maps 2017

Figure 12 Above: Transporting sawn wood from sawmill in Bereng Malaka village

Major forest clearance for palm oil concessions often facilitates illegal timber harvesting activities in forests surrounding the plantation. Once a company has cleared forest for a plantation, and put in access roads to do so, previously closed forests become more accessible, particularly along concession peripheries.

This creates the perfect environment for local timber barons to illegally exploit timber using local concession roads. In this way, illegal loggers are able to avoid using official national roads and the risk of being intercepted by police or forestry officials.

The clearance of thousands of hectares of natural forests within (and outside) the PT PMM concession has presented just such an opportunity – an opportunity local timber barons in and around the village of Bereng Malaka have clearly grasped.

BERENG MALAKA SAWMILLS

Bereng Malaka village is located within the PT PMM concession in Rungan sub-district, Gunung Mas District. Since clearance of PT PMM picked up speed in late 2013, a dozen sawmills have been established in and operate from Bereng Malaka.

At least nine of these Bereng Malaka sawmills do not possess the permits to operate, and operate in spite of, rather than in compliance with, Indonesian law or the SVLK.

On average, these have a processing capacity of 2,000 m³ per year, and they are mostly owned by timber business people from Banjarmasin. Secondary processors in Banjarmasin, Palangkaraya, and Sampit are the main markets for the processed sawn wood from Bereng Malaka mills. In order to reach their markets, it was reported that unlicensed sawmills use the timber transportation documents of other sawmills that do possess them.¹⁹

Information gathered during field visits provides evidence that unlicensed sawmills usually use FA-KO transport documents as an introductory document for sending timber.

There is also an indication that the illegal timber is distributed using the SVLK certificate of one of the sawmills in Bereng Malaka that allows the timber to enter the supply chain of SVLK.

Further, JPIK's investigation into the supply chains of these unlicensed sawmills found they receive timber mostly from illegal logging locations on the periphery of PT PMM's concession. Illegal loggers use the access roads to and across the PT PMM concession from Bereng Malaka village to get to logging sites without having to travel on public roads. With such high yielding forests in such close proximity to the sawmills, logging activities are progressing fast. At current rates, the chainsaws will soon be approaching the area surrounding the Mungku Baru village, their ulin trees and the highly biodiverse forest bloc stretching between and beyond the Rungan and Kahayan rivers.

The forests surrounding PT PMM's concession currently being illegally exploited have reportedly been divided between each of the Bereng Malaka sawmills. The allocation process is apparently managed and supervised by Davidson Lambung (*see box*), a local timber baron who plays a key role in transporting the timber from forest to sawmill, and from there on to buyers outside of Gunung Mas District. Lambung allegedly bribes authorities in Gunung Mas District to enable these transports.²⁰

Meranti and other mixed timber species are transported out of the forest as logs 30 to 40 cm diameter, and 4 to 6 m long. On average 3 or 4 trucks per day head to each sawmill, each truck loading 8 to 10 logs: in total, up to 42,840 m³ per year can be harvested, received and processed illegally by sawmills in the Bereng Malaka village.

More Compromised Certifications?

Of the twelve mills in and around Bereng Malaka, only three appear to have obtained an SVLK Certificates at some point over the course of their operations, namely:

- IUIPHHK Juita
- UD Family Lambung
- IUIPHHK T. Jimmy Chandra.

Field visits carried out by JPIK investigators uncovered how even these mills display irregularities with the SVLK Certificates issued to them.

Figure 13 Top: Sawmills without SVLK Certificate in Bereng Malaka village (001°31.624'S 113°41.035'E)

Figure 14 Centre: Sawmills without SVLK Certificate in Bereng Malaka village (001°33.350'S E 113°41.116'E)

Figure 15 Bottom: Round wood loading in one of the sawmills without an SVLK Certificate (001°33.350'S 113°41.116'E)



UD Family Lambung (Family Lambung)

UD Family Lambung operates under Industrial Business Permit (IUI) No. 188.44/455/2014 dated 8 September 2014, and has a production capacity of 2,000 m³ per year. It originally obtained its SVLK Certificate on 17 June 2015 from auditors PT Transtra Permada, with a validity period of 3 years (ending 16 June 2018).

However, on 20 September 2016, PT Transtra Permada suspended Family Lambung's SVLK Certificate due to objections regarding management activities. The suspension was originally for three months (until 19 December 2016), but during this period, the mill was reportedly still operating, and

a visit by JPIK in October 2016 confirmed that the mill was at that time still receiving, processing and sawing raw timber. (See Figure 16)

Following UD Family Lambung's failure to cease operations, on 3 January 2017 PT Transtra Permada completely revoked the company's SVLK certificate (See Figure 18).

Local community members interviewed by JPIK in early 2017 claim that UD Family Lambung has not operated in Bereng Malaka village since December 2016, and the new location of their operations is unknown. (See Figure 17)

Figure 16 Top: UD Family Lambung, October 2016
(1°33'19.17"S 113°41'6.99"E)

Figure 17 Bottom: UD Family Lambung, December 2016
(001°33'19.17"S 113°41'6.99"E)

Figure 18 Below: Suspension of UD Family Lambung Certification



IUIPHHK T. Jimmy Chandra

IUIPHHK T. Jimmy Chandra operates under a sawmill permit (IUI) acquired in April 2011.²¹ Their SVLK certificate was issued by PT Transtra Permada on 7 March 2016, and is valid until 6 March 2019.

According to the public summary of the SVLK audit the sawmill should be located in Bereng Malaka village. However, JPIK's investigators could not find the mill during a field visit in December 2016, or any indication of the existence of such a sawmill in the area. Local community members also affirmed they had never heard of IUIPHHK T. Jimmy Chandra operating there.

In 2014, the reported owner – T. Jimmy Chandra – was jailed for a year for transporting timber without any legal documents. In Indonesia, when processed wood is ready for transport, its owner must be in possession of an invoice for processed wood transportation (*Faktur Angkutan Kayu Olahan* – FA-KO), which must then accompany the shipment from the moment it leaves the processing facilities. T. Jimmy Chandra – who also served as the Sustainable Forest Management Technician (*Tenaga Teknis* – PHPL) for the company – was found guilty of falsifying the required FA-KO documents in order to transport sawn timber from his company.

The Court's verdict²² referenced a consignment of timber transported from IUIPHHK T. Jimmy Chandra to a company called CV Semangat Baru, located in Banjarmasin. This is in accordance with testimonies from local community members that most illegal timber processed and sold by mills in Bereng Malaka village in fact supply secondary industries in Banjarmasin.

In April 2017 JPIK sent a complaint to PT Transtra Permada regarding IUIPHHK T. Jimmy Chandra's SVLK certification, raising concerns about the assessment process and the absence of background checks that should have been conducted on the company.

PT Transtra Permada confirmed that IUIPHHK T. Jimmy Chandra current SVLK Certificate had been suspended on 7 March 2017 due to the unwillingness of the company to conduct the assessment. PT Transtra Permada is currently engaging with IUIPHHK T. Jimmy Chandra to try to conduct the assessment. If within the stipulated time the company continues to demonstrate no willingness to hold an assessment, the SVLK Certificate of IUIPHHK T. Jimmy Chandra will be revoked.

The irregularities with the SVLK certificate issued by PT IMS to IUIPHHK Juita are detailed above.

Davidson Lambung – aka 'Icong'



Davidson Lambung (left), also known as 'Icong', is a member of the Lambung family, local to Central Kalimantan and reportedly infamous for its involvement in the illegal timber trade across the Gunung Mas District. Icong's 'career' reportedly began with his acquisition of an IPK permit through KUD Miyar Hayak.

When the KUD Miyar Hayak IPK permit expired in 2006, Icong is said to have continued logging illegally by coopting a workforce involving members of the local community lured with promises of financial gain.

It is claimed that in total, timber from approximately 20,000 hectares of natural forests have been illegally logged and processed by Icong's operations in Gunung Mas District.

Additionally, Icong reportedly also acts as a broker facilitating timber companies in obtaining Timber Utilization Permits (IPKs) in Central Kalimantan. He reportedly uses his status as a local to the area to approach and bribe Central Kalimantan Forestry Office staff in order to issue IPK permits.

Icong is also said to buy Legal Forest Product Transportation Certificate (SKSHHK) documents and sell them to other operators to accompany and legitimise illegal timber transports through Gunung Mas District.

Indeed, in 2007, Icong was arrested for bribing Central Kalimantan Forestry Office staff during the Government's 'Wanagala' anti-illegal logging Operations. Following his arrest, the police seized 16,600 m³ of keruing timber, a dump truck, bulldozer, and backhoe. However, neither his arrest nor the ensuing seizures led to any jail time, conviction or even legal process, as the case was not pursued further.

Clearly, the weak enforcement displayed by both the Police and the Ministry of Forestry did not prevent repeat forest crimes. Icong now owns one of the active sawmills in Bereng Malaka village receiving and processes illegal timber harvested on the edges of the PT PMM concession.

He continues to play an active role in the supervision of illegal logging operations in the area, allocating logging plots to each sawmill, and in the transport and secure delivery of the processed wood from the Bereng Malaka sawmills.



Figure 19 Top: Round wood delivery in Bereng Malaka village

Figure 20 Bottom: Timber trucks in Bereng Malaka village (001°35'44"S 113°39'51.20"E)



Figure 21 Above: Location of logging outside PT PMM concession (001°35.142'S 113°41.385'E)

Oversight and Law Enforcement of the SVLK and relevant timber industries by the Ministry of Environment and Forestry, Ministry of Industry and Ministry of Trade, has failed

CONCLUSIONS

An oil palm plantation (PT PMM) repeatedly reported for illegal forest clearance prior to receipt of relevant permits has enjoyed systematic impunity across Indonesia's various law enforcement agencies, at the local, provincial and national levels.

Rather than prosecute these crimes, the Indonesian state has legalized the operations after the fact, and the government's flagship Timber Legality Assurance System (SVLK) has been deployed by an unscrupulous certification body to certify all the timber as legally produced.

Meanwhile, PT PMM has cleared forest outside of its legal boundaries, and continued logging after its Timber Utilization Permit (IPK) expired. The illegal wood ensuing from these ongoing crimes is laundered into PT PMM's certified legal supply.

The impunity, and the access to virgin forests provided by PT PMM's road network, has inspired local timber barons to establish a spate of sawmills in and around the concession, most of which operate without permits, and process timber logged illegally on the peripheries of PTR PMM concession.

Even those sawmills that possess permits and have been certified legal under the SVLK actually operate in ways that the SVLK does not recognize as legitimate.

While some certificates have been revoked in light of the facts, others have not. One certification body is of particular concern. Oversight and monitoring of the SVLK and relevant timber industries by the Ministry of Environment and Forestry, and the Ministry of Industry and Trade, has failed to effectively identify and sanction violations by timber producers and processors, which should all have been SVLK certified by January 2015. Many local sawmills still ignore the SVLK, with no negative consequences.

Law enforcement outside of the SVLK system has been virtually non-existent. A systematic culture of impunity for illegal oil palm has ensured illegal timber continues to flow out of Kalimantan's last remaining natural forests, has resulted in Indonesia's flagship timber certification system being abused to launder it into legitimate supplies, and allowed illegal sawmills without permits to maintain their operations in spite of the law.

In March 2017, JPIK re-submitted complaints to the Directorate General of Law Enforcement at the Ministry of Environment and Forestry (Gakum), regarding the violations committed by PT PMM and the illegal sawmills in Bereng Malaka within the PT PMM concession.²³ JPIK requested that Gakum follow-up on cases reported in October 2015, and to conduct a thorough investigation of the violations committed since then.

RECOMMENDATIONS

THE GOVERNMENT OF INDONESIA SHOULD:

- Immediately conduct an in-depth evaluation of timber utilization permits (IPKs) in Gunung Mas District;
- Take appropriate enforcement action and apply strict penalties to legal violations by offending companies and other parties identified;
- Ensure companies not complying with the Timber Legality Assurance System (SVLK) stop operating, so that the timber from unclear sources does not enter SVLK certified supply chains;
- Revoke the accreditations of Certification Bodies (LVLK) found to have violated the SVLK when issuing Legality Certificates;
- Immediately investigate all companies reported by EIA and JPIK;
- Increase penalties for violations of the Indonesian laws underpinning the SVLK, and apply them robustly as a disincentive for illegal logging;
- Ensure SVLK certification bodies publish all summary reports for all SVLK audits, and sanction them where they fail to do so.

SVLK CERTIFICATION BODIES SHOULD:

- Immediately conduct special audits on companies that receive timber from unclear sources, including those detailed in this report.
- Revoke all and any SVLK Certificates for sawmills proven to have committed violations, including those detailed in this report.

INDONESIA'S NATIONAL ACCREDITATION COMMITTEE (KAN) SHOULD:

- Revoke the accreditations of Timber Legality Verification Agencies (LVLK) that are proven not to have complied with assessment and certificate issuance procedures.

ENDNOTES

- ¹ Letter No. 014/PT PMM/SK/XI/12 dated 5 November 2012
- ² Minister of Forestry Decree No. SK. 297/ Menhut-II/2014
- ³ EIA, *Permitting Crime: How palm oil expansion drives illegal logging in Indonesia*. 2014 jpik.or.id/info/wp-content/uploads/2015/11/Permitting-Crime.pdf
- ⁴ Letter JPIK Kalteng No: 31/FP-KT /JPIK/III/2015
- ⁵ Letter JPIK No: 62/NAS/JPIK/X/15
- ⁶ Letter JPIK Kalteng No: 60/FP-KT/JPIK/XI/2015
- ⁷ Letter Gunung Mas Resort Police Number: B/28/XII/2015/Polres
- ⁸ Data of Timber Utilization Permits (IPK) from Central Kalimantan Provincial Forestry Office Period of 2012-16 dishut.kalteng.go.id/?mode=datainformasi&id=88&parent=77
- ⁹ Accreditation number LPPHPL-015-IDN
- ¹⁰ Accreditation number LVLK-019-IDN
- ¹¹ Regulation of Directorate General of Sustainable Production Forest Management Number P.14/PHPL/SET/4/2016
- ¹² Decree of Gunung Mas District Forestry Office Head No. 522.3/913/1.02/XI/2015, 30 November 2015
- ¹³ Decree of Central Kalimantan Provincial Forestry Office Head No. 522/2/067/IPUI-17.04/II/2004, 24 February 2004
- ¹⁴ Public summary of UD Usaha Baru Maju and UD Karya Abadi
- ¹⁵ Decree of Regent Gunung Mas No. 503/49/ADPER & SDA/IV/2011, dated 29 April 2011
- ¹⁶ A *Rencana Pemenuhan Bahan Baku Industri (RPBBI)* is a document all mills must submit to local government detailing the legitimate sources of raw timber materials each mill plans to use in the coming year.
- ¹⁷ Letter of Central Kalimantan Provincial Forestry Office No. 522.2.311/2656/Dishut dated 5 December 2016
- ¹⁸ Decree No. 522.3/913/1.02/XI/2015 dated 30 November 2015
- ¹⁹ Interview with informant in Bereng Malaka Village
- ²⁰ Interview with informant in Bereng Malaka Village
- ²¹ Permit No. 530/50.ADPER & SDA/TV/2011, 29 April 2011.
- ²² Palangkaraya State Court Verdict No. 184/Pid.Sus/2014/PN PIK
- ²³ Letter JPIK No: 158/NAS/JPIK/III/2017

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