

# SVLK IN THE EYES OF THE MONITOR

**Independent Monitoring and A Review  
of The Implementation of The Timber Legality  
Verification System, 2011-2013**

INDONESIA INDEPENDENT FORESTRY MONITORING NETWORK  
2014





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# Preface

The Timber Legality Verification System (SVLK) is a system built to ensure the legality of timbers and timber products that are produced in Indonesia. The SVLK was initially stipulated in Forestry Minister Regulation - Permenhut No.38/2009 and implementation began in September 2010.

As a form of commitment to actively contribute to improving good governance in the forestry sector by ensuring credibility and accountability in SVLK implementation, the Independent Forest Monitoring Network (JPIK) was established. JPIK is a working network with members from civil society organizations (NGOs), individuals as well as community groups and focuses on monitoring SVLK implementation in Indonesia. Over the past 3 years, JPIK has been actively involved in monitoring the implementation of SVLK. JPIK has also been actively involved in providing inputs into the revision of SVLK regulations based on the findings from the monitoring activities.

This report is created by JPIK based on the monitoring on SVLK implementation between 2011 and 2013 and aims to share perspectives on the implementation of the SVLK based on the perspective of independent monitor, and

identifies several aspects and issues that still need improvement.

JPIK would like to thank all of its members and focal points for their contribution to the monitoring activities, the staff of the JPIK National Secretariat for their contribution in formulating this report, and Forest Watch Indonesia (FWI) for hosting the JPIK National Secretariat.

JPIK would also like to thank the Environmental Investigation Agency (EIA) and UKaid for their support in publishing this report.

Hopefully this report will be useful for all SVLK observers in Indonesia, and provide input to the improvement of the SVLK and its implementation in the future.

**Oktober 2014,**

Indonesia Independent Forest Monitoring  
Network (JPIK)



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## LIST OF ABBREVIATIONS

|             |                                                                                                  |
|-------------|--------------------------------------------------------------------------------------------------|
| AMDAL       | : Environmental Impact Assessment (EIA)                                                          |
| APD         | : Personal Protective Equipment                                                                  |
| BLH         | : Environment Agency                                                                             |
| BP2HP       | : Production Forest Utilization Monitoring Center                                                |
| Dirjen BUK  | : Directorate General of Forestry Utilization, Ministry of Forestry                              |
| DKP         | : Supplier's Declaration of Conformity                                                           |
| DPLS        | : Supporting Documents for Certification Body                                                    |
| DR          | : Reforestation Fund                                                                             |
| ETPIK       | : Registered Exporter of Forestry Industry Products                                              |
| FAKO        | : Invoice of processed timber transportation                                                     |
| FAKOM       | : Invoice of community processed timber transportation                                           |
| HTI         | : Industrial Plantation Forest                                                                   |
| IPAL        | : Liquid Waste Processing Installation                                                           |
| IPK         | : Timber Harvesting Permits                                                                      |
| IUI         | : Industrial Business License                                                                    |
| IUIPHHK     | : Business Permit for Primary Industry of Timber Forest Products                                 |
| IUPHHK-HA   | : Business Permit for Timber Forest Product Utilization on Natural Forest                        |
| IUPHHK-HD   | : Business Permit for Forest Timber Product Utilization on Village Forest                        |
| IUPHHK-HKm  | : Business Permit for Forest Timber Product Utilization on Community Forest                      |
| IUPHHK-HT   | : Business Permit for Timber Forest Product Utilization on Industrial Forest Plantation          |
| IUPHHK-HTHR | : Business Permit for Timber Forest Product Utilization on Reforestation-based Plantation Forest |
| IUPHHK-HTR  | : Business Permit for Timber Forest Product Utilization on Smallholder Plantation Forest         |
| IUPHHK-RE   | : Business Permit for Timber Forest Product Utilization on Ecosystem Restoration                 |
| K3          | : Safety and Health at Workplace                                                                 |
| KAN         | : National Accreditation Body                                                                    |
| Kemenhut    | : Indonesian Ministry of Forestry                                                                |
| KPH         | : Forest Management Unit                                                                         |
| LPPHPL      | : Assessment Body for Sustainable Management of Production Forest Management                     |
| LP&VI       | : Independent Assessment and Verification Bodies                                                 |
| LVLK        | : Verification Body on Timber Legality                                                           |
| Menhut      | : Indonesian Forestry Minister                                                                   |
| NPWP        | : Tax Payer Identification Number                                                                |
| Perum       | : Public Company                                                                                 |
| PHPL        | : Sustainable Management of Production Forest                                                    |

|         |                                                                         |
|---------|-------------------------------------------------------------------------|
| PI      | : Independent Monitoring                                                |
| PK-PHPL | : Performance Assessment of Sustainable Management of Production Forest |
| PP      | : Government Regulation                                                 |
| PSDH    | : Forest Resource Provision                                             |
| PT      | : Limited Company                                                       |
| RKL     | : Five-Year Work Plan                                                   |
| RKT     | : Annual Work Plan                                                      |
| RKU     | : Business Work Plan                                                    |
| RTRWP   | : Province Spatial Planning                                             |
| SDH     | : Forest Resources                                                      |
| SDM     | : Human Resources                                                       |
| SILK    | : Timber Legality Information System                                    |
| SIUP    | : Trade Business License                                                |
| SK      | : Decree                                                                |
| S-LK    | : Timber Legality Certificate                                           |
| SOP     | : Standard Operational and Procedures                                   |
| S-PHPL  | : Certificate of sustainable management of production forest            |
| TDI     | : Industrial Registration certificate                                   |
| TDP     | : Company Registration Certificate                                      |
| TGHK    | : Forest Land Use by Concensus                                          |
| TPT     | : Registered Timber Storage                                             |
| TPTI    | : Indonesia Selective Cutting and Planting System                       |
| UKL     | : Environmental Management Effort                                       |
| UPL     | : Environmental Monitoring Effort                                       |
| VLK     | : Timber Legality Verification                                          |

## Summary

As an independent monitor of the Timber Legality Verification System (SVLK), JPIK performs its role through activities such as assessments of the system, monitoring, and increasing internal capacity. Such activities are undertaken as part of the effort to guard the implementation of SVLK to improve forest governance in Indonesia.

This JPIK's report is based on the results of SVLK implementation monitoring activities conducted from 2011 to 2014, and aims to review the implementation of the SVLK from the perspectives of independent monitor, as well as identifying issues that still require improvement.

Assessment on timber legality verification system covers the Regulation of Minister (Permenhut), and Regulation of the Director General (Perdirjen). SVLK regulations formally acknowledge the existence of independent monitors and place independent monitoring as an integral part of the system. This is a very progressive legal breakthrough and provides opportunities as well as challenges for civil society (including NGOs) to ensure that the SVLK is credibly implemented.

In regard to the Regulations of Minister for Forestry concerning SVLK (Permenhut P.38/Menhut-II/2009, P.68/Menhut-II/2011, P.45/Menhut-II/2012, P.42/Menhut-II/2013), JPIK

identifies three important issues, including inconsistencies in the writing, improvement of norms, and the legal basis of the SVLK. Therefore, future revisions of the regulation need improvements related to the inconsistencies and the articles need to be re-formulated. Norms that stipulate the obligation to implement SVLK, the due date of the implementation, and the implementation of sanctions for violations must be improved.

***“JPIK sees the need for improvement in data and information transparency in the implementation of the SVLK”***

Perdirjen (Regulation of Directorate General) is a technical guideline concerning the implementation of the Regulation of Minister for Forestry concerning SVLK, which consists of assessment standards, verification standards and implementation guidelines. The Perdirjen has been revised 3 times since it was first issued in 2010. Various improvements concerning the assessment and verification standards need to take place, such as: the raw material traceability mechanism; problematic permit issuance; issues related to violation of area functions, boundaries and spatial planning; issues related to environmental responsibility; issues related to conflicts, especially conflicts concerning boundaries; and some other weaknesses related to timber legality verification due to issues with IPK (Timber Utilisation Permits).

In regard to the implementation guidelines, JPIK sees the need for improvement in data and information transparency in the implementation of the SVLK, including implementation of assessment and/or verification, reporting of results of assessment and/or verification, independent monitoring, as well as filing and addressing complaints.

Monitoring activity on the implementation of SVLK, which was conducted by JPIK between 2011 and 2013 focus more on companies that apply for S-LK and S-PHPL. The monitoring activity was conducted on 34 companies, in which 31 companies have been certified and 3 companies have not applied for certification.

JPIK has conducted analyses on the implementation of SVLK until June 2014, based on the monitoring results on the performance of permit holders who have implemented the

mandatory certification, the implementation of assessment and/or verification implemented by LP&VI, as well as accreditation by KAN.

JPIK found several issues related to the public consultation as required in SVLK regulations, such as: the absence of public consultation, the absence of representatives from affected communities, and minutes of meetings of the public consultations (which are supposed to be distributed to all of the participants of the public consultation).

In regard to the performance and the compliance of the permit holders, as well as the implementation of assessment and verification process, JPIK noted that LP&VI only considers the existence of a permit document, without examining the process of the issuance of the permit. This results in some problematic permits still being granted certificates. The same problem occurred with environmental document such as AMDAL (Environmental Impact Assessment), which could pass only by its mere existence, without careful examination to the implementation. Moreover, there are many issues related to management of boundaries and fulfillment of social obligation of the timber harvesting permit holders towards the affected communities. Meanwhile, issues among holders of industry permit are commonly involved fulfilling environmental obligation and the sources of the raw materials.

Some of the LP&VI do not refer to the standards with the correct period for the implementation of assessment or verification. LP&VI do not immediately conduct specific audits and suspend the certificate despite of evidence of receiving illegal timbers. Moreover, some typographical errors are found across the data/information



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especially in announcements of assessments or verification, public summary of assessment or verification, as well as the certificate issued by LP&VI.

In regard to the issuance of the V-Legal document, LVLK must be able to ensure that industries with LK certificate does not smuggle products from other non-certified industries, because the LVLK auditor will not be present on the industrial location and will not conduct physical check on the products on a daily basis. The absence of obligations for the industry to only accept legally certified timber demonstrates

the risk of mixing of timbers from unknown sources and legal timber product, which at the end leads to doubts regarding the credibility of the system.

The independent monitoring conducted by JPIK on the implementation of certification is very low (around 3% from total permit holders who implement SVLK). Such low monitoring performance is caused by the limited numbers of monitoring staff, gaps in the capacity of the monitoring staff, limitation of resources for monitoring activities, and sub-optimal use of the online reporting by JPIK members.

From 30 permit holders who have been monitored by JPIK between 2011 and 2013, the complaints delivered by JPIK to LP&VI is not more than 10 (ten). The main obstacle which has led to low numbers of complaints being submitted include limited confidence of monitoring staff to file a complaint, a limited understanding of VLK and PHPL standards, and a reliance by some JPIK members on the JPIK Secretariat to follow up the monitoring results by filing a complaint.

The challenges that the monitoring staff have had to deal with while implementing the monitoring activities and filing a complaint were strongly related to limited access to data and the poor disclosure of public information, as well as varying acceptance of JPIK by government institutions and companies.

JPIK has used other legal instruments to follow up monitoring findings, such as coordinating with the Indonesian Financial Transaction Reports and Analysis Center (PPATK (Indonesian) or INTRAC) and testing the information access based on Law No. 18 of 2008 on "Public Information Disclosure (PID)", and Regulation of Minister of Forestry No. 7 of 2011 on "Public Information Service within the Ministry of Forestry".

In general complaint handling by LP&VI has not been satisfactory. This can be concluded from the variable responses from LP&VI towards complaints, such as: they will be followed up by establishing ad-hoc team to address the complaint as stipulated in the regulation, complaints will merely be used as part of the

supporting materials for the next surveillance visit, or merely informal acknowledgement of receipt via short text message or phone. Moreover, a JPIK complaint filed to KAN concerning LP&VI complaint handling deficiencies has not resulted in effective action to force LP&VI to resolve the complaints based on the prevailing regulation. In several cases, complaint handling has taken more than a year. Meanwhile, the government, in this case Ministry of Forestry, has played a minimal role in conducting follow ups on violations committed by permit holders.

JPIK also highlights the role of government in the implementation of SVLK. A lack of vertical coordination (central and regional) and horizontal (across ministries and relevant institutions) are the main obstacles to the effectiveness of SVLK implementation. Moreover, there has been lacking of SVLK internalization in the relevant ministries and offices, and education concerning SVLK in the country is still needed.

The Ministry of Forestry should oversee this system to ensure its implementation by strengthening internal control within the Ministry of Forestry, effective law enforcement against violations and improvements in the policy tools across forestry sectors that served as the reference for SVLK. The Ministry of Forestry also needs to ensure that all information pertinent to the SVLK is available within a system that could be easily accessed.

# Introduction

Illegal logging in Indonesia was at its highest point during the beginning of reform era, post-president Soeharto. The economic crisis and legal uncertainty during the transition of power was used by influential people to exploit forest resources, especially tropical timbers with high commercial value.

During that period, the highest rate of natural tropical forest loss was  $\pm 1,87$  million hectare or 2% per year (FAO, 2008) and based on a study conducted by CIFOR in 2004, it was estimated that around 80% of Indonesian timber came from illegal sources.

Rampant illegal logging in Indonesia is one of the causes of very costly forest degradation and deforestation. A study from Indonesia Corruption Watch (ICW) during 2004-2011 found that, illegal logging has cost Indonesia up to IDR 169.7 trillion. This number was calculated from the loss of national income from property tax as well as from taxes and royalties from permits. Such losses do not include the loss of natural resources caused by damage to the forests. CIFOR (2008) found that almost 54.6 million hectares, from 96.3 million hectares of degraded forest land in Indonesia, is production forest and conservation forest. The damages on the forest also have direct impacts on the loss of sources of livelihood of communities living inside and around the forest and triggered social conflict.

The Indonesian government's efforts to address illegal logging were conducted through various ways, including enforcement actions to eradicate illegal logging. Law enforcement through several repressive actions such as Sustainable Forest Operation (Operasi Hutan Lestari) in 2005-2010 had reduced the frequency of illegal logging in Indonesia. However, the follow up of such law enforcement operation was lost because it seems that almost none of the timber brokers and perpetrators of large-scale illegal logging was punished according to their crime. They only received mild punishment, were freed, and some cases never even reached the courts. After the 2005 Sustainable Forest Operation (OHL), following a report by Telapak/EIA, of 186 suspects caught by the police, only 13 people were punished, and the maximum sentence was only two years. Corruption and weak governance, including weak law enforcement, has enabled illegal loggers to walk free.

Other than law enforcement efforts, since 2003 an initiative was created to address illegal

logging and promote legal logging, the Legal Timber Verification System (SVLK). This initiative aimed to ensure that timber and timber products are sourced from legal sources. Such efforts towards legal certainty was seen as an initial step towards implementation of sustainable forestry, and with continued efforts it is expected that all timber products in Indonesia would be produced from sustainable forest management.

The SVLK initiative was initiated following long discussions on the definition of legal timber. A multi-stakeholder consultation process suggested that the definition of legality could be an initial step to address illegal logging issues. The debate on what is considered as legal timber has encouraged all stakeholders concerned with forestry issues to begin to create a definition of timber legality, and formulate principles, criteria and indicators that can be used to assess whether timber is produced, transported, and traded in compliance with the prevailing regulations and legislations.

The SVLK became the central plank of a partnership agreement between Indonesia and the European Union because it could function as Timber Legality Assurance System (TLAS). Under this system, all products that are included in the agreement must have legal license in order to enter European Union market. The Indonesian government has been applying SVLK since 2009 by issuing Forestry Minister Regulation No. P38/Menhut-II/2009 that came into effect in September 2010. SVLK Regulation has undergone several revisions through the issuance of P68/Menhut-II/2011, P45/Menhut-II/2012, P42/Menhut-II/2013 and P43/Menhut-II/2014.



The Ministry of Trade issued Trade Minister Regulation No. 81/M-DAG/PER/12/2013 in December 2013 which revised the previous Regulation No. 64/M-DAG/PER/10/2012 on Export Requirements of Forest Industry Products. This previous regulation emphasized that exports of forest industry products in Group A (consists of 26 HS codes) must be supported with V-Legal Documents as of 1 January 2013. While exports of forest industry products in Group B (consisting of 14 HS Codes) must be supported with V-Legal document by 1 January 2014. The revised Trade Minister Regulation stipulates that group B products must provide V-Legal Document by 1 January 2015.



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This report presents JPIK's review on SVLK and its implementation, based on findings from monitoring activities, which have been conducted during 2011-2013. JPIK formulates this report as follow:

**Chapter I** – A review of the written regulations or text regarding the SVLK, including the legal basis, Ministerial regulations and Director General's regulations explaining SVLK standards and implementation guidelines.

**Chapter II** – A summary of the results of monitoring permit holders' certification, which include PHPL and VLK certification and the

issuance of V-Legal documents. JPIK also includes the results of monitoring towards the performance of permit holders who have not implemented the SVLK.

**Chapter III** – A review on the implementation of the SVLK based on monitoring results described in Chapter II.

**Chapter IV** – Conclusions



# Chapter I

## A Review of The Regulations on The Timber Legality Verification System (SVLK)

### 1.1. A Review on SVLK Legal Basis

As part of the efforts to address illegal logging and improve forest governance, Indonesia initiated a scheme to ensure that timber and timber products produced in Indonesia come from legitimate sources. This initiative is implemented through a mandatory certification scheme that is applied to all timber resources, processing industries, and traders. This mandatory certification scheme is known as timber legality verification system (SVLK (Indonesian) or TLVS).

The Ministry of Forestry issued Forestry Minister Regulation P.38/Menhut-II/2009 on Standards and Guidelines of Performance Assessment of Sustainable Forest Management and Timber Legality Verification for Permit Holders or in Private Forests. This has subsequently been revised through Minister of Forestry Regulation Number P.68/Menhut-II/2011, Number P.45/

Menhut-II/2012, and Number P.42/Menhut-II/2013. These regulations are complemented by the Regulation of the Directorate General of Forest Utilization, concerning criteria, indicators, verifiers and guidelines relevant to the implementation of verification to obtain certificates of timber legality (S-LK) or the assessment to obtain certificate of sustainable management of production forest (S-PHPL) for forest management permit holder, owner of private forest, and permit holder of timber industry and timber trade business.

#### Box 1. Definition of Legal Timber

Legal timber is timber that is harvested, transported and traded in compliance with all applicable Indonesian laws and regulations.

There are four important elements within the implementation of SVLK, including: the National Accreditation Body (KAN); certification bodies or Conformity Assessment Bodies (CAB); business operators; and independent monitors (PI). The existence of independent monitor is formally acknowledged within the system. This is a very progressive legal breakthrough and provides opportunities as well as challenges for civil society (including NGOs) to ensure that SVLK could be credibly implemented.

## 1.2. Regulation of the Forestry Minister (Permenhut)

JPIK noted three important things to maintain and strengthen the credibility of SVLK, which include addressing inconsistent provisions, norms improvement, and the legal basis for the SVLK).

### 1.2.1. Addressing inconsistent provisions in Permenhut P.38/Menhut-II/2009 jo P.68/Menhut-II/2011 jo P.45/Menhut-II/2012 jo P.42/Menhut-II/2013.

JPIK recommends that future regulations should address all inconsistent provisions and articles should be reformulated into a new regulation.

- a. Article 4 contains duality in terms of paragraphs that regulate different things, such as in paragraph 5 and paragraph 6 (in P.68/2011 and in P.45/2012).
- b. In Article 7 paragraph 2, Article 8 paragraph 1, and Article 15 paragraph 2, it is still written as "Department of Forestry", while in Article 7 paragraph 6, Article 12A paragraph 2 it is already written as "Ministry of Forestry".

- c. Article 10 paragraph 3, the reference used for surveillance is 'year', while in Article 10 paragraph 4 and paragraph 6, the reference used is 'month'.

### 1.2.2. Norms improvement

- a. Regarding the issuance of V-Legal Documents, Article 13 paragraph 2 should provide clear criteria for inspection to avoid potential buying and selling of the V-Legal Documents during export activities. Inspections should not only cover the completeness of documents but also check the stuffing of products for export.
- b. Considering that IPK are short term permits, the validity period of S-LK and surveillance time for IPK holder as mentioned in Article 10 paragraph 4 needs to be different with other license holders. The Ministry of Forestry must ensure that each IPK holder already have S-LK before conducting land clearing and should conduct surveillance once the land clearing is finished.
- c. Article 18 paragraph 3A on "Obligation to obtain S-LK for IUPHHK-HA/HT, which permits valid for less than 5 years, is when it has already been producing and marketing (timber products)" needs further explanation. This article could potentially be misused by permit holders who change the company name to create the impression of a new permit, although the operation is the continuance of the previous company.
- d. Article 18 paragraph 5 should mention clearly that the obligation to obtain S-LK for HKm, HTR, HD and HTHR, which permit is valid for less than 5 years and for the owner of private forest, is once the

- company has already been producing and marketing (timber products) , to create consistency in terms of norms for IUPHHK-HA/HT (Article 18 paragraph 3A).
- e. Article 4 paragraph 2, both permit holders and management rights holders of forest estate, who had already obtained S-LK, are not supposed to be able to conduct re-certification of LK to extend their certificate, instead they need to follow PHPL assessment. This is important to ensure that companies would manage concession areas sustainably.
  - f. For IUPHHK and IUI as well as TPT, the deadline in which S-LK/S-PHPL timber usage is obliged must be stated clearly. The absence of such deadline will create opportunities for violations through the use of timber from unknown sources.
  - g. Article 18 paragraph 2, the implementation of SVLK for IUPHHK-HA, IUPHHK-HT, IUPHHK-RE, as well as holders of management rights are always behind deadlines. Industries, which conduct exports, are required to own S-LK, hence the Ministry of Forestry needs to immediately oblige IUPHHK-HA, IUPHHK-HT, IUPHHK-RE, as well as the holders of management rights to implement SVLK by emphasizing the deadline to have S-LK or S-PHPL.
  - h. The absence of sanctions for business operators who do not have S-LK/S-PHPL is another form of weakness, thus there are many business actors that have not submitted to SVLK implementation.
  - i. Business operators, who do not pass timber legality verification, should be subjected to clear sanctions for their non-compliance with timber legality standards.
  - j. The Ministry of Forestry as the owner of the system should ensure that other relevant officials, both internal within the Ministry of Forestry and other ministries and relevant offices at province and district level, support the implementation of SVLK in Indonesia. Regulations on the SVLK should also mention the roles and responsibilities of Technical Implementation Units (UPT) and relevant offices at local level as stakeholders that support the implementation of SVLK.

### 1.2.3. Legal Standing

Law Number 12 of 2011 on Formation of Legislation regulates the type and hierarchy of regulation, which consists of :

1. The 1945 Constitution,
2. Decrees of People's Consultative Assembly,
3. Laws / Regulations in lieu of Law,
4. Government Regulations,
5. Presidential Regulations,
6. Province Regulations, and
7. District Regulations.

Other than these types of regulations, Article 8 paragraph 1 of Law Number 12 of 2011 also acknowledges the existence of other formal regulations, which include regulations issued by the People's Consultative Assembly, the People's Representative Council, Regional Representative Councils, the Supreme Court, the Constitutional Court, the Supreme Audit Agency, the Judicial

Commission, Bank Indonesia, Ministers, Bodies, Agencies, or Commissions of the same level established by Law or government under a Law, Province Representative Councils, Governors, District/Regency Representative Councils, Head of Districts/Mayorss, Head of Villages or of the same level.

Based on the explanation above, it could be explained that the regulation concerning SVLK (Minister Regulation Number P38/Menhut-II/2009 jo P68/Menhut-II/2011 jo P45/Menhut-II/2012 jo P42/Menhut-II/2013) is a legal product with binding legal power, which has to be obeyed by parties that are subjected to the implementation of SVLK in Indonesia.

There is a perception that SVLK is the domain of Ministry of Forestry alone, while verifiers within SVLK timber legality standards also cover policies that have their authority outside the Ministry of Forestry, for example in the Trade, Industry, Environment, or Employment and Transmigration Ministries (Table 1). Coordination between relevant ministries and agencies is crucial for the credible implementation of the SVLK.

On the contrary, local provincial and district level governments sometimes issue policies that contradict national level policies. For example, in Sorong District, West Papua province, the Head of the District issued Regulation Number 5 of 2012<sup>1</sup> that allows processed timber to leave the

Table 1. Some Verifiers in SVLK Regulations

| No. | Verifier                                                                                                                                                                                                                                                             | Agency                                     |
|-----|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------|
| 1.  | Law and Human Rights Minister Regulation No.M.01 of 2006 concerning certificate of incorporation                                                                                                                                                                     | Ministry of Law and Human Rights           |
| 2.  | Trade Minister Regulation Number 36 of 2007 on Trade Business License (SIUP)                                                                                                                                                                                         | Ministry of Trade                          |
| 3.  | Law Number 6 of 1983; Law Number 16 of 2000; Law Number 28 of 2007 on Tax Payer Identification Number (NPWP)                                                                                                                                                         | Ministry of Trade and Ministry of Industry |
| 4.  | Trade Minister Regulation No. 37 of 2007 on Company Registration Certificate (TDP)                                                                                                                                                                                   | Ministry of Trade and Ministry of Industry |
| 5.  | Trade Minister Regulation No. 64 of 2012 on Registered Exporters of Products of Forestry Industry (ETPIK)                                                                                                                                                            | Ministry of Trade and Ministry of Industry |
| 6.  | Industry Minister Regulation No. 41/M-IND/PER/6/2008 on Industrial Business License (IUI) and Industrial Registration (TDI)                                                                                                                                          | Ministry of Trade and Ministry of Industry |
| 7.  | Environment Minister Regulation No. 11 of 2006; Environment Minister Regulation No. 13 of 2010 on Environmental Impact Assessment (AMDAL) / Environmental Management Effort (UKL), Environmental Monitoring Effort (UPL) / Environmental Management Statement (SPPL) | Ministry of Environment                    |
| 8.  | Labour and Transmigration Minister Regulation No. 16 of 2001 on employment                                                                                                                                                                                           | Ministry of Labour and Transmigration      |

PEMERINTAH KABUPATEN SORONG  
DINAS KEHUTANAN KABUPATEN SORONG  
**FAKTUR ANGKUTAN KAYU OLAHAN MASYARAKAT (FAKOM)**  
KHUSUS UNTUK PENGANGKUTAN HASIL HUTAN KAYU OLAHAN MASYARAKAT  
DI WILAYAH KABUPATEN SORONG

Nomor Seri : DHH-KO 001559

Desa: Desa Mambasa Selatan Kampung: Kampung Mambasa Muka: 1 dari 1

| PENGURUS             |                             | PENERIMA    |                             |
|----------------------|-----------------------------|-------------|-----------------------------|
| Nama Pemilik (Pihak) | <u>PT. MAMBA SOUTHERN</u>   | Nama        | <u>PT. MAMBA SOUTHERN</u>   |
| Nomor IPHUK          | <u>0000000000000000</u>     | Mengapa     | <u>PT. MAMBA SOUTHERN</u>   |
| Alamat               | <u>Desa Mambasa Selatan</u> | Tempat Mula | <u>Desa Mambasa Selatan</u> |

| No | KELOMPOK JENIS | UMURAN | Jumlah | KETERANGAN |
|----|----------------|--------|--------|------------|
| 1  | ...            | ...    | ...    | ...        |

Jumlah: ...

| PENERBIT FAKOM     |                           | PENERIMA KAYU OLAHAN MASYARAKAT |                           |
|--------------------|---------------------------|---------------------------------|---------------------------|
| Nama Pemilik       | <u>PT. MAMBA SOUTHERN</u> | Nama                            | <u>PT. MAMBA SOUTHERN</u> |
| No. Register       | <u>0000000000000000</u>   | Jabatan                         | <u>...</u>                |
| Tanggal Penyerahan | <u>...</u>                | Tempat                          | <u>...</u>                |
| Lokasi Penyerahan  | <u>...</u>                | Lokasi                          | <u>...</u>                |

1. FAKOM ini merupakan faktur keterangan bahwa hasil hutan kayu olahan masyarakat yang telah diproses oleh masyarakat setempat telah siap untuk diangkut ke lokasi tujuan.

2. Faktur ini berlaku untuk keperluan pengangkutan hasil hutan kayu olahan masyarakat yang telah diproses oleh masyarakat setempat.

3. Faktur ini berlaku untuk keperluan pengangkutan hasil hutan kayu olahan masyarakat yang telah diproses oleh masyarakat setempat.

4. Faktur ini berlaku untuk keperluan pengangkutan hasil hutan kayu olahan masyarakat yang telah diproses oleh masyarakat setempat.

5. Faktur ini berlaku untuk keperluan pengangkutan hasil hutan kayu olahan masyarakat yang telah diproses oleh masyarakat setempat.

6. Faktur ini berlaku untuk keperluan pengangkutan hasil hutan kayu olahan masyarakat yang telah diproses oleh masyarakat setempat.

7. Faktur ini berlaku untuk keperluan pengangkutan hasil hutan kayu olahan masyarakat yang telah diproses oleh masyarakat setempat.

8. Faktur ini berlaku untuk keperluan pengangkutan hasil hutan kayu olahan masyarakat yang telah diproses oleh masyarakat setempat.

9. Faktur ini berlaku untuk keperluan pengangkutan hasil hutan kayu olahan masyarakat yang telah diproses oleh masyarakat setempat.

10. Faktur ini berlaku untuk keperluan pengangkutan hasil hutan kayu olahan masyarakat yang telah diproses oleh masyarakat setempat.

Image 1. Sample of Invoice of Community Processed Timber Transportation (FAKOM)

forest merely under the authority of an invoice of community processed timber transportation (FAKOM), which is against the regulation on timber administration as issued by Ministry of Forestry.

Options that could strengthen the implementation of the SVLK include supporting initiatives to form a working group, which involves agencies that are relevant to the implementation of the SVLK and/or encourages a legal umbrella that is

higher than Forestry Minister Regulation (such as Presidential Regulation).

Please see Box 4 for the latest amendment of Forestry Minister Regulation P38/2009 Jo P68/2011 Jo P45/2012 Jo P42/2013.

### 1.3. Regulation of the Director General (Perdirjen)

Director General Regulations concerning the SVLK are technical regulations to implement

Forestry Minister Regulations on the SVLK. A few Perdirjen have been issued since the issuance of Forestry Minister Regulation on SVLK:

1. In 2009, Ministry of Forestry (then called the Department of Forestry) issued a technical regulation through Director General of Forest Production Development, namely Forest Production Development Director General Regulation (Perdirjen BPK) Number P6/VI-Set/2009 on Guidelines of Performance Assessment of Sustainable Management of Production Forest and Timber Legality Verification. This Perdirjen has six annexes as follows:
  - a. Standard and Guidelines on Performance Assessment of Sustainable Management of Production Forest (PK-PHPL) (Annex 1)
  - b. Standard and Guidelines of Timber Legality Verification (VLK):
    - i. IUPHHK-HA/HPH, IUPHHK-HTI/HPHTI, IUPHHK-RE that are sourced from the Forest Estate (Annex 2)
    - ii. IUPHHK-HTR, IUPHHK-HKm that are sourced from Community Managed Forest Estate (Annex 3)
    - iii. Primary (IUIPHHK) and downstream industry (IUI) (Annex 4)
    - iv. Timbers that are sourced from Private Forests (Annex 5)
    - v. For holders of Timber Utilization Permit (IPK) (Annex 6)
2. In 2010 an improvement was made through the issuance of Forest Production Director General Regulation (Perdirjen BPK) Number P02/VI-BPPHH/2010 on Guidelines on Implementation of Performance Assessment of Sustainable Management of Production Forest and Timber Legality Verification. This Perdirjen has six annexes, which include:
  - a. Guidelines on Implementation of PK-PHPL (Annex 1)
  - b. Guidelines on Implementation of Verification and Certification of Timber Legality:
    - i. Of the holders of IUPHHK-HA/HPH, IUPHHK-HT/HTI, IUPHHK-RE; holders of IUPHHK-HTR, IUPHHK-HKm; Private Forest Owners; and IPK Holders (Annex 2)
    - ii. On IUIPHHK and IUI (Annex 3)
  - c. Independent Monitoring throughout the Implementation of PK-PHPL and VLK (Annex 4)
  - d. Filing and Settlement of Complaint regarding the Implementation of PK-PHPL and VLK (Annex 5)
  - e. Criteria and Requirements of Personnel and Auditor within the Implementation of PK-PHPL and VLK (Annex 6)
3. In 2011, another improvement was made through the issuance of Forestry Production Director General Regulation (Perdirjen BUK) Number P8/VI-BPPHH/2011 on Standards and Guidelines on Implementation of Performance Assessment of Sustainable Management of Production Forest (PHPL) and Timber Legality Verification (VLK). This Perdirjen has seven annexes as follow:
  - a. PK-PHPL Standards (Annex 1)
  - b. VLK Standards (Annex 2.1, 2.2, 2.3, 2.4 and 2.5)
  - c. Guidelines on Implementation of Per-

- formance Assessment of PHPL and VLK (Annex 3.1, 3.2, 3.3, 3.4, 3.5 and 3.6)
  - d. Guidelines on Independent Monitoring throughout the Implementation of Performance Assessment of PHPL and VLK (Annex 4)
  - e. Guidelines on Filing and Settlement of Complaints and Appeal within the Implementation of Performance Assessment of PHPL and VLK (Annex 5)
  - f. Guidelines on the Use of V-Legal Mark (Annex 6)
  - g. Guidelines on the Issuance of V-Legal Documents (Annex 7)
4. In 2012, another improvement was made through the issuance of Forestry Production Director General Regulation (Perdirjen BUK) Number P8/VI-BPPHH/2012 on Standards and Guidelines on Implementation of Performance Assessment of Sustainable Management of Production Forest (PHPL) and Timber Legality Verification (VLK). This Perdirjen has seven annexes:
- a. PK-PHPL Standards (Annex 1)
  - b. VLK Standards (Annex 2.1, 2.2, 2.3, 2.4, 2.5, 2.6, 2.7 and 2.8)
  - c. Guideline on Implementation of PK-PHPL and VLK (Annex 3.1, 3.2, 3.3, 3.4, 3.5, 3.6, 3.7, 3.8, 3.9 and 3.10)
  - d. Guidelines on Independent Monitoring throughout the Implementation of PK-PHPL and VLK Monitoring (Annex 4)
  - e. Guidelines on Filing and Settlement of Complaints and Appeal within the Implementation of PK-PHPL and VLK (Annex 5)

- f. Guidelines on the Use of V-Legal Mark (Annex 6)
- g. Guidelines on the Issuance of V-Legal Document (Annex 7)

### 1.3.1. Standard

The Regulation of the Director General on assessment standards and verification standards would benefit from few improvements, as follow:

#### 1. Raw material traceability mechanism

The SVLK regulations stipulate that ensuring the traceability of the origin/resources of raw materials for certification activities at the level of primary industry and secondary industry should be conducted by tracing the raw material one link in the chain upstream. This does not apply to raw material sourced from resources that are already covered by SVLK certificates (S-PHPL or S-LK). JPIK found that tracing the raw material once link in the upstream chain does not fully guarantee the legality of the sources of the raw material.

By tracing raw material one link in the chain upstream and in a situation in which not all of the knot within the supply chain are certified, industries could still receive and mix timber from sources with unclear supply chains. This occurred in the case of PT Rotua, which belongs to a Police official (Aiptu Labora Sitorus) in Sorong city, West Papua. PT Rotua sent Merbau processed timber from Sorong to a company in Surabaya by using its own transport documents as acknowledged by the Office of Industry and Mining of Sorong city, rather than the required FAKO document. At field level, PT Rotua received illegal Merbau timber from the forest (See Box 2).

Recommendations from JPIK include: 1) all timber supply chains must be required to obtain S-LK/S-PHPL; 2) Industry should only be able to use raw materials covered with S-LK/S-PHPL; and 3) If 1) and 2) could not be fulfilled, then there should be segregation of raw materials within the industry.

## 2. Issues with the Process of Permits Issuance

SVLK standards only look at whether permits have been obtained or issued, or not, and do not look at how the permit was issued. Due to

this, it is possible for companies with IUPHHK HA/HT to get S-LK or S-PHPL, although the process of obtaining the permit does not comply with the requirement or procedures and/or has been proven to be involved in criminal cases such as corruption or bribery related to issuance of the permit. Such cases have occurred in Riau Province, where 14 companies with HTI permits have been found by the Corruption Eradication Commission (KPK) to have been involved in corruption during the process of obtaining permits from the Governor of Riau Province, the Head of Pelalawan District, and the Head of

### Box 2. The Case of PT Rotua (Labora Sitorus)

Labora Sitorus is the owner of PT Rotua, which is located in Sorong municipality – West Papua. Labora Sitorus came into public attention since the seizure of 115 containers at Tanjung Perak Port, Surabaya – East Java and the ownership of money up to IDR 1.5 trillion. PT Rotua is a secondary industry with the capacity of 2000 m<sup>3</sup>/year, in which the permit was obtained from the Head of Sorong Municipality in 2011. The mode of operation used by PT Rotua was by receiving logs that are processed inside the forest by the community in Raja Ampat District, and Sorong District. The logs were sent to PT Rotua without using proper documents or with documents that do not comply with the Regulation of Ministry of Forestry concerning forest timber administration. The logs entering PT Rotua are indicated that they were not covered for PSDH and DR (processing from round timber to log occurred inside the forest).

Logs from Raja Ampat district and Sorong district were then processed into E2E products at PT Rotua before being sent to Surabaya. Based on timber administration regulation from the Ministry of Forestry, the processed logs were supposed to be sent from Sorong to Surabaya by using FAKO documents issued by the forestry office in Sorong, however, in reality the documents used were documents made by PT Rotua and acknowledged by the Office of Industry and Mining in Sorong city.

Timbers from PT Rotua were indicated to enter several companies in Surabaya such as CV Alco Timber Irian, PT Yori Mas Company, CV Pelita Mandiri, CV Sinar Galuh, PT Seng Fong Moulding Perkasa, PT Semesta Jati Indah, CV Nusantara Citra Alam Raya, and PT Kali Jaya Putra. Some of those companies already obtained SVLK certificates.



**PT. ROTUA**  
 (Merupakan Faktor Perusahaan)

**Nomor Seri : PT. RT. : 000121**

Provinsi : PAPUA BARAT  
 Kota : SORONG

Masa Berlaku : 25 ( Dua Puluh Lima ) Hari  
 Dari Tanggal : 10-4-2013 s.d 4-5-2013

| PENGIRIM             |                                                     | PENGANGKUTAN        |                                                     |        |      |
|----------------------|-----------------------------------------------------|---------------------|-----------------------------------------------------|--------|------|
| Nama                 | PT. ROTUA                                           | Melalui             | Darat                                               | Sungai | Laut |
| Alamat dan No. Telp. | Jln. Kapitan Pattimura Tempat Garam Kota Sorong     | Menggunakan         | KAPAL                                               |        |      |
| PENERIMA             |                                                     | Identitas           | A.A. KAWA DAS                                       |        |      |
| Nama                 | PT. TOMIMASA COMPANY                                | Alamat              | Pelabuhan Sorong                                    |        |      |
| Alamat dan No. Telp. | Jl. Mayjend Sungkono No. 5 Blok 11-12 Uluwatu Jatin | Tempat Muat         |                                                     |        |      |
|                      |                                                     | TUJUAN PENGANGKUTAN |                                                     |        |      |
|                      |                                                     | Alamat              | Jl. Mayjend Sungkono No. 5 Blok 11-12 Uluwatu Jatin |        |      |
|                      |                                                     | Transit             | Pel. Tanjung Perak Surabaya                         |        |      |

Jenis Barang : Kayu Olahan Merbau 120

| REKAPITULASI BARANG |                         |                                                                                                    |                                      |      |
|---------------------|-------------------------|----------------------------------------------------------------------------------------------------|--------------------------------------|------|
| No.                 | Kelompok Dimensi Barang | Jumlah (Batang/Keping/Bundel)                                                                      | Volume Meter Kubik (M <sup>3</sup> ) | KET. |
| 1                   | Doorjamb                | 624 Btg                                                                                            | 10,4955                              |      |
| 2                   | Square                  | 200 Btg                                                                                            | 3,2710                               |      |
| Dengan Angka        |                         | 624 Btg                                                                                            | 13,7665                              |      |
| Dengan Huruf        |                         | Delapan Ratus Dua Puluh Empat Batang Sama Dengan Tiga Belas dan Tujuh Ratus Empat Tiga Meter Kubik |                                      |      |

Barang yang diangkut sesuai kolom-kolom tersebut diatas, merupakan rekapitulasi dari Daftar Barang

Nomor : 121/SPS-JK/IV/2013  
 Tanggal : 10 April 2013  
 Sebagaimana Terlampir

Sorong, 10 April 2013  
  
**PT. ROTUA**  
 (IMANUEL MAMORIBO)  
 Direktur Pelaksana

PENERIMA

Image 2. Sample of PT Rotua's Transport Document

Siak District, all of whom have been sentenced. Of the 14 companies involved in the corruption cases, three have obtained S-PHPL and eight have obtained S-LK.

JPIK recommends procedures governing the issuance of of timber forest product harvesting/ cutting/utilization permits are included within the principles, criteria and verification methods of the VLK standard.

### 3. The SVLK has not covered issues related to violations of area functions, boundaries, and spatial planning.

Verification on compliance with Principle 1 within VLK standards for permit holder until now is only limited to checking whether the permit exists or not. Although the verification method requires inspection of compliance with RTRWP/TGHK, in reality the verification body issues certificates for areas where permits overlap and/or permits do

not comply with the area function (for example permits that cover peat land, conservation areas). Such is the case as occurred to PT Rimba Hutani Mas in South Sumatra, in which within their concession area there are at least two main peat domes with the depth of 1-10 meters. Moreover, Anti Forest Mafia Coalition's (Koalisi anti Mafia Hutan) Assessment on SVLK<sup>2</sup> draws some examples of IUPHHK holders who owned SVLK certificate, where permits cover locations overlapped with tens of other permits, including permits for mining and plantations.

#### **4. SVLK also has not managed to cover issues related to conflict especially those that are related to concession area boundaries.**

Despite the Constitutional court decision MK No.45/2011, followed by Permenhut 62/2013 on gazetting forest estate, there has been no real improvement in addressing conflicts related to boundaries due to the small scope of forest estate area that has been gazetted and mapped based on agreement with all stakeholders. Moreover, there are processes that do not involve third parties such as local and indigenous community that live inside and around the forest.

SVLK has the potential to become a catalyst to accelerate the process of forest estate gazettment and to address conflicts related with concession boundaries, if auditors and the verification bodies also examine whether permit holders operate within land already 'clean and clear' as one of the indicators legitimating their permits.

Untill these issues are addressed, there are concerns the SVLK mechanism might be used as a legitimacy tool for permits that do not comply

the prevailing regulations, and eventually the SVLK might fail to function as one of the tools to improve forest governance. JPIK recommends that the effectiveness of conflict resolution between permit holders and the community should be one of the considerations of independent assessment and verification bodies (LP&VI) in issuing certificates. LP&VI should postpone issuing certificates for permit holders involved in active and/or ongoing conflict with communities until an agreement to resolve such conflicts is achieved between both parties.

#### **5. Timber legality verification from IPK**

Several weaknesses are found within the standards applied in IPK's Timber Legality Verification, such as:

- a. While many IPK holders conduct land clearing without AMDAL, AMDAL documents are not used as a verifier. Until now, auditors have only assessed IPK as a legitimate requirement for land clearing/logging without considering and examining the legitimacy of AMDAL and ANDAL documents as the requirement of releasing IUP or ILS.
- b. The conformity or otherwise of IUP and ILS with spatial plans and the issuance of IUP and/or ILS on land that covers clean and clear areas (areas that are free from overlap and claim) are also not included as part of SVLK inspections. This is despite many plantation permits overlapping with other permits, or being located in areas that do not conform to area functionality.

### 1.3.2. Implementation Guidelines

Regarding the Implementation Guidelines in Perdirjen governing the SVLK, JPIK recommends that the following points are important to be included in any Perdirjen revision:

#### 1. Data and information transparency throughout the implementation of SVLK.

Indonesia already has the Law on Public Information Disclosure (PID) and the Ministry of Forestry has also released Forestry Minister Regulation (Permenhut) on information disclosure. However, the implementation of the regulations is still far from expectation. This has strongly affected the works implemented by independent monitoring. The minimal access to public data and information related to SVLK implementation will hamper monitoring activities and eventually negatively affect the SVLK's credibility. Annex IX of the VPA between Indonesia and the European Union, which has been ratified by the Indonesian Government, mentions the list of public information that must be accessible, and this should also be mentioned as an annex on data and information transparency in the SVLK implementation guidelines.

Moreover, information related to verification results, licenses, and complaints handling regarding SVLK implementation should also be easily accessible for public. Until now information related to SVLK implementation on the Ministry of Forestry website are not systematically managed and does not cover complaints handling as well as the follow up (of complaints) from the Ministry of Forestry. The Ministry of Forestry's Timber Legality Information Sistem (SILK) only

covers information on issuance of V-legal and LK certificates for IUPHHK in general, without any summary for the public on the issuance of V-legal documents.

#### 2. Implementation of Assessment and/or Verification

The Surveillance Guidelines by LP&VI on certified permit holders has not included obligations to announce surveillance activities and publish public summaries of the results of surveillance activities. JPIK considers that it is important to include announcements of surveillance activities and publication of public summaries of surveillance results so that the public in general could understand the company's activities in the field once they obtain certificates from LP&VI.

#### 3. Reporting of Assessment and/or Verification Results

Where they are available, different formats are used for each public summary of PHPL assessment results and public summary of LK verification results. The public summary of PHPL assessment results stop at the indicator level, while each indicator might consist of a few verifiers. Therefore, it is difficult to examine the findings that lead certification bodies towards assessment results, especially since PHPL certification is based on scoring or summation of scores. Meanwhile for LK verification, the format of public summary refers to standards all the way to verifier, hence it is necessary to have the same public summary format between the report of PHPL assessment result and LK verification report.

#### 4. Independent Monitoring

The existence of independent monitor has been formally acknowledged within SVLK, as marked by the issuance of specific guidelines for independent monitoring. Detailed articles within the SVLK have provided guidelines for concerned members of society to participate in the surveillance and monitoring of SVLK implementation. JPIK appreciates that the Ministry of Forestry has included and acknowledged civil society-based independent monitoring within the SVLK as part of public involvement and participation to monitor the implementation of government regulation.

In regard to the right to access public information, until now the independent monitor must exert huge effort to access sufficient required information in order to perform monitoring of PK-PHPL and VLK certification. Such extra efforts do not always lead to access to necessary document and information. The lack of responses from LS to requests and the lack of knowledge among government apparatus, especially in remote areas, regarding the certification process have created obstacles throughout the monitoring process. It is important to include the types of data and information that must be accessible as annex in any revised Perdirjen, as such is the case in Annex IX of the VPA, on Information Disclosure.

Independent monitoring activities involve security risks for the individuals who conduct monitoring. If a case is found against particular company that conducts illegal activities, the company might send threats to colleagues who conduct monitoring. JPIK experienced this when they exposed the case of PT Rotua (owned by Labora

Sitorus) in Sorong, West Papua. Independent monitoring guidelines need to include provisions on security protection for independent monitors.

#### 5. Filing and Resolution of Complaints

Certification bodies and KAN are two components of the SVLK that handle complaints from stakeholders. The procedures with regard to filing complaints to the certification bodies (LPPH-PL and LVLK) and the resolution of complaints concerning the process and results of certification are mentioned in detail within this regulation. However, complaints that are submitted to KAN in regard to the performance of certification bodies is not covered in this regulation and only refer to KAN requirements, which until now are not publicly accessible.

The Ministry of Forestry plays a minimum role in managing and following up complaints concerning SVLK implementation, especially regarding violations of rules that are perpetrated by permit holders and non-compliances throughout the performance of LPPHPL and LVLK. As the owner of the system and the forestry authority, the Ministry of Forestry should not take a hands-off and take it for granted that all violations should be resolved by the certification body or KAN. The Ministry of Forestry needs to have the courage to take action on each violation that occurs throughout the implementation of the SVLK. KAN needs also to consistently have the courage to suspend or withdraw the accreditation of LP&VI that perpetrated fundamental mistakes in the field. Until now, only one certification body has had their accreditation suspended and withdrawn by KAN and its establishment as LPPHPL revoked by the Ministry of Forestry (Box 3).

### Box 3. The Case of PT Puji Sempurna Raharja

PT Puji Sempurna Raharja (PSR) is a 51,000 ha HPH located in Berau District, East Kalimantan, under license number 304/Kpts-II/1990 of 14 June 1990. PT PSR submitted their request for PHPL certification to PT Sarbi International Certification (LPPHPL-004-IDN), and the assessment was undertaken from 10 – 23 January 2012. The Phase I Audit was conducted on 1 – 7 January 2012, and the Phase II Audit was conducted on 11 – 19 January 2012. The decision making process by PT Sarbi International Certification (SIC) was conducted on 4 February 2012, in which PT PSR was judged to have “a bad” rating and was not granted a PHPL certificate.

Three months later, PT PSR submitted a request for PHPL certification to PT Nusa Bhakti Mandiri (NBM) (LPPHPL-010-IDN), in which the Phase I audit was conducted on 16 January 2012 and Phase II audit was conducted on 8-17 May 2012. A decision was made on 24 May 2012 in which PT PSR was found to have passed with the medium score and given the right to obtain a PHPL certificate.

JPIK research shows that PT PSR’s permit had already expired in 2010, and they did not have activities in field. This means that PT PSR was not eligible to apply for PHPL certification because their permit has expired. However, audit continues to be conducted using RKT documents from 2007, 2008, and 2009 as the basis of assessment. JPIK reported this to the Ministry of Forestry and filed a complaint to KAN.

As a result of JPIK’s complaint PT NBM’s accreditation as PHPL certification body was revoked by KAN on 11 November 2013, which also led the Forestry Minister to revoke the Decree (SK) that established PT. NBM as a LPPHPL. Meanwhile, the Ministry of Forestry has refused the request to extend the permit lease and repealed permits for PT PSR through Forestry Minister’s Decree Number SK S.360/Menhut-VI/2012, issued on 23 August 2012. PT PSR filed a lawsuit against the Ministry of Forestry countering this decree, though the lawsuit was declined by the Supreme Court.

The case of PT. Puji Sempurna clearly demonstrates some alarming concerns:

1. PT. Puji Sempurna is not supposed to have the right to apply for certification because their permit has expired. The fact that Ministry of Forestry announced and allowed PHPL certification activities for PT. Puji Sempurna demonstrates weak internal monitoring of Ministry of Forestry on permit holders. The issuance of PHPL certificates for expired licenses with no operations in the field indicates the misuse of PHPL certificates. There are concerns that such phenomena might not only occur to PT Puji Sempurna, but also other IUPHHK permit holders.
2. Permit holder who do not pass certification can easily submit certification requests to other certification company. Poor understanding towards SVLK regulations and standards as well as poor integrity of certification bodies could pass permit holders that do not comply with the requirements. Tight surveillance of the process and the results of assessment of permit holders that previously failed must be conducted to maintain the SVLK’s credibility.

#### Box 4. Permenhut P.43/2014 and Perdirjen P.5/2014

After a multi-stakeholder consultation process, in June 2014 the Ministry of Forestry issued Permenhut No P.43/Menhut-II/2014, and Perdirjen BUK No P.5/VI-BPPHH/2014 in July.

The following are several changes in Permenhut No P.43/Menhut-II/2014:

- Timber Legality Certificate (S-LK) of permit holders and management rights holders are only valid for 1 (one) period, and after that, the permit holder and management rights holder must obtain S-PHPL.
- By 31 December 2014 Primary and Secondary Industry must use only raw material from sources that have PHPL or S-LK.
- LK Certificates for Timber Harvesting Permit (IPK) are valid for only 1 (one) year.
- The cessation of V-legal Document issuance through inspection process, in which inspection could be conducted only until 3 (three) months after Permenhut is enacted.
- The use of Supplier's Declaration of Conformity (DKP) for timber from private forest, TPT (registered timber storage), household industry and artisan, and imported timber.

While the following are several changes on Perdirjen No P.5/VI-BPPHH/2014:

- Explanation concerning control mechanism on the issuance of DKP issued by both the business operator, who receives timber and declares the supplier's conformity through field inspection, and Ministry of Forestry through random inspection and targeted inspection.
- Raw materials from timber auctions must be segregated during processing and reported to LVLK. Timber products, which used timber from auctions as raw materials, must not use V-Legal marks and are not allowed to be exported.
- An explanation on the control mechanism by Ministry of Forestry and sanction arrangement towards violation committed by LP&VI and/or auditors.
- Adding AMDAL document as one of the verifiers in VLK standards for IPK holders.
- Inclusion of IPK in APL within VLK standards for IPK holder. Previously, such standard only cover IPK in forest estate.
- The format of public summary of PHPL assessment results requires a more detailed information based on PHPL standards (which include the fulfillment of verifiers).
- LPPHPL must publish surveillance planning and public summaries of results of PK-PHPL surveillance.
- Independent monitoring reserve the right of security protection from relevant institutions.
- In complaint resolution, the complaint resolution ad-hoc team must be endorsed by LP&VI and the complainant.

Throughout the process of Permenhut and Perdirjen revision, several recommendations submitted by JPIK for changes were discussed but were not agreed to be included in Permenhut P.43/Menhut-II/2014 and Perdirjen BUK No P.5/VI-BPPHH/2014, including:

- Sanctions for permit holders and management rights holders (like Perhutani) that do not

implement the SVLK.

- Sanction for permit holders and management rights holders that do not fulfill VLK standards.
- Management of boundaries and social conflicts become key indicators in PHPL standards as a requirement to pass the assessment.
- The SVLK must address issues related to permit overlaps in particular concession areas.
- LK standards for IPK holders must reflect conformity between IUP and ILS and Province spatial planning (RTRW).
- The involvement of permit holders and management rights holders in acts of corruption related to permits and/or money laundering should be one of the reasons to revoke certificate and business permit.
- Adding Annex IX of the Indonesia - European Union VPA, which contains the list of public information that must be accessible to public in the independent monitoring guidelines.



# Chapter II

## Summary of JPIK's Monitoring Report

### 1.1. Monitoring of companies that have already submitted S-LK and S-PHPL applications

Between 2011 and 2013, JPIK has conducted monitoring on 30 permit holders who have applied for LK or PHPL certification. The following is summary of the monitoring results, based on monitoring reports.

#### 1. PT Toba Pulp Lestari (TPL)

|                        |                                        |
|------------------------|----------------------------------------|
| Location               | : Toba Samosir District, North Sumatra |
| Types of Certification | : PHPL                                 |
| Standard Reference     | : Perdirjen BPK P6/VI-Set/2009         |
| Certification Body     | : PT SBU Sucofindo ICS                 |
| Certificate Number     | : PHPL 00001                           |
| Validity Period        | : 25 October 2010 - 24 October 2013    |

JPIK North Sumatra conducted monitoring in November 2010.

The field monitoring result notes the following inconsistencies with the indicators:

- a. Indicator 3.1 – The business operator does not allocate conservation areas within their concession area. It is suspected to have caused landslide in Sabulen Village and Buntu Mauli Village, Sitiotio Sub-District, Samosir District in April 2010<sup>3</sup>.
- b. Indicator 3.2 – The business operator has failed to implement forest protection safeguards including protection from pests. Pests that attack the eucalyptus trees are suspected to also attack the community's benzoin trees that were located around the concession area and led to reduction of benzoin products<sup>4</sup>.
- c. Indicator 4.1 – An unclear boundary between the business and community areas has resulted in the unilateral conversion of community forest to industrial forest plantation. mengakibatkan hutan masyarakat diubah menjadi hutan tanaman industri (HTI) secara sepihak.
- d. Indicator 4.2 – The business operator never conducted socialization related to the fulfillment of the company's rights and responsibilities towards the indigenous community. No common agreement was created between the community and business operator in terms of planning and implementation of forest area management for either areas claimed as concession or customary forest<sup>6</sup>.

Hasil JPIK North Sumatra's findings strengthened another monitoring finding by the Study Group and Community Initiative Development (KSPPM), who had filed a complaint on the results of PT TPL<sup>6</sup>. The experience gained from the results of monitoring of PT TPL's certification contributed to JPIK's inputs to improve timber legality verification system.

## 2. PT Telaga Mas Kalimantan Company (TMKC)

|                        |                                       |
|------------------------|---------------------------------------|
| Location               | : Paser District, East Kalimantan     |
| Types of Certification | : PHPL                                |
| Standard Reference     | : Perdirjen BPK P.6/VI-Set/2009       |
| Certification Body     | : PT Ayamaru Bakti Pertiwi            |
| Certificate Number     | : 01/A-CERTIIX/2010                   |
| Validity Period        | : 6 September 2010 - 5 September 2013 |

This monitoring was conducted by JPIK East Kalimantan in 2011.

The field monitoring result notes the following inconsistencies with the indicators:

- a. Indicator 3.2– The business operator conducted logging within conservation forest area of Gunung Lumut<sup>7</sup>.
- b. Indicator 3.2– The company's waste, such as residual oil and iron from used logging equipment are found in Temulus River, Payam River, and Pamarayan River; which has also caused the water to turn black<sup>8</sup>.
- c. Indicator 3.2 – The business operator did not rehabilitate areas formerly used as TPN and camps <sup>9</sup>.
- d. Indicator 3.2 – Logging activities have caused erosion and the company did not undertake any activities to prevent erosion<sup>10</sup>.
- e. Indicator 4.1 – The boundary agreement process with the Sayo Village community has never been fully completed<sup>11</sup>.
- f. Indicator 4.3 – The business operator did not provide road access for the community<sup>12</sup>.
- g. Indicator 4.5 – The company's staff and workers did not receive any training<sup>13</sup>.

JPIK enquiries into the public consultation process found that the public consultation was conducted not locally but in Samarinda (BP2HP Office), and that half of the participants of were not relevant parties.

JPIK did not file a complaint despite of the monitoring result of PT TMKC certification. The experience gained from the monitoring result of PT TMKC certification is summarized in JPIK's inputs to improve timber legality verification system.



Image 3. Monitoring Activity in The PT TMKC's Operation Area

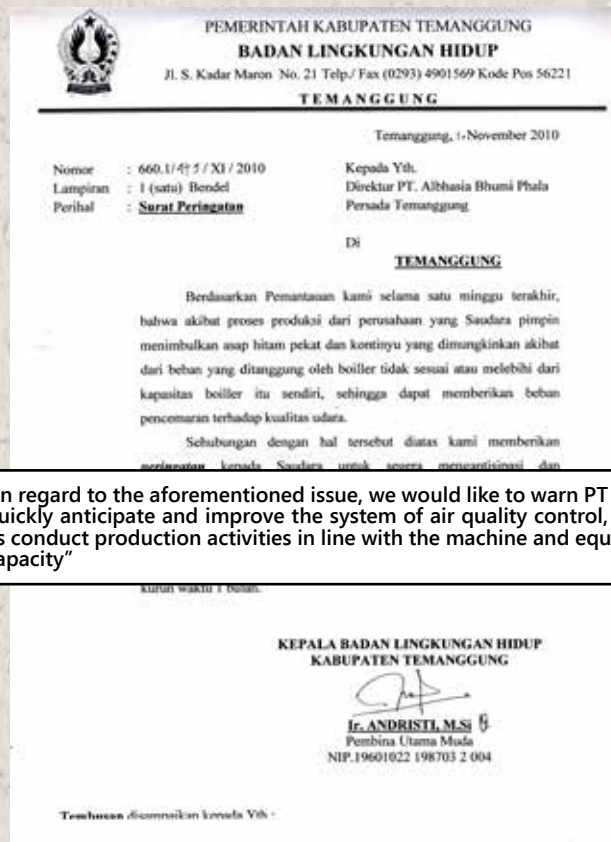


Image 4. PT TMKC's Felled Tree in Gunung Lumut Conservation Forest Area

### 3. PT Albasia Bhumipala Persada (ABP)

Location : Temanggung, Central Jawa  
 Types of Certification : VLK Industry  
 Standard Reference : Perdirjen BPK P6/VI-Set/2009  
 Certification Body : PT BRIK  
 Certificate Number : BRIK-VLK-0016  
 Validity Period : 10 May 2011 - 9 May 2014

The monitoring was conducted by JPIK Central Java in May 2011 and the follow up monitoring was conducted in June 2013.



"In regard to the aforementioned issue, we would like to warn PT ABP, to quickly anticipate and improve the system of air quality control, as well as conduct production activities in line with the machine and equipment capacity"

Image 5. Warning letter from BLH Temanggung to PT ABP

The field monitoring results note the following inconsistencies with VLK industry standards:

- a. Indicator 1.1.1 – The business operator did not submit a report of the results of UKL-UPL implementation and RKL-RPL reports every six months to BLH Temanggung, as required<sup>14</sup>.
- b. The planning and implementation procedure of Safety and Health at Workplace (K3) document is unavailable.
- c. The company does not have the endorsement document from Office of Employment and Transmigration of Temanggung as part of supporting document for K3.

The monitoring report was sent to the National Secretariat of JPIK in August 2013, though the complaint reports towards PT BRIK has not yet been sent. The experience gained from the results of monitoring of PT ABP certification is summarized in JPIK's inputs to improve timber legality verification system:

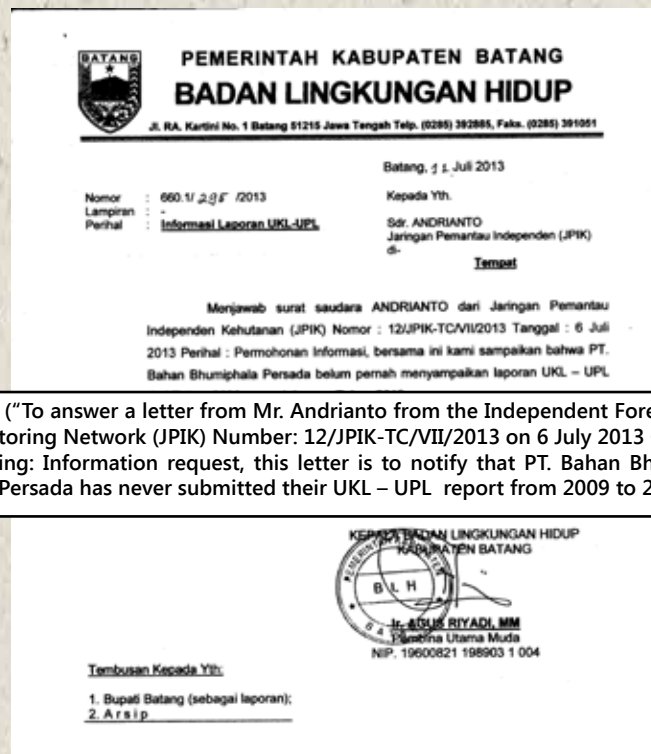
#### **4. PT Bahana Lestari Bhumipala Persada (BLBP)**

|                        |                                       |
|------------------------|---------------------------------------|
| Location               | : Batang, Central Jawa                |
| Types of Certification | : VLK Industry                        |
| Standard Reference     | : Perdirjen BPK P6/VI-Set/2009        |
| Certification Body     | : PT BRIK                             |
| Certificate Number     | : BRIK-VLK-0030                       |
| Validity Period        | : 9 September 2011 - 8 September 2014 |

The monitoring was implemented by JPIK Central Java in May 2011 and June 2013.

The result of monitoring in May 2011 notes the following non-compliance with VLK industry standards:

- a. Permanent staff and contracted staff are obliged to work during national holiday without receiving overtime wages<sup>15</sup>.
- b. Contracted staffs do not receive safety in the workplace insurance<sup>16</sup>, also do not receive any compensation for accidents in the workplace<sup>17</sup>.
- c. The business operator does not provide severance payment when laying-off staff.
- d. The burning of sawdust has caused air pollution<sup>18</sup>.
- e. The business operator never request for HO permit recommendation to the head of Suradadi village<sup>19</sup>.



("To answer a letter from Mr. Andrianto from the Independent Forest Monitoring Network (JPIK) Number: 12/JPIK-TC/VII/2013 on 6 July 2013 Concerning: Information request, this letter is to notify that PT. Bahan Bhumphala Persada has never submitted their UKL – UPL report from 2009 to 2013.")

Image 6. Letter to inform BLH concerning UKL-UPL reports of PT Bahana Lestari Bhumphala Persada

The VLK Industry standard based on Perdirjen BPK P.6/VI-Set/2009 did not set out any indicators on labor rights and Safety and Health at Workplace (K3), and neither have HO permit been included as verifier, thus the above findings could not be followed up as complaints.

Based on the monitoring results released in June 2013, JPIK Central Java found inconsistencies in the legality standards as well as other findings such as:

- Indicator 1.1.1 – PT BLBP did not report the results of UKL-UPL activities every six months to BLK Batang district as required.
- Implementation of K3 has not been fully implemented.
- The water inside the timbers immersion tanks is not replaced regularly (rarely replaced), producing unpleasant smells that irritate the workers.
- The chimney of the smoke exhaust machine often leaks, which causes air pollution.

The monitoring report was delivered to the National Secretariat of JPIK in August 2013 but complaint has not been filed to PT BRIK. The experience gained from the results of monitoring of PT BLBP certification is summarized in the inputs from JPIK related to improvement of timber legality verification system.

## 5. PT Decorindo Inti Alam Wood (DIAW)

|                        |                                         |
|------------------------|-----------------------------------------|
| Location               | : Barito Kuala, South Kalimantan        |
| Types of Certification | : VLK Industry                          |
| Standard Reference     | : Perdirjen BPK P6/VI-Set/2009          |
| Certification Body     | : PT Mutu Agung Lestari                 |
| Certificate Number     | : LVLK-003/MUTU/LK-023                  |
| Validity Period        | : 14 September 2011 - 13 September 2014 |

The monitoring was conducted by JPIK South Kalimantan in June to July 2011.

The following are some of the findings:

- It is suspected that the waste management has not complied with the regulation on waste management, which could be concluded by the observation that liquid waste was directly thrown into the river.
- The company does not employ the members of community that live around the industry site<sup>21</sup>.
- In the public summary document, LP&VI does not mention any information concerning the auditors (name, position, and registration number) and the assessment results for each verifier.

JPIK South Kalimantan faces difficulties in accessing public information including AMDAL document, because the local government institution stated that they do not have such document. Moreover, the monitoring staff could not get any access to enter the industrial site.

JPIK South Kalimantan did not follow up the monitoring result by filing a complaint. The experience gained from the results of monitoring of PT DIAW certification is summarized in JPIK input to improve timber legality verification system.

## 6. PT Tatehe Nusa Jaya (TNJ)

|                        |                                |
|------------------------|--------------------------------|
| Location               | : Palu, Central Sulawesi       |
| Types of Certification | : VLK Industry                 |
| Standard Reference     | : Perdirjen BPK P6/VI-Set/2009 |
| Certification Body     | : PT BRIK                      |
| Certificate Number     | : BRIK-VLK-0020                |
| Validity Period        | : 27 Juni 2011 - 26 Juni 2014  |

The monitoring was conducted by JPIK Central Sulawesi in January to February 2012.

Based on the monitoring results, no indication of non-compliance was found against the 2009 standard.

However, considering that the verification process was conducted in 7 to 9 March 2011, the reference standards should have used Perdirjen BPK P02/VI-BPPHH/2010. The experience gained from the results of monitoring of PT TNJ certification is summarized in JPIK's inputs to improve timber legality verification system.

## 7. PT Seng Fong Moulding Perkasa (SFMP)

|                        |                                     |
|------------------------|-------------------------------------|
| Location               | : Jombang, East Java                |
| Types of Certification | : VLK Industry                      |
| Standard Reference     | : Perdirjen BPK P6/VI-Set/2009      |
| Certification Body     | : PT TUV Rheinland Indonesia        |
| Certificate Number     | : TRID-SVLK-0001                    |
| Validity Period        | : 6 November 2010 – 5 November 2013 |

The monitoring was conducted by JPIK East Java in May to October 2011.

The result of monitoring notes the following inconsistencies as well as other findings:

- a. Indicator 1.1.1 – The factory area expansion that has been implemented since 2003 does not have a complete AMDAL. Moreover, regular UPL/UKL reports to BPLH have not been made<sup>22</sup>.



Image 7. Air Pollution Produced by PT SFMP



Image 8. Waste Burning, Which Suspected to Contain B3 Waste

- b. Indicator 1.1.1 – The initial AMDAL document (2008) does not mention the existence of liquid waste. As a matter of fact, the business operator produces liquid waste and directly dispose them to the river, and it is suspected that they do not have any dedicated management installation. At certain times the sewage has a pungent smell, a black and brownish color, looks sticky, and leaves dark spots on river plants<sup>23</sup>.
- c. It is suspected that the disposals of solid and liquid waste do not go through processing and they produce air pollution from burning activities. The waste is not disposed to sanitary landfill (not managed) and mixed with domestic waste<sup>24</sup>.
- d. The smoke produced from burning activities has created air pollution that hurt the eyes and left yellowish spots on garments<sup>25</sup>.
- e. The activities have narrowed the river within the industrial area, and have flooded the community's rice fields and houses<sup>26</sup>.
- f. Piling waste from the factory in Temuwulan Village has caused an unpleasant smell. Domestic waste and white powder (which is suspected as waste from timber sanding, flammable, included as B3 waste) are not mentioned in their AMDAL and are not discharged in Jatipelem Village<sup>27</sup>.
- g. The public summary of verification results by PT TUV mentions that the notarial act is written under the name of PT Kharisma Jaya Gemilang (the notary is Prof. Dr. Liliana Tedjosaputro, SH. MH. in Semarang), instead of PT Seng Fong Moulding Perkasa. It has been established that there is no relationship between PT SFMP and PT Kharisma Jaya Gemilang<sup>28</sup>. Recently, PT TUV has revised the public summary.

|   |                             |                                                                                                                                                                                  |
|---|-----------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 5 | Akte pendirian perusahaan : | Akte notaris No.144 tanggal 21 Mei 2004 tentang Pendirian Perseroan Terbatas PT Kharisma Jaya Gemilang oleh Notaris Prof. Dr. Liliana Tedjosaputro, SH. MH., Notaris di Semarang |
|---|-----------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

Image 9. Inconsistent Information of Notarial Act in The Public Summary of PT SFMP

- h. PT SFMP does not perform any corporate social responsibility<sup>29</sup>.
- i. The HO Permit of PT SFMP is not supported with recommendation letter from the communities of three sub-villages (Gabus Sub-village, Tunggorono Sub-village, Dayu Sub-village) and has not been renewed to comply with the Jombang Head of District Regulation No 32/2010<sup>30</sup>.
- j. The verification should use the reference standards based on Perdirjen BPK P.02/2010.

A complaint was sent to PT TUV on 7 December 2011. JPIK has sent another complaint on 1 March 2012 because PT TUV did not respond the first one. JPIK East Java then filed a complaint to KAN on

22 March 2012 explaining the absence of response from PT TUV. On 26 March 2012, KAN responded by issuing a letter for PT TUV to process the complaint from JPIK East Java.

On 18 April 2012, PT TUV sent a letter notifying that they would study JPIK's complaint material, but no actual follow up was conducted. JPIK East Java then sent another complaint concerning PT TUV to KAN on 12 June 2012. On 14 June 2012, KAN conveyed the response from PT TUV, which stated that they would follow up JPIK East Java's complaint by conducting the second surveillance visit to PT SFMP. PT TUV conducted the second surveillance visit on 10-13 October 2012 by involving JPIK East Java as observer. Based on the surveillance visit, it was found that PT SFMP has conducted some responses to complaints from JPIK East Java, such as getting AMDAL document and HO permit.

Based on P02/2010 concerning the guidelines on complaint resolution, LP&VI was supposed to form an ad-hoc team to resolve the complaint (instead of using the complaint as the basis of surveillance visit).

### Box 5. The Relationship with the Monitoring Finding in West Papua

In 2013, a timber consignment from PT Rotua to Surabaya was seized by the police due to the suspicion of illegal timber sources<sup>31</sup>. PT Rotua was a company owned by Labora Sitorus, who has now been imprisoned for illegal logging and money laundering.

Meanwhile, monitoring towards illegal logging and trade in West Papua found that PT SFMP was registered to have received timber from PT Rotua in Sorong, West Papua (2012 timber consignment recapitulation document).

Based on this finding, JPIK suggests an improvement on the system to increase its credibility by requiring business operators to accept only certified timber.

## 8. PT Hasnur Jaya Utama (HJU)

Location : South Barito, Central Kalimantan

Types of Certification : VLK Forest (Re-certification)

Standard Reference : Perdirjen BUK P.8/VI-BPPHH/2011

Certification Body : PT Ayamaru Certification

Certificate Number : 08/A-SERT/VLK/I/2013

Validity Period : 4 January 2013 - 3 January 2016

The monitoring was conducted by JPIK Central Kalimantan in January 2013.

The public consultation with relevant stakeholders was stated to have already been conducted in Misim Village<sup>32</sup>, though the name of the village is not on the list of villages in either South Barito or Tabalong Districts.

JPIK Central Kalimantan filed a complaint to the certification body on 8 January 2013, but has not received any response. The experience gained from the results of monitoring of PT HJU certification is summarized in JPIK inputs to improve public consultation within the implementation of timber legality verification.

### 9. PT Gaung Satyagraha Agrindo (GSA)

Location : Katingan District, Central Kalimantan

Types of Certification : VLK Hutan

Standard Reference : Perdirjen BUK P.8/VI-BPPHH/2011

Certification Body : PT Mutu Hijau Indonesia

Certificate Number : 0004/MHI-VLKH

Validity Period : 7 December 2012 - 6 December 2015

The monitoring was conducted by JPIK Central Kalimantan in 2012.

The monitoring result notes the following inconsistencies:

- a. JPIK Central Kalimantan attended the public consultation on 21 November 2012, but the public consultation was not implemented as mentioned in the invitation.
- b. The summary of PT GSA assessment result is not published on PT MHI's website or on the Ministry of Forestry website.

A complaint was filed on 4 January 2013. On 10 January 2013, the certification body responded in a letter and a copy of letter (which include minutes of meeting, picture, attendance list, and a copy of public consultation result) to Ministry of Forestry. The letter explains the following:

- a. A public consultation was conducted in PT GSA camp, Tumbang Baraoi on 21 November 2012, because the sub-district office of Tumbang Kaman was used for another activity. The certification agency has tried to inform JPIK concerning the change of public consultation venue, but they were constrained by bad signal reception.
- b. The summary of assessment result had already been sent to Ministry of Forestry on 10 January 2013 for publication.

## 10. PT Budi Lampung Sejahtera (BLS)

Location : Way Kanan district, Lampung

Types of Certification : PHPL

Standard Reference : Not found

Certification Body : PT SBU Sucofindo ICS

Certificate Number : Not found

Validity Period : Not found

The monitoring was conducted by JPIK Lampung in January 2012.

The monitoring result notes the following non-conformity:

- a. Unclear boundaries with the community in three villages (Tanjung Serupa Village, Serupa Indah Village, and Bakti Negara Village of Pakuan Ratu sub-district)<sup>35</sup>.
- b. The company was found discharging waste (black with a pungent smell) from waste pool III directly into a swamp. This report is inconsistent with the report from the Way Kanan district environment office<sup>36</sup>.
- c. The business operator does not survey the flora and fauna of their environment<sup>37</sup>. Another finding noted that the distance between their rubber trees and the riverbanks does not comply with the prevailing regulation.
- d. The company is involved in a conflict with the Way Kanan community in three definitive villages (Tanjung Serupa village, Serupa Indah village, and Bakti Negara village in Pakuan Ratu sub-district). The local community was intimidated and expelled from the village and was accused of encroachment<sup>38</sup>.
- e. The community has never received the company's funding responsibility. The company has never maintained the public road that they used<sup>39</sup>.
- f. The request, which has been submitted to the company, district government and province government, for access of information related to RKU and RKT document has never been granted.
- g. It is suspected that the company was involved in criminalization of its own staff. Eight staff, who were imprisoned in 2010 to 2011, stated that they were framed for stealing by the company<sup>40</sup>.
- h. PT BLS's rubber factory permit was actually not referring to a location within forest area under Register 46, but indicated it should be located outside the forest area (Tanjung Raja Giham village in Blambangan Umpu sub-district). However, the fact is that the factory is located within PT BLS's concession area.

- i. The summary of PT BLS assessment result was not made public.

JPIK Lampung did not file a complaint as a follow up to this monitoring result. The experience gained from the results of monitoring of PT BLS certification is summarized in JPIK inputs to improve the system and implement timber legality verification system (such as: obligation to announce the result of verification decision and the public summary of verification result through LP&VI website and Ministry of Forestry website or mass media).

## 11. PT Karya Jaya Berdikari (KJB)

Location : West Southeast Maluku District, Maluku

Types of Certification : VLK Forest

Standard Reference : Perdirjen BPK P.6/VI-Set/2009

Certification Body : PT SBU Sucofindo ICS

Certificate Number : VLK-00064

Validity Period : 5 December 2011 - 4 December 2014

The monitoring was conducted by JPIK Maluku in May 2011.

Several findings note inconsistency with the indicators such as:

- a. Indicator 3.1.2 – Agreements between the company and the community on help in building and rehabilitating community's houses, establishing business cooperatives managed by the community, improving a connecting road that has been severely damaged in Wermatang Village, have not been realised. Moreover, laborers are paid below the minimum wage.
- b. Yamdena community rejects the existence of HPH (forest concession rights) due to the vulnerability of the landscape as the concession area (it is very difficult to improve the physical nature of the soil). Research has also indicated that endemic birds have reduced in number<sup>41</sup> since several IUPHHKs started their operation.
- c. The boundary marking has only been decided between the concession area and Nusantara Conservation Area and Tanimbar Wildlife Preservation Area, while boundaries with areas that belong to the community have not been clarified.
- d. The company has opened an area that is considered sacred by the community for nursery area<sup>42</sup>.
- e. The company does not pay any effort to resolve conflict with the community concerning the opening of nursery area in sacred place<sup>43</sup>.

- f. The company's socialization, which was conducted in 2009, was limited to involve only the head of the village, and did not reach out to the wider community.

JPIK Maluku's monitoring report was submitted to the JPIK National Secretariat in May 2011, but has never been followed up by filing a complaint report. The experience gained from the results of monitoring of PT KJB certification is summarized in JPIK input to improve the implementation of managing boundaries, social conflict resolution, socialization of business permits, and implementation of the obligation of permit holders towards the community within the scope of timber legality verification system and standards.

## 12. PT Panca Usaha Palopo Plywood (PUPP)

|                        |                                       |
|------------------------|---------------------------------------|
| Location               | : Luwu District, South Sulawesi       |
| Types of Certification | : VLK Industry                        |
| Standard Reference     | : Perdirjen BPK P6/VI-Set/2009        |
| Certification Body     | : PT Mutu Agung Lestari               |
| Certificate Number     | : LVLK-003/MUTU/LK-031                |
| Validity Period        | : 29 November 2011 - 28 November 2014 |

The monitoring was conducted by JPIK South Sulawesi in February to April 2012.

Several findings in the field note inconsistency with verifiers within the standards such as:

- a. Indicator 1.1.1 – the extension of the company's SIUP is not found within SIUP Registration List and Cooperation Office's TDP, Office of Industry and Trade. The SIUP was expired on 5 April 2012<sup>44</sup>.
- b. Indicator 1.1.1 – TDP extension process has not been conducted and is not noted in SIUP Registration List and Cooperation Office's TDP, Office of Industry and Trade<sup>45</sup>.
- c. Indicator 1.1.1 – the NPWP number written in the permit is not the same with the NPWP number released by Tax Office, that is NPWP 2002 1.211.417.4-028 and NPWP 1994 1.211.614.4-803 respectively.
- d. Indicator 1.1.1 – AMDAL document could not be accessed. PT PUPP has poor environmental management and monitoring especially in terms of waste disposal and noise<sup>46</sup>.

The monitoring result has not been followed up by filing complaint. The experience gained from the results of monitoring of PT PUPP certification is summarized in JPIK's inputs to improve the timber legality verification system.

### 13. PT Rimba Hutani Mas (RHM)

Location : Musi Banyuasin District, South Sumatera  
Types of Certification : PHPL  
Standard Reference : Perdirjen BUK P.8/VI-BPPHH/2011  
Certification Body : PT Equality Indonesia  
Certificate Number : 003/EQC-PHPL/XI/2010  
Validity Period : 12 October 2012- 11 October 2015.

The monitoring was conducted by JPIK South Sumatra in October 2012.

The following points describe several indication of non-compliance towards PHPL indicators as found in field:

- a. Indicator 1.1.3 – The issuance of Decree of the Ministry of Forestry Decree (SK No. 90/Menhut-II/2007 on 27 March 2007) on areas designated for production forest that is + 67.100 Ha for PT RHM has ignored the recommendation from the Governor of South Sumatera Province and the Head of Musi District<sup>47</sup>.



Image 10. The Making of Canal has Changed The Direction of River Flow and Damaged Peat Land Ecosystem (PT RHM)



Image 11. Concession Area, Which Has Been Logged by PT RHM

- b. Indicator 3.2.4 – Business operator conducted logging on peatland area<sup>48</sup>.
- c. Indicator 3.3.6 – PT RHM piled the logs from land clearing on the riverbank of Merang river, as well as created canal with the size of 4-20 meter and depth of 9 meter, which has damaged peat land ecosystem and has changed the direction of the river flow<sup>49</sup>.
- d. Indicator 3.3.6 – Impact on the river includes elevation and polluting the water of Buring River (branch of Lalan River), which is commonly used by the community of Merang village.
- e. e. The 2006 AMDAL only covers 66,055Ha, while the remaining area of 1,045Ha is not supervised in compliance to Forestry Minister's Decree<sup>50</sup>.

Laporan The monitoring report was handed over to PT Equality Indonesia as part of complaint on the result of verification on 4 December 2012<sup>51</sup>.

The response from PT Equality Indonesia<sup>52</sup> (24 Desember 2012) is as follow:

1. The indicator's verifiers have been fulfilled as follows:
  - a. Permit for PT RHM based on the Forestry Minister's Decree is legitimate as a legal entity because it has been signed by the Minister of Forestry (in compliance to indicator 1.1.1a P08/2011), which is valid for 100 years.
  - b. The business operator has already obtained logging permit of RKT 2011 and RKT 2012, which is valid until 31 December 2012<sup>53</sup>.

- c. Business operator has already complied by referring to AMDAL document (Letter of Head of District No 1794/2006 on 6 September 2006).
  - d. A map with the scale of 1:250,000 which covers the entire operation area of PT RHM is production forest area.
  - e. The implementation of delineation of block I area is postponed due to area overlap with PT PAKERIN, though PT PAKERIN has already closed their operation. The delineation of block II has finished, area overlap with PT Tri Pupa Jaya has been resolved.
  - f. The company has location map describing the areas that are not allowed to be logged and the company has complied with that in field , and it has become part of RKT-IUPHHK.
  - g. Referring to Forestry Minister's Decree on permit on area of 67,100 Ha (ignoring the regulation mentioned in the complaint that HTI should not be located on unproductive land).
2. The qualification requirements in terms of auditor team and lead auditor qualification have been fulfilled.
  3. Auditor's impartiality in assessing.
  4. Forming a complaint resolution team with three members and responding to complaint in 20 days since the complaint was received.
  5. Witness of KAN on PT Equality has already performed good competence.

The experience gained from the results of monitoring of PT RHM certification is summarized in the inputs for JPIK to improve timber legality verification system, especially related to the process of releasing business permit.

#### 14. PT Lestari Asri Jaya (LAJ)

Location : Tebo, Jambi

Types of Certification : VLK Forest

Standard Reference : Perdirjen BUK P.8/VI-BPPHH/2012

Certification Body : PT Equality Indonesia

Certificate Number : 032/EQC-VLK/II/2013

Validity Period : 19 February 2013-18 February 2016

The monitoring was conducted by JPIK Jambi on April 2013.

The following points are some of the findings of the monitoring activities:

- a. Indicator 4.1.2 – A clash occurred on 6 April 2013 which injured four farmers from Tujuh Kotoh Ilir, Tebo district. The clash was related to an expropriation of land management, which formerly was PT LAJ's HPH, from the local farmer.
- b. The local community was not being involved in the process of delineation of concession boundaries.

A complaint report was sent to PT Equality Indonesia on 11 April 2013. The response from PT Equality Indonesia was as follow :

- a. The auditor team has made a decision on the fulfillment of verifier based on the assessment norm (column 7) and it is decided that it has fulfilled the requirement.
- b. Permit/Management Rights Holder has the report of RKL and RPL implementation, which described the implementation of actions to address environment impact and provide social benefits.

JPIK Jambi did not follow up this complaint. The experience gained from the results of monitoring of PT LAJ certification is summarized and included in JPIK inputs to improve the timber legality verification system.

## 15. CV Surya Agung Mandiri (SAM)

|                        |                                        |
|------------------------|----------------------------------------|
| Location               | : Surabaya, East Jawa                  |
| Types of Certification | : VLK Industry                         |
| Standard Reference     | : Perdirjen BUK P8/VI-BPPHH/2011       |
| Certification Body     | : PT SBU Sucofindo                     |
| Certificate Number     | : VLK 00144                            |
| Validity Period        | : 19 November 2012 - 18 November 2015. |

The monitoring was conducted by JPIK East Java in October to November 2012.

The result of monitoring shows several non-compliances with VLK standards such as:

- a. Indicator 1.1.1 – The business operator never submitted UPL reports (required every six months). The company does not plant trees around the factory site as regulated in the UKL-UPL.
- b. The company burns waste or excess from the production process, which is against the recommendation as mentioned in UKL-UPL<sup>55</sup>.

- c. B3 sewage management is not implemented as such regulated in the prevailing legislation<sup>56</sup>.

The complaint was sent on 4 December 2012 to PT Sucofindo. The complaint from JPIK East Java received response from PT Sucofindo on 8 January 2013, which stated that the complaint would be followed up by forming an ad-hoc team and conducting audit on 26 December 2012. Moreover, PT Sucofindo also clarified that:

- a. The request of JPIK East Java to participate in field audit is rejected by the company, the auditor's obligation is limited to confirm to company before the auditing activity is conducted.
- b. AMDAL/UKL-UPL document is available. The document had been endorsed by BPLH Surabaya on 4 June 2008.
- c. It has been proven that CV Surya Agung Mandiri does not submit quarterly report on environmental management to the Environmental Management Agency (BPLH). Sucofindo has noted this in their observation report, which needs to be followed up by CV Surya Agung Mandiri. When surveillance audit took place, Sucofindo ICS would follow up the observation report and would assess the corrective actions that have already been taken by CV Surya Agung Mandiri. If CV Surya Agung Mandiri continued to not implement corrective actions in accordance to the observation report, which had been issued, then the company would be certified as "not fulfilled" (the certification would be withdrawn).

Based on the observation from the Sucofindo's ad-hoc team, the complaint from JPIK East Java on the report on environment management was proven right. However, the follow up from CV SAM is unknown, and until now CV SAM still uses the same S-LK.

The experience gained from the results of monitoring of CV SAM certification is already summarized and included in JPIK inputs to improve the timber legality verification system especially in terms of resolution of complaint.

## 16. PT Bina Silva Nusa (BSN)

Location : Kubu Raya, West Kalimantan

Types of Certification : PHPL

Standard Reference : Perdirjen BPK P2/VI-BPPHH/2010

Certification Body : PT Multima Krida Cipta (MKC)

Certificate Number : MKC-SPHPL-001

Validity Period : 19 November 2010 - 18 November 2013

The monitoring was conducted by JPIK West Kalimantan in July to August 2011.

The following are some of the field findings related to fulfillment of indicators:

- a. Indicator 4.2.2 – It is suspected that socialization to help the local community to understand the rights and responsibilities of business operator was never conducted<sup>57</sup>.
- b. Indicator 4.2.3 – The company met some of its obligations and responsibilities to the local community, though not comprehensively<sup>58</sup>.
- c. Indicator 4.4.1 – The community did not receive any information regarding forest resources utilization plans, or whether it has accommodated the basic rights of the indigenous and local community related to forest resources.
- d. Indicator 4.4.2 – Minimum efforts were undertaken to involve the community in formulating the business operator's work plan<sup>59</sup>.
- e. Indicator 4.4.3 – The community's basic rights in utilizing forest resources are not fulfilled<sup>60</sup>.
- f. Indicator 4.4.4 – Accommodating basic rights of the community in managing forest resources is not realized<sup>61</sup>.

JPIK West Kalimantan has sent the complaints to PT MKC on 18 September 2012 as follows :

- a. PT MKC should form an ad-hoc team to resolve complaints.
- b. PT MKC should conduct a specific audit in order to further verifying the result of this monitoring and inform the result to JPIK West Kalimantan.
- c. PT MKC should freeze PT BSN's certificate until a decision is made by the specific audit.

Since no response was received from PT MKC, JPIK registered a complaint about PT MKC to KAN on 29 September 2011. PT MKC responded the complaints from JPIK West Kalimantan on 3 October 2011<sup>62</sup> by stating that the monitoring result would be used as a reference to surveillance visit to PT BSN.

On 10 October 2011, KAN responded to complaints from JPIK West Kalimantan by requesting to PT MKC to respond to the complaints as expressed by JPIK West Kalimantan. PT MKC responded to the letter from KAN by sending a letter to KAN responding the complaint from JPIK on 31 October 2011<sup>63</sup>, which says:

- a. The public consultation has been conducted and attended by the Office of Forestry of Kubu Raya District, Head of Batu Ampar sub-district, head of village and community leader of Batu Ampar, head of village and community leader of Tanjung Beringin, and leaders of PANTER cooperation, as well as LSM (NGO) GEMPAR from Batu Ampar sub-district.
- b. The concession area was located in Batu Ampar sub-district. The nearest village to the working area is Tanjung Beringin Village and a group of housing that is still part of Batu Ampar village.
- c. Muara Tiga village, that was mentioned in the complaint as located inside the forest area, is actually located around 19 to 20 kilometers from the company's project site.
- d. Village that is directly affected from the company's activities are Batu Ampar village and Tanjung Beringin village, both have already signed an agreement with the business operator.
- e. The conclusion and recommendation from JPIK West Kalimantan will be used as an input for surveillance visit in November 2011.

In response to a letter sent by PT MKC to KAN on 31 October 2011, JPIK West Kalimantan sent a letter to KAN on 13 December 2011<sup>64</sup>, which provides JPIK's responses to MKC's responses, such as:

- a. In practice, the obligations (of indicator 4.2) were only partially fulfilled, while it could have been fully implemented.
- b. Some of the community members disapproved of the existence of PT BSN because they are directly affected with the company's activities.
- c. LSM (NGO) GEMPAR was involved in conflicts with the village community in Batu Ampar sub-district and the LSM is considered to harm the community, thus LSM GEMPAR is not considered competent to represent the community in socialization activities.
- d. The community of Batu Ampar sub-district stated that there is no compensation as well as improvement of infrastructures for the village affected by the activities of the business operator.

The process of JPIK's complaint resolution could be seen in Table 2.

Until now, the status of PT MKC as LPPHPL remains unclear. On the SILK website, PT MKC is still mentioned as one of the LPPHPL with accreditation number LPPHPL-015-IDN . On the other hand, PT MKC is not found within the list of accredited LPPHPL in BSN website, but the accreditation number of LPPHPL-015-IDN was registered under the name of PT Inti Multima Sertifikasi<sup>66</sup>. It is not clear whether PT Inti Multima Sertifikasi is the same company as PT MKC, considering that the two companies have different addresses. However, if the two companies are two different entities, it is also not clear why one accreditation number could refer to two different companies.

Table 2. Chronology of submission of complaint on the performance PT Bina Silva Lestari and PT Multima Krida Cipta

| <b>2011</b>       |                                                                                                                                                                                                                                                                      |
|-------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 18 September 2011 | JPIK West Kalimantan filed a complaint to PT MKC concerning PT Bina Silva Nusa certificate.                                                                                                                                                                          |
| 29 September 2011 | JPIK West Kalimantan filed a complaint to KAN concerning the performance of PT MKC.                                                                                                                                                                                  |
| 3 October 2011    | PT MKC responded to the complaint from JPIK West Kalimantan, and stated that the monitoring results from JPIK West Kalimantan would be used as supporting materials for surveillance visit.                                                                          |
| 10 October 2011   | KAN responded to the complaint from JPIK West Kalimantan, and requested PT MKC to respond to the complaint from JPIK West Kalimantan immediately.                                                                                                                    |
| 31 October 2011   | PT MKC responded to the letter from KAN.                                                                                                                                                                                                                             |
| 13 December 2011  | JPIK West Kalimantan sent a letter to KAN containing                                                                                                                                                                                                                 |
| <b>2012</b>       |                                                                                                                                                                                                                                                                      |
| 16 February 2012  | PT MKC sent a response to JPIK West Kalimantan.                                                                                                                                                                                                                      |
| 17 March 2012     | JPIK West Kalimantan sent a letter to PT MKC, which requested PT MKC to create an <i>ad-hoc</i> team to address complaint.                                                                                                                                           |
| 7 May 2012        | JPIK West Kalimantan filed another complaint to KAN about PT MKC.                                                                                                                                                                                                    |
| 19 September 2012 | JPIK West Kalimantan filed another complaint to PT MKC concerning the results of surveillance visit of PT MKC towards PT Bina Silva Nusa.                                                                                                                            |
| 18 October 2012   | JPIK West Kalimantan sent a letter to KAN requesting confirmation on the news regarding the suspension of PT MKC's accreditation                                                                                                                                     |
| 22 October 2012   | KAN responded to letter from JPIK West Kalimantan, and explained that the PT MKC's had been suspended since 27 August 2012 until 27 November 2012. If until 27 November 2012, PT MKC could not improve itself sufficiently, then the accreditation would be revoked. |

### 17. PT Puji Sempurna Raharja (PSR)

Location : Berau District, East Kalimantan

Types of Certification : PHPL

Standard Reference : Perdirjen BUK P8/VI-BPPHH/2011

Certification Body : PT Nusa Bhakti Mandiri

Certificate Number : 010-PHPL-NBM

Validity Period : 25 May 2012 – 24 May 2017

The monitoring was conducted by JPIK East Kalimantan in September 2012.

A fundamental violation was found, in which PT PSR does not have the right to apply for certification because its permit has expired, as described in the following:

- a. Indicator 1.1.1 – Permit/Management Rights has expired in 2010<sup>67</sup> and during certification approval to extend the business permit was not granted by the local District/Province government.



Image 12. Newly Created Signboard Showing the Area Borders of PT PSR

- b. Indicator 1.4.2 – No field operations had been conducted since 2010<sup>68</sup>. Therefore, the existence of the technical staffs in various sectors is not sufficient.
- c. Indicator 1.5.1 – The FPIC process has not been implemented in a participatory manner, only involving community representatives chosen by the business operator<sup>69</sup>.
- d. Indicator 2.1.2 – The assessment activities focused on an RKT for 2010, when it was supposed to use an RKT for 2012.
- e. Indicator 2.1.3 – The boundary, plot and block looked new, it is suspected that it aims to give a leverage on the result of field assessment<sup>70</sup>.
- f. Indicator 2.3 – The 2012 assessment should not use SOP TPTI 2009/2010
- g. Indicator 2.5 – The harvest in 2012 was based on RKT from 2009/2010.
- h. Indicator 2.6 – The good score of indicator 2.6 for 2012 only refers to 2007 – 2009 and was only assessed in 2012.
- i. Indicator 3.3.6 – Many environmental impacts have occurred, such as changes to the color of the river, which has become darker and reddish.
- j. Ij.Indicator 4.1.2 – The boundary and signboard were newly created, and the community was not involved in the implementation<sup>71</sup>.



Image 13. River Condition in PT PSR's Concession Area

- k. Indicator 4.2 – The existence of the company does not bring development benefits to the community<sup>72</sup>. The company did not provide any regular contribution to the village over the past 5 years.
- l. The resumption of community management of land after PT PSR's permit expired led to intimidation from the company security staff and police.

A complaint report was sent to the certification body on 3 December 2012. The response was received from PT NBM on 28 December 2012.

JPIK East Kalimantan also filed a complaint to KAN and the Ministry of Forestry, which led to the withdrawal of its SVLK certificate and revocation of the SVLK accreditation of auditor PT Nusa Bhakti Mandiri.

## 18. PT Wanagalang Utama (WU)

Location : South Sorong District, Maybrat and Teluk Bintuni, West Papua

Types of Certification : PHPL

Standard Reference : Perdirjen BPK P.2/VI-BPPHH/2010

Certification Body : PT Sarbi International Certification

Certificate Number : 15-SIC-04.01

Validity Period : 7 January 2012 – 6 January 2015

Pemantauan dilakukan oleh JPIK Papua Barat pada Oktober – November 2012.

The monitoring was conducted by JPIK West Papua from October to November 2012.

A finding related to fulfillment of indicators on Indicator 1.1 is that the permitted management rights of PT WU expired on 21 May 2012. No approval has been made by the local district/provincial government to extend the business permit.

JPIK West Papua filed a complaint to PT Sarbi and requested that PT WU certificate should be withdrawn.

The complaint report was responded by PT Sarbi through short message (SMS), which stated that they would consider the complaint material.

JPIK West Papua did not follow up this complaint by filing a complaint to KAN on the way PT Sarbi responded the response from the independent monitoring.

## 19. PT Adimitra Lestari (AL)

|                        |                                                                |
|------------------------|----------------------------------------------------------------|
| Location               | : Nunukan, East Kalimantan                                     |
| Types of Certification | : VLK                                                          |
| Standard Reference     | : Perdirjen BPK P2/VI-BPPHH/2010                               |
| Certification Body     | : PT Sarbi International Certification                         |
| Certificate Number     | : -                                                            |
| Validity Period        | : Does not fulfill the timber legality verification standards. |

The monitoring was conducted by JPIK East Kalimantan in October 2011. It was found during monitoring that PT Sarbi International Certification did not give public announcement of the audit plan within the seven days before the audit.

In December 2011, PT Sarbi announced that PT AL had not fulfilled timber legality verification standards.

JPIK East Kalimantan did not follow up this complaint by filing a complaint to KAN. The experience from the results of monitoring of PT AL certification is summarized and included in JPIK inputs to improve the timber legality verification system related to public announcement of audit plan.

## 20. PT Wira Karya Sakti (WKS)

|                        |                                       |
|------------------------|---------------------------------------|
| Location               | : East Tanjung Jabung District, Jambi |
| Types of Certification | : PHPL                                |
| Standard Reference     | : Perdirjen BUK P8/VI-BPPHH/2011      |
| Certification Body     | : PT TUV Rheinland Indonesia          |
| Certificate Number     | : 824303120001                        |
| Validity Period        | : 14 April 2012 - 13 April 2015       |

The monitoring was conducted by JPIK Jambi from February to April 2012.

The monitoring result indicates several non-compliances, as follow :

- a. VLK Forest, Indicator 3.2.1 – PT WKS together with PT Rimba Hutani Mas (RHM) and PT Tebo Multi Agro (TMA) did not report that they have harvested timbers amounted to 4,300,332.51 m<sup>3</sup>, of which the PSDH value, DR and fine for illegal forest exploitation amounted to IDR 181.79

billions<sup>73</sup>. The attorney general has since conducted investigations into suspected embezzlement of DR and PSDH funds.

- b. Indicator 1.1.3 – PT WKS obtained an area of 2,476 ha that was initially designated for other uses / non-forest area (APL) then converted to production forest (SK 227/Menhut-II/ 2004). However, the district government of Tanjung Jabung Timur still recognizes the concession area as APL (plantation permit of 2006). This demonstrates inconsistencies between the decision from Minister of Forestry and the local government of Tanjung Jabung Timur district.
- c. The delineation team's recommendation is to convert the 1,267 ha concession land back to APL and to cultivate it as the farming area. The area that is suitable to be used as PT WKS' HTI concession land is only of the size of 850 ha out of 2,467 Ha<sup>74</sup>.

JPIK Jambi did not follow up the findings by sending a complaint to PT TUV Rheinland. The experience gained from the results of monitoring of PT WKS certification is summarized and included in JPIK inputs to improve the timber legality verification system.

## 21. PT Bina Megah Indowood (BMI)

|                        |                                   |
|------------------------|-----------------------------------|
| Location               | : Gresik, East Jawa               |
| Types of Certification | : VLK Industry                    |
| Standard Reference     | : Perdirjen BUK P.8/VI-BPPHH/2012 |
| Certification Body     | : PT SBU Sucofindo ICS            |
| Certificate Number     | : VLK-0001                        |
| Validity Period        | : 20 March 2013 – 19 March 2016   |

The monitoring was conducted by JPIK East Java on June 2013.

Some findings that indicate non-compliance towards VLK indicators include :

- a. Indicator 1.1.1 – PT BMI does not have temporary storage area (TPS) for B3 waste<sup>75</sup>, while considering that the type of business in timber processing sector would produce B3 waste; the timber drying space is not equipped with wastewater management installation (IPAL); the water that was used to wash timber is directly discharged into the river without being processed; it is observed that garbage truck never come to collect the company's waste<sup>76</sup>.
- b. Indicator 1.1.1 – The business operator has Environment Document<sup>77</sup>, but they do not have permit to keep, transport, process or utilize B3 waste.



Image 14. A Letter from BLH Gresik District Concerning PT Bina Megah Indowood

- c. PT BMI's RPBBi document is difficult to access, although the monitor has already sent a formal request for it to the Forestry Office in East Java and BP2HP in Surabaya<sup>78</sup>.

JPIK Jatim does not follow up the findings by sending complaint to PT Sucofindo. The experience gained from the results of monitoring of PT BMI certification is summarized and included in JPIK inputs to improve the timber legality verification system concerning AMDAL.

## 22. PT Arara Abadi (AA)

Location : Kampar District, Bengkalis District, Pelalawan District, Rokan Hilir District, Siak District, and Dumai Municipality, Riau Province

Types of Certification : PHPL

Standard Reference : Perdirjen BPK P.2/VI-BPPHH/2010

Certification Body : PT Sarbi International Certification

Certificate Number : 07-SIC-04.01

Validity Period : 16 April 2011 - 15 April 2014.

The monitoring was conducted by JPIK Riau from July to August 2011.

The result of field monitoring notes several non-compliances towards indicators such as:

- a. Indicator 1.1 – Conflicts related to boundaries are found in all PT AA's operational locations<sup>79</sup>.
- b. Indicator 2.1 – The company does not conduct socialization to help all stakeholders to understand and know the company's operational plan<sup>80</sup>.
- c. Indicator 3.1– The canals built by PT AA has damaged peat land with the depth of more than three meters<sup>81</sup>.
- d. Indicator 3.1 – In June 2011, a tiger was found trapped in PT AA's HTI area, which is part of Nilo District<sup>82</sup>.
- e. Indicator 4.1 – PT AA did not stick to its agreement with the community to improve the road every two months<sup>83</sup>.
- f. Indicator 4.1 – PT AA is involved in a conflict with Tambun Village in regards with a customary land with the size of ± 1,000 Ha, which already has acacia planted on it<sup>84</sup>.
- g. Indicator 4.1– PT AA is involved in a conflict with Kusuma Village regarding customary land covering ± 4,300 Ha, which already has acacia planted on it<sup>85</sup>.
- h. Indicator 4.1 – PT AA is involved in a conflict with Bukit Kayu Kapur Village in regards with a customary land with the size of ± 500 Ha<sup>86</sup>.
- i. The field audit process conducted by PT SIC is not known to the community, which lives around the concession area<sup>87</sup>.

JPIK did not send a complaint on the monitoring results of PT AA certification. The experience gained from the results of monitoring of PT AA certification is summarized and included in JPIK inputs to improve the timber legality verification system concerning management of area boundaries.

### 23. PT Riau Andalan Pulp and Paper (RAPP)

|                        |                                  |
|------------------------|----------------------------------|
| Location               | : Pelalawan, Riau                |
| Types of Certification | : PHPL                           |
| Standard Reference     | : Perdirjen BPK P2/VI-BPPHH/2010 |
| Certification Body     | : PT Mutuagung Lestari (MAL)     |
| Certificate Number     | : not found                      |
| Validity Period        | : not found                      |

The monitoring was conducted by JPIK Riau from March to April 2012.

The result of field monitoring notes several non-compliances with the indicators such as:

- a. Indicator 1.1 – Conflict related to border, land and social conflict were found in Teluk Lanus Village of Sungai Apit Sub-district of Siak District, Inuman Village of Hulu Kuantan sub-district of Teluk Kuantan District, and Lukit Village of Merbau Sub-district of Kepulauan Meranti District, all of which remain unresolved<sup>88</sup>.
- b. Indicator 2.6 – PT RAPP conducted logging around the border area of Kampar village in Sijibun Bay and Muara Tualang Bay of Kutib River<sup>89</sup>.
- c. Indicator 3.3 – It is indicated that the company discharged liquid waste directly into the Kampar river, which is used as water resource for the community<sup>90</sup>.
- d. No public consultation involving relevant stakeholders within the context of certification was found to have taken place.
- e. Only community representatives from Sei Apit and Pulau Muda were involved in the AMDAL process.
- f. Forest function in PT RAPP's additional area overlaps with RTRWP Perda 10/1994 – which includes Conservation Areas.
- g. PT RAPP's HTI in Pelalawan sector has been converted before definitive permit is issued by Minister of Forestry<sup>91</sup>.
- h. In regard to criteria of forest area that could be requested for HTI permit, PT RAPP's HTI in Pelalawan sector has violated a number of regulations: Law no.41/1999, Government Regulation: PP no.34/2002, Forestry Minister's Decision: Kemenhut 10.1/Kpts-II/2000, Kemenhut 21/Kpts-II/2001<sup>92</sup>.

JPIK did not send a complaint in regards with monitoring results of PT RAPP certification. The experience gained from the results of monitoring of PT RAPP certification is summarized and included in JPIK inputs to improve the timber legality verification system related to management of boundaries and public consultation.

## 24. PT Kali Jaya Putra (KJP)

Location : Sidoarjo, East Java  
 Types of Certification : VLK Industry  
 Standard Reference : Perdirjen BPK P6/VI-Set/2009  
 Certification Body : PT SBU Sucofindo ICS  
 Certificate Number : VLK 00037  
 Validity Period : 26 May 2011 - 25 May 2014

The monitoring was conducted by JPIK East Java on 15 to 28 June 2013.

The following are some findings that show non-compliances towards VLK indicators:

- Indicator 1.1.1 – It is suspected that the company does not have AMDAL/UKL/UPL/SPPL document.
- Indicator 2.1.1 – It is suspected that the raw materials are sourced from illegal resources from PT Rotua<sup>93</sup>.
- The company is suspected to discharge B3 waste without being processed first and it was also discharged along with other wastes<sup>94</sup>

**SURAT PERNYATAAN RENCANA PENGANGKUTAN/ PENJUALAN**

**A. ASAL HASIL HUTAN**

- Nama dan alamat lengkap pengirim: PT. Rotua Jln. Kapten Pattimura Tempat Garam Kota Soreng.
- Pengangkutan Melalui: Darat – Laut via container
- Jenis Alat Angkut: Kendaraan Roda (truk) & Kapal Laut
- Alamat Lokasi Muat: Industri Wood Working PT. ROTUA Jln. Kapten Pattimura Tempat Garam Kota Soreng.

**B. TUJUAN ANGKUTAN**

- Nama dan alamat lengkap penerima: PT. Yuti Mata Company Jln. Mayjen Sungkono No. 5 Gresik Jawa Timur, PT. Kali Jaya Putra Jln. Raya Panjunan Sukotono – Sidoarjo, UD. Sinar Galuh Pergudangan Mutiara Jl. Margomulyo Indah Blok DC No. 7 Surabaya – Jatim.
- Alamat lokasi tempat bongkar: Pelabuhan Laut Tanjung Perak Surabaya.

**C. DATA KOMODITI HASIL HUTAN**

- Jenis Komoditi: Kayu bulat jadi/ Komponen bangunan
- Kayu bahan yang rencana akan dijual:

| No | Jenis Hasil Hutan | Jumlah (pcu) | Jumlah (m <sup>3</sup> ) |
|----|-------------------|--------------|--------------------------|
| 1. | Kayu Merbau       | ≈ 218.880    | ≈ 2.900.883              |

Demikian Surat Pernyataan Rencana Pengangkutan ini di buat untuk menjamin kepastian bahwa kayu akan diangkut sesuai dengan tujuan pengangkutan dan sesuai kami pertanggung jawabkan secara hukum.

Soreng, 22 April 2013

PT. ROTUA

IMANUEL MAMOHBO  
Pelaksana Direktur

**PT. ROTUA**  
 Jln. Kapten Pattimura Tempat Garam Kota Soreng  
 (Memperoleh Nomor Registrasi)

**Nomor Seri : PT. RT. 1 000223**

Prinsip: POKUS BARAT  
 Kota: SORENG

Masa Berlaku: 01 Juli 2013 s.d. 31 Mei 2014

| PENGIRIM            |                                                | PENERIMA            |                                             |
|---------------------|------------------------------------------------|---------------------|---------------------------------------------|
| Nama                | PT. ROTUA                                      | Nama                | PT. YUTI MATA COMPANY                       |
| Alamat dan No. Telp | Jln. Kapten Pattimura Tempat Garam Kota Soreng | Alamat dan No. Telp | Jl. Mayjen Sungkono No. 5 Gresik Jawa Timur |
| PENERIMA            |                                                | PENERIMA            |                                             |
| Nama                | PT. YUTI MATA COMPANY                          | Nama                | PT. YUTI MATA COMPANY                       |
| Alamat dan No. Telp | Jl. Mayjen Sungkono No. 5 Gresik Jawa Timur    | Alamat dan No. Telp | Jl. Mayjen Sungkono No. 5 Gresik Jawa Timur |

Jenis Barang: Kayu Bulat Jadi/ Komponen Bangunan

| No            | Kategori (Jenis Barang) | Jumlah (Bongkar/Mengangkut) | Volume (Meter Kubik (M <sup>3</sup> )) | KST |
|---------------|-------------------------|-----------------------------|----------------------------------------|-----|
| 1.            | Merbau                  | 2204.24                     | 27.240                                 |     |
| Dengan Angkut |                         | 2204.24                     | 27.240                                 |     |
| Dengan Kapal  |                         | 2204.24                     | 27.240                                 |     |

Yang bertanggung jawab atas kebenaran seluruh data, Pengirim Menandatangani dan Stempel

Nomor: 223/2013-04/22/2013 Tanggal: Soreng, 22 April 2013

PT. ROTUA

IMANUEL MAMOHBO  
Pelaksana Direktur

Image 15. Letter of Statement of Transport/Trade Plan from PT Rotua (PT KJP)

Image 16. Invoice from PT Rotua for Consignment to PT Kali Jaya Putra (PT KJP)

JPIK East Java did not follow up the findings by sending complaints to PT Sucofindo. The experience gained from the results of monitoring of PT KPS is summarized and included in JPIK inputs to improve the timber legality verification system related to the use of raw materials and AMDAL.

## 25. PT Katingan Timber Celebes (KTC)

Location : Katingan District, South Sulawesi

Types of Certification : VLK Industry

Standard Reference : Perdirjen BPK P.2/VI-BPPHH/2010

Certification Body : PT TUV Rheinland Indonesia

Certificate Number : 824 303 110004

Validity Period : 3 June 2011 – 2 June 2014

The monitoring was conducted by JPIK South Sulawesi on 13 to 25 May 2011 and the follow up monitoring was conducted in February to May 2012.

The monitoring results in May 2011 and February to May 2012 note indications of non-compliance towards VLK indicator such as:

- a. Indicator 1.1.1 –PT KTC's latest available UKL-UPL report is from 2010<sup>95</sup>, while regulations concerning AMDAL require UKL-UPL reports every six months<sup>96</sup>.
- b. Indicator 2.1.1 – PT KTC's Timber Legality certificate was suspended between February and March 2011, but for the period of February to March, it was noted that PT KTC receive 13,763.65 m<sup>3</sup> of timber from 4 companies<sup>97</sup>. PT KTC was detained by the police and TPS 2 was sealed with a police line<sup>98</sup> because it is suspected that the timbers are illegal.
- c. Based on the records from BLHD Makassar city, PT KTC's production activities are noted as problematic, though no official data is released. The business operator discharge liquid waste containing B3 directly to Tallo River watershed, it contains sulfate exceeding the permissible limit and the waste outlet contains ammonia beyond the ideal standard<sup>99</sup>.

JPIK South Sulawesi did not follow up the findings by sending a complaint to PT TUV. The experience gained from the results of monitoring of PT KTC is summarized and included in JPIK inputs to improve the timber legality verification system related to AMDAL.

## 26. PT Indah Kiat Pulp and Paper

|                        |                                   |
|------------------------|-----------------------------------|
| Location               | : Serang District, Banten         |
| Types of Certification | : VLK Industry                    |
| Standard Reference     | : Perdirjen BUK P.8/VI-BPPHH/2011 |
| Certification Body     | : PT TUV Rheinland                |
| Certificate Number     | : 824 303 120006                  |
| Validity Period        | : 3 July 2012 – 2 July 2015       |

The monitoring was conducted by JPIK West Java, in Banten on June 2013.

Several findings noted non-compliances with VLK indicators:

- a. Indicator 1.1.1.f – The disposal of industrial liquid waste has caused pollution to the Ciujung river (the color of the water is dark brown and smells pungent)<sup>100</sup>. The community is anxious that it harms people's health<sup>101</sup>. A cross-examination of UKL and UPL fulfillment shows that the company does not implement adequate waste management.
- b. Indicator 4.2.1 - PT Indah Kiat Pulp and Paper Tbk limited the freedom of association of its workers, and only allowed the establishment of Staff Welfare Communication Forum(FK3)<sup>102</sup>.

JPIK West Java – Banten has tried to request for UKL and UPL document to BLH and LVLK, but this request was not granted. The monitoring staff has tried to verify the data with TUV (16 September 2013) and Ministry of Environment (2 August 2013). TUV could not provide data (16 October 2013) and the Ministry of Environment recommended to send a letter to BLH (23 September 2013). Then JPIK West Java sent a letter to BLH (11 September 2013) and it was replied by BLH on 2 October 2013.

The letter from BLH gives the following information:

1. There are seven actions that must be implemented by PT IKPP , which focus on 3 aspects:
  - a. Provide a pool to store processed liquid waste to anticipate for emergency, in case the condition of Ciujung River becomes critical.
  - b. Establish online monitoring SOP and mechanisms and emergency management.
  - c. Request for permit to create landfill.
2. BLH Serang District has conducted three surveillance visits (the last one was on 30 September 2013)
  - a. PT IKPP submitted a request for time extension prior to the environmental audit (especially to

create pool to store liquid waste) to the Ministry of Environment as the institution with authority of environmental audit.

- b. PT IKPP is a paper factory, of which 70% of its raw material is waste paper, with an AMDAL as the supporting environmental document instead of UKL-UPL.
- c. PT IKPP has been reporting the implementation of RKL and RPL every three months and one of the institutions receiving the report is BLH Serang District.

JPIK West Jawa - Banten did not send complaint report because of the lack of supporting data and did not have strong enough evidence for a complaint report. The experience gained from the results of monitoring of PT IKPP certification is summarized and included in JPIK inputs to improve the timber legality verification system related to AMDAL.

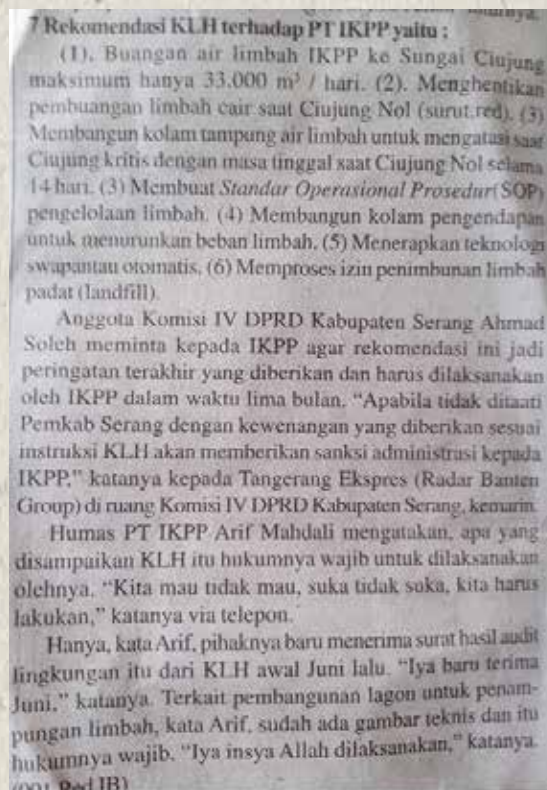


Image 17. A clipping from Tangerang Express newspaper on recommendation from the Ministry of Environment concerning pollution from PT IKPP

**27. CV Aneka Rimba Usaha (ARU)**

Location : Serang, Banten  
Types of Certification : VLK Industri  
Standard Reference : Perdirjen BPK P6/VI-Set/2009  
Certification Body : PT BRIK  
Certificate Number : BRIK-VLK-0022  
Validity Period : 12 July 2011 – 11 July 2014

The monitoring was conducted by JPIK West Java – Banten from 19 to 28 June 2013.

Some findings related to incompliance towards indicators are:

- a. Indicator 2.1.1 – The business operator is a downstream industry<sup>104</sup>, which activities are supposed to be limited to processing semi-finished raw materials or primary processed materials, but this company was found to process round wood. It is suspected that the company was also using meranti timber from Kalimantan.



Image 18. Staff of PT ARU, Who does not Wear Personal Protective Equipment (APD)

- b. The business operator does not implement K3 system comprehensively. It was found that some of the staffs do not wear personal protective equipment (APD) such as mask<sup>105</sup>.

A complaint report was produced in July 2013, but it has not been sent. The experience gained from the results of monitoring of PT ARU certification is summarized and included in JPIK inputs to improve the timber legality verification system related to the use of raw materials.

## 28. PT Wapoga Mutiara Timber (WMT)

Location : Teluk Wondama District, West Papua

Types of Certification : PHPL

Standard Reference : Perdirjen BPK P.02/VI-BPHH/2010

Certification Body : PT Ayamaru BaktiPertiwi (Ayamaru Certification)

Certificate Number : 02/A-CERT/Kpts/IX/2010

Validity Period : 15 September 2010 – 14 September 2013

The monitoring was conducted by JPIK West Papua in May to June 2011.

Some findings related to non-compliance with indicators include:

- a. Indicator 1.1 – The community members are not informed and do not acknowledge boundaries of areas claimed by the permit holder. The community never received any information regarding boundaries of the concession area .
- b. Indicator 1.2 – The company's vision and mission document is not implemented throughout the operational activities of sustainable forest management .
- c. Indicator 1.4 – The company does not implement TPTI. Planting was only been implemented around roads.
- d. Indicator 2.1 – Unclear boundaries between blocks and logging plots.
- e. Indicator 2.2 – Logging activities were found along the riverbank.
- f. Indicator 3.1 – Conservation areas did not have boundary markers in the field.  
Indicator 3.2 – The company's procedures on forest protection and safeguards have not been implemented in the field.
- g. Indicator 4.1 – Unclear boundary between IUPHHK and customary land. Conflict occurred between IUPHHK and the indigenous community and has not been resolved.
- h. Indicator 4.2 – The permit holder has complaint mechanism/procedures in place in regard to

equality of indigenous community rights concerning forest management, though these have never been utilized.

JPIK West Papua did not produce complaint report to PT Ayamaru in regard to S-PHPL that was granted to PT WMT. Instead, a report concerning PT WMT has been presented to PT Ayamaru in April 2012 in an event hosted by JPIK in Jakarta.

In May 2012, PT Ayamaru suspended the S-PHPL that was granted to PT Wapoga Mutiara Timber. Based on information from PT Ayamaru, PT WMT has not been granted with extension permit from the Ministry of Forestry, and based on the previous assessment, PT WMT in Teluk Wondama District received a “bad” score, while PT WMT in Sarimi district received a “good” score.

In November 2012, PT Ayamaru lifted the suspension of S-PHPL on PT WMT, and planned to conduct surveillance visit. In December 2012, PT Ayamaru issued a certificate only to one of the units of PT WMT in Sarimi District.

The experience gained from the results of monitoring of PT WMT certification is summarized and included in JPIK inputs to improve the timber legality verification system related to commitment of permit holders.

## **29. Perum Perhutani (state owned company in forestry sector) KBM IK Gresik (KBM IK Gresik)**

Location : Gresik District –East Java Province

Types of Certification : VLK Industry

Standard Reference : Perdirjen BUK P.8/VI-BPPHH/2011

Certification Body : PT BRIK

Certificate Number : BRIK-VLK-0051

Validity Period : 2 May 2012 – 1 May 2015

The monitoring was conducted by JPIK East Java in May 2013.

The monitoring identified non-compliances in the issuance of a V-Legal Document by LVLK BRIK for Perum Perhutani KBM IK Gresik.

The monitoring was conducted because of indications of mixing of products through export activities from company that do not have S-LK to company with S-LK.

Some of the findings that reflect non-compliances are:

- a. The V-Legal document received from PT Damai Pratama Sejati (PT DPS) (No 13.00064-00051.001-ID-TW) was valid until 18 July 2013, issued in Jakarta by LVLK BRIK on 20 March 2013, signed by Pudiyanoro, SE ; sealed by "BQS – PT BRIK QUALITY SERVICES".
- b. According to the summary of public verification, which was issued by BRIK on 11 May 2012 PT DPS is not a partner industry to Perum Perhutani KBM-IK Gresik.
- c. PT DPS could still export timber without LK-certificate and without going through an inspection process.

A complaint was produced on 3 June 2013 and sent to PT BRIK. On 12 June 2013 PT BRIK responded to the complaint sent by JPIK and stated that PT DPS has been a partner industry of Perum Perhutani since September 2012, and this has been included in the surveillance report of PT BRIK, which was conducted on 23 to 26 April 2013 (the summary report was not published). PT BRIK also stated that the V-Legal document that was raised by JPIK did indeed belong to Perum Perhutani KBM IK Gresik despite JPIK getting the document from PT DPS, and that the exported timbers did indeed belong to Perum Perhutani KBM IK Gresik.

The experience gained from the results of monitoring of KBM IK Gresik and PT DPS certification are summarized and included in JPIK inputs to improve the timber legality verification system related to the issuance of V-Legal document, announcement of surveillance visits and publication of public summaries of the surveillance visit.

### 30. CV Kamibali

|                        |                                     |
|------------------------|-------------------------------------|
| Location               | : Gianyar District, Bali Province   |
| Types of Certification | : VLK Industry (for small industry) |
| Standard Reference     | : Perdirjen BUK P.8/VI-BPPHH/2012   |
| Certification Body     | : PT Sucofindo – SBU SICS           |
| Certificate Number     | : VLK 00239                         |
| Validity Period        | : 6 March 2013 – 5 March 2019       |

The monitoring was conducted by JPIK in June 2013.

Some of the findings include:

- a. CV Kamibali (Gianyar district) occupies the same house/building with CV Balibaku.
- b. CV Kamibali does not implement productive activities<sup>108</sup>.

- c. CV Kamibali supplies around 23 non-producer ETPIK companies that are located in Gianyar District, Badung District and Denpasar City<sup>109</sup>.

JPIK did not send any complaint based on the monitoring results of CV Kamibali certification. The experience gained from the results of monitoring of PT Kamibali is summarized and included in JPIK inputs to improve the timber legality verification system related to Non Producer ETPIK.

### 31. CV Balibaku

|                        |                                     |
|------------------------|-------------------------------------|
| Office Location        | : Denpasar, Bali                    |
| Types of Certification | : VLK Industry (for small industry) |
| Standard Reference     | : Perdirjen BUK P.8/VI-BPPHH/2012   |
| Certification Body     | : PT Transtra Permada               |
| Certificate Number     | : BRIK-VLK-0022                     |
| Validity Period        | : 9 January 2013 – 8 January 2019   |

The monitoring was conducted by JPIK in June 2013.

The following are some of the field findings:

- a. The office location of CV Balibaku was located in Jl. Drupadi No. 14A Denpasar. However, the factory was located in Jalan Sukaluwih No 101A, Gentong Tegallalang, Gianyar, the same place as CV Kamibali.
- b. CV Balibaku's factory in Jalan Sukaluwih No 101A, Gentong Tegallalang, Gianyar does not implement any productive activity<sup>110</sup>.
- c. CV Balibaku as a non-producer ETPIK obtains its supply from CV Kamibali. The Ministry of Trade does not have any regulation to respond to a case in which one company has both ETPIK for producer and ETPIK for non-producer. One company is only allowed to own one either ETPIK for Producer or ETPIK for non-producer. However, in reality, CV Balibaku owns 2 ETPIK.

JPIK did not send any complaint regarding the monitoring results on CV Balibaku certification. The experience gained from the results of monitoring of CV Balibaku is summarized and included in JPIK inputs to improve the timber legality verification system related to ETPIK for non-producer.

## 2.2. Monitoring on companies that have not applied for certification

### 1. IUPHHK-HA PT Prima Bumi Sakti Daya (PBSD)

Location : Maluku, Eastern area of Seram District

The monitoring was conducted by JPIK Maluku in May 2011.

The findings are as follow:

- a. The delineation of the concession boundary was not conducted and did not involve the community of Tum village of Werinama sub-district in the eastern area of Seram.
- b. Indications were found in which the logging activities implemented by PT PBSD might not be in line with the legitimate RKT<sup>112</sup>, as some are located outside the concession area.
- c. The company implemented logging in a conservation forest area and by the river bank, which could cause erosion and flood<sup>113</sup>. The company uses Fiaka River and Malal river to transport/channel the timbers<sup>114</sup>.
- d. The company has not fulfilled their promise to the community. The community was promised to receive IDR 5,000 for each shipment, but none had been paid after 11 shipments. The company provided only 7 metal sheets and 9 bags of cement to the community, despite agreeing to provide 100 metal sheets and 30 bags of cement.

The experience gained from the results of monitoring of PT Prima Bumi Sakti Daya certification is summarized and included in JPIK inputs to improve the timber legality verification system.

### 2. IUPHHK-HT PT Aceh Nusa Indrapuri (ANI)

Location : Aceh Besar District, Aceh

The monitoring was conducted by JPIK Aceh in January to February 2012.

Some findings from the monitoring include:

- a. Inconsistencies were found between the legal document and the delineation of PT ANI's concession area.
- b. Prolonged conflict was found related to boundary agreements between PT ANI's concession area and local/indigenous community's land.
- c. It was found that PT ANI's concession area was converted to palm oil plantation<sup>115</sup>.
- d. It seems that the SOP, facilities and infrastructures and human resources to safeguard the forest and efforts to safeguard PT ANI's concession area are not provided.

- e. There is no implementation of silvicultural system in accordance to the procedure and potential survey as well as the efforts to prevent damages due to permanent activities<sup>116</sup>.
- f. PT ANI was one among seven companies that request for HPH-TI permit, which has not been granted with permit from the Ministry of Forestry<sup>117</sup>.

### 3. IUI PT Rotua

Location : Sorong City, West Papua Province

The monitoring was conducted by JPIK West Papua in July 2012 to September 2014.

Some of the monitoring findings are :

- a. PT Rotua received between 20 – 50 m<sup>3</sup> of sawn merbau timber from individual community members with the processing from logs to sawn timber happening inside the forest. PT Rotua received sawn timber from Raja Ampat District and Sorong District.
- b. According to Forestry Minister's Regulation: Permenhut P46/2009, individual community members can harvest 20 m<sup>3</sup> for individual use and 50 m<sup>3</sup> for public facilities a year. However, timber produced under either scenario cannot be commercially traded.
- c. In Raja Ampat Government Regulation No 153 of 2012 it was stated that timbers that are processed by the community should be prioritized for public facilities, development and secondary industry within the region of Raja Ampat District.
- d. Processed timbers are transported from Raja Ampat District to PT Rotua without proper transportation document to comply with the prevailing regulations.
- e. The processed timbers were transported from Sorong District to PT Rotua by using FAKOM (Invoice of community processed timber transportation) without supporting documents issued by government.
- f. PT Rotua shipped processed merbau timber to Surabaya. The following companies received processed merbau timber from PT Rotua in Surabaya: CV Alco Timber Irian, PT Yori Masa Company, CV Pelita Mandiri, UD Sinar Galuh, PT Seng Fong Moulding Perkasa, PT Semesta Jati Indah, CV Nusantara Citra Alam Raya, PT Kali Jaya Putra .
- g. Several companies in Surabaya, which received timbers from PT Rotua, have received S-LK, such as PT Seng Fong Moulding Perkasa, PT Kali Jaya Putra, PT Yori Masa Company and PT Semesta Jati Indah.

Considering that PT Rotua has not implemented SVLK yet, the monitoring result of PT Rotua was reported to other authoritative party, namely the PPATK. This led to the arrest of Labora Sitorus, the owner of PT Rotua. In court in Sorong City, Labora Sitorus was proven guilty for the criminal act of

illegal logging and was sentenced for 2 years and fined for IDR 50 million. After going through appeal and cassation process, based on decision from the Supreme Court on 18 September 2014, Labora Sitorus was sentenced with 15 years of prison and fined for IDR 5 billion for the criminal act of illegal logging and money laundering.

However, despite Labora Sitorus being sentenced, until now PT Rotua is still in operation. The legal process of Labora Sitorus did not even ensnare the recipients of illegal timbers from PT Rotua in Surabaya, and influential people protected the company from being investigated and processed legally.

The experience gained from the results of monitoring of PT Rotua certification is summarized and included in JPIK inputs to improve the timber legality verification system related to the use of raw materials and the document to support the circulation of processed timber.



# Chapter III

## Analyses on The Implementation of SVLK

### 3.1. General Overview

As of June 2014, 153 management units of IUPHHK-HA have implemented SVLK, with 92 management units having obtained S-PHPL, 22 management units having obtained S-LK, 16 management units are in the process of

assessment for sustainable management of forest production, 20 management units failed to obtain S-PHPL, and 3 management units failed to obtain S-LK. This means that there are only 114 management units that have obtained SVLK certificates. Based on IUPHHK-HA data in

Table 3. Total Management Units that Implement SVLK

| Management Units / Owner | Pass (unit/Ha) | Not pass (unit/Ha) | In Process (unit/Ha) | Total (unit/Ha) |
|--------------------------|----------------|--------------------|----------------------|-----------------|
| PHPL (HT)                | 44             | 24                 | -                    | 68              |
|                          | (4.101.806)    | 797.283            |                      | (4.899.089)     |
| PHPL (HA)                | 92             | 20                 | 16                   | 128             |
|                          | (10.475.872)   | 910.763            | (1.147.370)          | (12.534.005)    |
| PHPL (KPH)               | 10             | -                  | -                    | 10              |
|                          | 336.534        |                    |                      | 336.534         |
| VLK (HT)                 | 58             | -                  | -                    | 58              |
|                          | (2.744.312)    |                    |                      | (2.744.312)     |
| VLK (HA)                 | 22             | 3                  | -                    | 25              |
|                          | (1.577.235)    | -80.825            |                      | (1.658.060)     |
| VLK Private Forest       | 93             | 4                  | 2                    | 99              |
|                          | -42.672        | -1.5               | -4.493               | -48.665         |
| VLK for timber industry  | 807            | 34                 | 199                  | 1040            |

(Source: Ministry of Forestry, June 2014, JPIK Analyses 2014)

2012, there are 242 active management units of IUPHHK-HA.

As for IUPPHK-HT, 136 management units have implemented SVLK, with 44 management units having obtained S-PHPL, 58 management units having obtained S-LK, and 24 management units having failed to obtain S-LK which means that only 102 management units obtained SVLK certificates. Based on IUPHHK-HT data in 2012, there are 234 active management units that have IUPHHK-HT.

For KPH Perhutani (forest management unit of a state owned company), of 10 KPHs that have implemented S-PHPL audits, 3 KPHs (KPH Pemalang, KPH Nganjuk, and KPH Cianjur) have obtained S-PHPL, while 7 KPHs (KPH Randublatung, KPH Kendal, KPH Kebonharjo, KPH Cepu, KPH Ciamis, KPH Madiun and KPH Banyuwangi Utara) have obtained sustainable certificate under the mechanism of voluntary certificate.

For Private Forest, among 99 management units which have implemented SVLK, 93 have obtained S-LK, 2 are in the process of obtaining it, and 4 have failed to obtain S-LK.

For Industry, among 1,040 units which have implemented S-LK, 807 have obtained S-LK, 199 are in the process of obtaining it, and 34 units have failed to obtain S-LK.

### 3.2. Accreditation

The National Accreditation Body (KAN) holds the role of conducting accreditation towards the Conformity Assessment Body (LP&VI), which aims to ensure the competence and qualifica-

tions of LP&VI to conduct SVLK verification and assessments. KAN conducts accreditation based on ISO/IEC 17021:2011 (Conformity assessment on requirements for bodies providing audits and certification of management systems) and DPLS 13 for LPPHPL, and ISO/IEC Guide 65/1996 (General requirements for bodies operating product certification systems) and DPLS 14 for LVLK. Between 2009 and 2013, 15 Conformity Assessment Bodies for Timber Legality Verification (LVLK) and 15 Conformity Assessment Bodies for Sustainable Management of Production Forest (LPPHPL) have been accredited.

KAN does not publish the name of institutions that are being accredited on their websites, [www.kan.or.id](http://www.kan.or.id) and [www.bsn.go.id](http://www.bsn.go.id). This makes it difficult for stakeholders to provide inputs for LP&VI candidates that are being accredited as part of external control, in order to ensure that the accredited LP&VI truly has fulfilled the requirements.

ISO documents guiding accreditation have also not been published. According to KAN, the document is patented so stakeholders must pay to access it. The library of National Standardization Body (BSN) provides documents on various standards such as ISO, IEC, etc., but they could only be accessed on site (for reading in the library only). This situation hampers stakeholders, including independent monitors, in understanding accreditation requirements. Moreover, KAN's confidentiality clauses have further narrowed the room for public participation throughout the accreditation process.

Until now, data that is accessible for stakeholders through KAN's website and BSN's website is the flowchart of the accreditation process, a set of

accreditation application documents, and a list of institutions that are accredited, which include contact information, email, addresses, and periods and the scope of accreditation. Public summaries of accreditation results are not available on either KAN's or BSN's websites.

KAN's monitoring of accredited LP&VIs is conducted through surveillance visits. DPUM 01 Rev.8 - KAN's document on terms and conditions for accreditation of conformity assessment bodies - stated the time of the surveillance visit and the general description of activities. However, the information on when and how the surveillance is conducted and the public summary of the surveillance's results are not available for public.

### 3.3. Assessment/Verification

Since the implementation of SVLK mechanism, the assessment and verification conducted by LP&VI are regulated in Perdirjen BUK P.06/VI-Set/2009, which has been revised several times through P.02/VI-BPPHH/2010, P.08/VI-BPPHH/2011, and P.08/VI-BPPHH/2012<sup>120</sup>.

Assessment or verification under the SVLK is conducted through several processes, which consist of application, planning and implementation.

Based on the regulation, each LP&VI must provide public announcements concerning the plan to conduct assessments or verification through the Ministry of Forestry's website, the LP&VI's

**PENGUMUMAN RENCANA KEGIATAN  
PENILAIAN PENGELOLAAN HUTAN PRODUKSI LESTARI**

Dengan ini diberitahukan kepada masyarakat dan para pihak yang berkepentingan tentang rencana kegiatan Penilaian Penilikan Pengelolaan Hutan Produksi Lestari pada pemilik IUPHHK-HA, sebagai berikut :

|             |                                                                                           |
|-------------|-------------------------------------------------------------------------------------------|
| <b>I.</b>   | <b>Nama LP-PHPL</b> : PT EQUALITY Indonesia                                               |
|             | <b>Alamat</b> : Jl. Raya Sukaraja No. 72 Ciater, Bogor 16710                              |
|             | <b>Telepon</b> : (0251) 7151 703, 7550 722                                                |
|             | <b>Fax</b> : (0251) 7550 724                                                              |
|             | <b>Email</b> : <a href="mailto:equalitycert@gmail.com">equalitycert@gmail.com</a>         |
|             | <b>Website</b> : <a href="http://www.equalityindonesia.com">www.equalityindonesia.com</a> |
| <b>II.</b>  | <b>Nama</b> : PT Hutani Kalimantan Abadi Permai                                           |
|             | <b>SK IUPHHK-HA</b> : SK.323/Menhut-II/2009 Tanggal 29 Mei 2009                           |
|             | <b>Luas Areal</b> : 35.400 Ha                                                             |
|             | <b>Alamat Kantor</b> :                                                                    |
|             | - <b>Pusat</b> : Jl. Yos Sudarso No. 12 A, Tarakan,<br>Kalimantan Timur.                  |
|             | - <b>Perwakilan</b> : Jl. Kebon Sirih Lt. 1 No. 67-69, Jakarta Pusat                      |
| <b>III.</b> | <b>Waktu Pelaksanaan</b> : 19 - 26 Mei 2014                                               |

Image 19. Announcement of VLK Implementation in the Website of One of the LP&VI

**3. Rencana Tahapan Pelaksanaan :**

Kegiatan Verifikasi Legalitas Kayu PT Artha Karya Nusa akan dilaksanakan pada tanggal 27 – 29 Januari 2014 :

| Tanggal     | Kegiatan                                                                                                                         | Tujuan                                                                                                                             | Transportasi |
|-------------|----------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------|--------------|
| 27 Jan 2014 | <ul style="list-style-type: none"> <li>• Perjalanan</li> <li>• Opening Meeting</li> <li>• Review dokumen</li> </ul>              | <ul style="list-style-type: none"> <li>• Bogor – Jkt – Surabaya - Gresik</li> <li>• Kantor Industri PT Artha Karya Nusa</li> </ul> | Darat-Udara  |
| 28 Jan 2014 | <ul style="list-style-type: none"> <li>• Review dokumen lanjutan</li> <li>• Verifikasi lapangan</li> </ul>                       | Kantor Industri PT Artha Karya Nusa                                                                                                | Darat        |
| 29 Jan 2014 | <ul style="list-style-type: none"> <li>• Finalisasi hasil Verifikasi</li> <li>• Closing meeting</li> <li>• Perjalanan</li> </ul> | <ul style="list-style-type: none"> <li>• Kantor Industri PT Artha Karya Nusa</li> <li>• Gresik -Surabaya – JKT – Bogor</li> </ul>  | Darat -Udara |

Image 20. One of the Announcement of VLK Implementation, Sent Via Letter to JPIK

website, and local print media. Throughout the implementation of the SVLK, most LP&VI have not provided assessment or verification implementation plans in detail as required in the regulation (Image 19). Meanwhile, from all the notifications of assessment/verification implementation plans that are sent to JPIK, only one LP&VI provides assessment or verification plan that conforms with the regulation (Image 20).

It is the obligation of the conformity assessment body to conduct public consultation with affected communities and it must be announced on the Ministry of Forestry website as part of the assessment or verification plan.

Based on JPIK monitoring, there are several issues related to public consultations:

- Lacking of announcement in terms of changes of location and time of the public consultation implementation.
- Stakeholder representativeness, especially the affected community, has not been adequately met.
- Public consultation venue is often difficult to access by the stakeholders.
- Official report or minutes of public consultation meeting are not distributed.

Meanwhile, since public consultations are not required for industry (only takes place if there is an external request), public consultation has never been conducted by SVLK auditing industries, although there are concerns from the community regarding social and ecological aspects.



Image 21. Illegal Merbau Timbers from PT Rotua – Sorong Papua, Which Were Shipped to PT Kalijaya Putra Sidoarjo.

In regard to assessment and verification by LP&VI, JPIK found the following:

- LP&VI only check for the existence of permit documents without examining the process of how permits were issued or whether permits only cover areas that are “clear and clean”. This is because these checks are not required in VLK and PK-PHPL conformity standards.
- Some LP&VIs do not refer to the appropriate or latest standards while conducting verification or assessments. One of the examples is VLK industry verification for PT Bahana Lestari Bhumi Palsu by PT BRIK in 2011, which used the standard from 2009.
- In the case of PT Kalijaya Putra Sidoarjo, which was proven to accept illegal timber from PT Rotua, the LP&VI did not immediately conduct a special audit or suspend the certificate.
- Some LP&VI still accept request of LK certification from forest concession permit holders whose permit was valid for more than 5 years and should therefore have been required to apply for PHPL certification. For example, PT Triomas Forestry Development Indonesia was verified by PT Equality Indonesia. PT Equality Indonesia also conducted verification and issue S-LK to Perum Perhutani, which, although their

latest permit was issued in 2010, has been operating for more than 20 years.

- Some LP&VI still accept requests for PHPL certification from permit holders whose permits have expired. For example, PT Puji Sampurna Raharja by LPPHPL PT Sarbi International Certification and PT Nusa Bhakti Mandiri.
- JPIK found typographical errors in published information on assessments or verifications, public summaries of verification or assessment results as well as in certificates published by LP&VI. For example, typo was found in the public summary of verification result of PT Seng Fong Moulding Perkasa in East Java, which was issued by PT TUV International Indonesia. In the section detailing the company's registration certificate, the notarial act was written from PT Kharisma Jaya Gemilang in Central Java, while it was supposed to mention the notarial act from PT Seng Fong Moulding Perkasa.

The implementation of SVLK by which permit holders applying to LP&VI for certification risks generating unhealthy competition between LP&VI. It potentially leads to the tendency in which permit holders choose LP&VI with the lowest price and/or who "guarantee" passing the certification process.

The auditor's independence and integrity during the field assessments or verification is crucial to the credibility of the SVLK. Cases in which auditors 'flirt' with the permit holder will hurt the credibility of SVLK implementation. LP&VI must ensure the auditor's integrity and independency during the assessment or verification process.

Decision-making is the final process of the assessment or verification activities by LP&VI before issuing S-PHPL or S-LK. JPIK has received information on indications of 'games' being played between LP&VI and permit holders. As an example, based on the results of field assessment, PT RAPP's S-PHPL got a "bad" score, but during the internal decision-making by LPPHPL PT Mutu Agung Lestari, it was revised as a "pass" and the certificate was issued.

Since 2010, the implementation of timber legality verification has also covered Timber Utilization Permits (IPK). However, many IPK holders cleared forest or land without implementing VLK. This is a great challenge in the implementation of SVLK, because IPK timbers that are not verified are also part of the raw material chain for industry, threatening the credibility of the SVLK.

### 3.4. The Issuance of V-Legal Document

The issuance of V-Legal Document by LVLK is regulated in Annex 7 of Perdirjen P8/VI-BPPHH/2012. Based on Trade Minister's Regulation: Permendag No. 64/2012, as of 1 January 2013 all industries wanting to export timber must attach their V-Legal document. The V-Legal Document was issued for industries that already have S-LK, while for industry that does not have S-LK could only obtain the V-Legal Document through a shipment-based inspection process.

LVLK needs to be able to guarantee that industries with LK certificate do not keep products from other uncertified companies, because LVLK auditors are not present at the project site everyday and do not always conduct physical

checks on products. JPIK obtained information that PT Yori Masa Company has exported timber products from other companies that do not have LK certificate<sup>122</sup>.

In Bali, Surabaya, Semarang, Solo and Jepara, there are indications of irregularities in the issuance of V-Legal Documents<sup>123</sup>. This is because the process of stuffing/packaging is not conducted in the property of the company who applied for V-legal Document, but in other company's property, which allowed mixing of verified timber with the timber from unknown sources. Therefore, the issuance of the V-Legal Document for LK-certified industries also requires regular physical check.

### 3.5. Independent Monitoring

The Guidelines for Independent Monitoring is regulated in Annex 4 of Perdirjen No P.8/VI-BPPHH/2012.

For 3 years (2011-2013) JPIK has conducted monitoring of approximately 30 permit holders. According to the the Ministry of Forestry, as of June 2014 1,300 permit holders have undertaken SVLK audits. This means that JPIK has monitored less than 3% of the total number of the permit holders that have implemented the SVLK.

Such a limited number of permit holders have been monitored by JPIK is due to:

- Of the 25-30 JPIK member that participated in training at the provincial level, only between 3-5 have followed this up by conducting SVLK monitoring.
- There is a big capacity gap among JPIK members, especially in terms of understanding the system, monitoring techniques and conducting follow up of results of monitoring.
- Most JPIK members argue that the monitoring must be conducted by going to the field. Meanwhile, desk study, analyzing public summary of the certification results, and testing access of information also constitute monitoring activity.
- Field monitoring requires a lot of funding. At the moment, the cost of monitoring conducted by JPIK members is only covered by donor organizations, with no funds coming from private sector or the government.
- Most JPIK member organizations do not exclusively work on SVLK monitoring and have different issue priorities.
- JPIK has built a reporting system based on the Ushahidi system (<http://www.ushahidi.com/>) since 2012, so that field information/data related to illegal activities from management units could be reported by JPIK members via SMS and Smartphone and could be directly displayed on JPIK website (<http://www.jpik.or.id/>). However, in practice, this reporting system has not been fully utilized by members of JPIK.

JPIK has conducted monitoring on almost all types of permit holders covered by the SVLK:

- In Sumatra (Riau, Jambi, South Sumatra, North Sumatra, and Aceh), JPIK has conducted monitoring of IUPHHK-HT concession, pulp industry and sawn timber industry.
- In Kalimantan (West Kalimantan, Central Kalimantan, South Kalimantan, and East Kalimantan), JPIK has conducted monitoring

of IUPHHK-HT, IUPHHK-HA concession and sawn timber industries.

- In Java (Banten, Central Java, Yogyakarta, and East Java), JPIK has conducted monitoring of management rights holder (Perhutani), and primary and secondary industry.
- In Sulawesi (South Sulawesi, South East Sulawesi, Central Sulawesi, West Sulawesi), JPIK as conducted monitoring of primary and secondary industry, IPK and IUPHHK-HA concessions.
- In Maluku (Maluku and North Maluku), JPIK has conducted monitoring in IUPHHK-HA and IPK concessions.
- And in Papua (Papua and West Papua), JPIK has conducted monitoring in IUPHHK-HA, IPK concession, and primary and secondary industry.

From around 30 permit holders that have been monitored by JPIK from 2011 to 2013, there have been no more than 10 complaints issued by JPIK to LP&VI. The basic challenges that lead to such a limited complaint from JPIK include:

- Some members of JPIK are still not confident enough to file complaints to LP&VI due to a lack of supporting evidence. Some of the findings from the monitoring activities could not be validated because it is difficult to access public data related to the permit holders.
- Some JPIK members do not have full understanding on VLK and PHPL standards, so findings from monitoring results are often not be linked to verifiers and indicators within the standards. Moreover, many of the

issues identified in monitoring findings are not clearly regulated in the VLK and PHPL standards, for example issues related to area overlaps, corruption cases with the permit, and so on.

- Some JPIK members do not follow up results of monitoring by filing the complaint, because they rely on JPIK Secretariat to do so. According to JPIK working standards, a complaint can be filed directly by JPIK members.

JPIK also uses other mechanisms to follow up SVLK field monitoring findings. For example, JPIK coordinated with Indonesian Financial Transaction Reports and Analysis Center (INTRAC) in the case of PT Rotua and Labora Sitorus, which were suspected to have conducted money laundering in the field. JPIK realized it required more than the SVLK to achieve enforcement against PT Rotua and Labora Sitorus.

Based on the monitoring activities implemented by JPIK in Sumatera, Kalimantan, Sulawesi, Java, Maluku and Papua, access to data and public information still poses the greatest challenge. Requests for data and information to government have been responded to differently across different institutions. The Ministry of Forestry, BP2HP, Forestry Office and relevant institutions might be willing to provide easy access to data and information in several provinces, though in some other provinces they do not easily provide the required data and information. Moreover, the depth and detail of information provided also varies across different institutions.

The acceptance of permit holders and government institutions towards JPIK also varies greatly, with

### Box 6. Testing Access to Information – Information Dispute

Data and information are important in preparing and conducting monitoring, and served as a baseline for JPIK to validate data during field work. The accuracy of data collected in the field concerning non-compliances of permit holders has come to the attention of stakeholders, especially LP&VI.

Members of JPIK utilize Law No.18 of 2008 on “Public Information Disclosure (PID)”, and Forestry Minister’s Regulation No.7/2011 on “Public Information Service within the Environment of Ministry of Forestry” to request data and information that are required for the monitoring activities.

- In 2011, Ecoton, members of JPIK East Java, sent a request for data and information related to RPBB of PT Seng Fong Moulding Perkasa. The request was sent to the East Java Forestry Office, Area VIII of BP2HP, and the Ministry of Forestry, though until now Ecoton has not obtained the requested data and information.
- In 2013 Individual member of JPIK in West Kalimantan sent a request for data and information to Forestry Office and BPN of Kubu Raya District, regarding the map of Annual Work Plan (RKT) of all holders of IUPHHK in Kubu Raya District. Five months later, as the Forestry Office and BPN still have not provided the requested data and information, the Information Commission conducted a trial on information disputes in Kubu Raya District. The trial on information dispute decided that Forestry Office of Kubu Raya District and BPN of Kubu Raya District must provide the requested data and information. However, after the trial, both the Forestry Office and BPN of Kubu Raya District still have not given the requested data and information. Moreover, the Forestry Office of Kubu Raya suggested sending a request for data and information to Forestry Office of West Kalimantan Province.
- In 2013 JPIK member - Forest Watch Indonesia (FWI) in Bogor - submitted a request for information to the Ministry of Forestry. Since the Ministry of Forestry have not provided the data and information by the deadline detailed in relevant regulations, FWI filed a complaint to PPID of Ministry of Forestry and filed an information dispute against the Ministry of Forestry to the Information Commission (KI). FWI and the Ministry of Forestry conducted an information dispute trial in January 2014 in the Information Commission office. However, since FWI as an institution has not been registered with Ministry of Law and Human Rights, which is one of the requirements of requesting data, the information dispute trial process was not continued.
- In February 2014 an individual JPIK member in Bogor sent a request for data and information of Forestry across Indonesia to Ministry of Forestry. The Ministry of Forestry sent a response in March 2014, but did not provide the requested data until the end of March 2014. The JPIK member then filed a complaint to PPID of Ministry of Forestry. In May 2014, the JPIK member was invited by PPID of Ministry of Forestry to attend “Clarification on Request and Completion of Request of Information”. In June 2014, the Ministry of Forestry sent some of the data and information requested by the JPIK member, such as Decrees that stipulates the Permit to Borrow and Utilize Forest Areas and Decree of Forest Release. Other data that are requested such as Map of Work Plan of IUPHHK-HT, IUPHHK-HA and RPBB was promised to be sent as soon as possible. However, until now (September 2014), the JPIK member has not received the data.
- In June 2014 an individual member of JPIK in Central Sulawesi sent a request for data and information to the Forestry Office in Sigi District related to timber industry in Sigi District. The Forestry Office only responded verbally and until now has not provided the data and information requested. The individual member of JPIK in Central Sulawesi will file an information dispute.

most permit holders and government institutions still questioning the existence and role of JPIK. This has severely hampered physical access for JPIK in monitoring activities and access towards data and information, with most JPIK members still needing to conduct their monitoring secretly.

Security risks for JPIK members also pose a challenge in conducting SVLK monitoring. JPIK members in Sorong – West Papua have been intimidated and received death threats since Labora Sitorus/PT Rotua received press attention.

### 3.6. Complaint mechanism and resolution

The guidelines on complaint mechanisms and resolutions is stipulated in Annex 5 of Perdirjen P.8/VI-BPPHH/2012 on Guidelines on Complaint Mechanism and Resolution and Appeal in the Implementation of Performance Assessment of Sustainable Management of Production Forest and Timber Legality Verification.

From a number of complaints filed by JPIK members to some LP&VI, the following are the general responses from LP&VI:

- The complaint from JPIK was followed up by forming an ad-hoc team of complaint resolution as stipulated in the regulation.
- The complaint from JPIK was not followed up by forming an ad-hoc team of complaint resolution as stipulated in the regulation.
- The complaint from JPIK was responded as a material to support the next surveillance visit.
- The complaint from JPIK was responded informally via short message or phone.

In general the LP&VI complaint mechanism is still disappointing.

Complaints from stakeholders regarding LP&VI performance are included in the complaint resolution to KAN. Based on JPIK's experience, KAN has provided good responses to complaints. For example, KAN had quickly responded to a complaint from JPIK East Java on the manner of PT TUV Rheinland Indonesia handling a complaint against certification of PT Seng Fong Moulding Perkasa.

Although KAN has been providing good response towards complaints from JPIK, KAN has not encouraged or forced LP&VI to implement complaint resolution based on the complaint resolution guidelines as stipulated in the Perdirjen. For example, in the complaint resolution from JPIK East Java towards PT TUV and JPIK West Kalimantan towards PT MKC, KAN only acted as a liaison between JPIK and LP&VI without seeking to guide LP&VI to follow up the complaint as stipulated in the guidelines. Therefore, the process of complaint resolution does not correspond to the prevailing regulation and takes a long time. When the LP&VI fail to implement complaint-handling procedures in accordance to the prevailing regulation, KAN as the accreditation body should give warning and sanction to the LP&VI.

The completion of complaint mechanisms by LP&VI is still based on the decision of the ad-hoc team that is established by the LP&VI without providing any chance for the complainants to express their dissatisfaction. Meanwhile, the complaint filed to KAN regarding particular LP&VI could only consist of complaints on the procedures of complaint-handling by LP&VI

and not towards the substance of the complaint against a certification process.

### 3.7. Government's Role in the Implementation of SVLK

JPIK has observed that a lack of vertical (central – regional) and horizontal (across relevant ministries and institutions) coordination has been an obstacle to effective SVLK implementation. There has been limited internalization of SVLK in relevant ministries and offices, and the understanding of the staff of relevant ministries and offices is also weak. Socialization/education about the SVLK in the country is still very much required.

The Ministry of Forestry as the owner of system needs to oversee this system to ensure its implementation through strengthening the internal controls within the Ministry of Forestry, conducting effective law enforcement towards

any violations, and through improvements in policy instruments in the forestry sector, which provide references for the SVLK. The Ministry of Forestry also needs to be able to ensure that all information related to SVLK could be provided in an easily accessible system. Until now, the Timber Legality Information System (SILK) only provides information related to new regulations, issuance of V-Legal document, and LK-certified industries.

Acceleration and expansion of SVLK implementation could be encouraged through a public procurement policy, which stipulates SVLK certified timber, as an incentive for all business operators.



# Chapter IV

## Conclusion

**The SVLK, as stipulated in Permenhut No. P.38/Menhut-II/2009 and its amendments, has been implemented since 2010 with the intention that timber and timber products produced in Indonesia are produced from legitimate sources.**

The technical implementation of SVLK is stipulated in Perdirjen BUK Kemenhut (Regulation of the Director General of Forestry Utilization, Ministry of Forestry) on standards and guidelines on implementation of PK-PHPL and VLK, and has been improved annually.

SVLK was formulated through a lengthy multi-stakeholder consultation process, to ensure that this initiative is agreed by all stakeholders involved. The development of the SVLK demonstrates good intentions from the government in trying to control illegal logging and its associated trade, as well as improving forest governance.

In three years, JPIK has conducted monitoring towards 34 license holders that have or have not applied for LK or PHPL certificate. JPIK noted the following:

- Some of the permit holders have not implemented SVLK despite it being required, especially holders of IPK, IUPHHK-HA, and IUPHHK-HTI. Such practices have been exacerbated by the absence of strict sanctions

for permit holders that do not implement the SVLK.

- Regulation of the Forestry Minister and Regulation of the Director General on SVLK still need many improvements in terms of both implementation standards and guidelines. Some of the aspects that need to be improved include:
  - ✓ Raw material traceability mechanism: Within the SVLK system, it is still possible for industries to receive and process timber from unverified sources, thus the legality of the final products could not be fully guaranteed.
  - ✓ Timber concession/utilization permit: Auditor only checks for the existence of the permit documents without examining the process of how the permits were obtained. Many certified permit holders operate on lands with permit overlaps, incompatible with the land function in spatial plans (RTRWP/TGHK), and lands

where the delineation process has not been completed.

- ✓ Environment document: Auditor only checks on the existence of AMDAL documents or other environmental document, without proper examination on the validity of the information. Many certified permit holders do not implement environmental monitoring and management as stipulated in UKL-UPL document.
- ✓ Social conflict: Many certified permit holders (IUPHHK-HA and IUPHHK-HT) are still involved with conflict against the local community around the concession area. PHPL-SVLK standards do not include 'free from involvement in social conflict' as a requirement to obtain certificate.
- ✓ Data and information transparency: Basic forestry information and information relevant to SVLK implementation are difficult to access. Independent monitors still face obstacles in accessing data from the government and relevant institutions for monitoring purposes.
- Coordination between central and regional government and coordination among ministries are still weak, thus creating an institutional gap on understanding SVLK implementation.
- Complaint resolution related to SVLK implementation has not been satisfactory. Complaint handling processes have not been implemented transparently.

- Although it has been formally acknowledged within the system, independent monitor does not have the freedom to conduct monitoring openly due to the absence of security guarantees from the government.

Although it is progressing to the right direction, JPIK concludes that until recently the SVLK has not been able to fully guarantee the legality and sustainability of timber and timber products produced in Indonesia.

The following are some recommendation to improve the SVLK:

### **1. Improving the policy framework.**

All regulations related to SVLK must be improved to ensure legality of timbers and timber products produced in Indonesia. Ministry of Forestry needs to make sure SVLK policy adopts the most recent laws and legislation. Coordination and cooperation across relevant ministries is crucial to ensure alignment across enacted regulations. Moreover, it is important to align local government's (Province and District) policy with the national policy in forestry sector.

### **2. Full enforcement of SVLK regulations.**

The government must be strict in enforcing SVLK regulations in Indonesia. Permit holders, who do not fulfill the requirements by the prescribed deadlines must be subjected to sanctions.

### **3. Transparency in the implementation of the SVLK.**

All process within the SVLK scheme must be implemented transparently; all relevant data and information must be available and easily accessible.

**4. Accountability of SVLK implementation.**

A lot of violations/instances of non-compliance with relevant regulations were committed by permit holders throughout the SVLK implementation. The government as the regulator must be able to ensure that findings of non-compliances are followed up in accordance to the prevailing regulations.

**5. Independent Monitoring.** In general, all citizens could take a role in monitoring the SVLK. Therefore, transparency in the

implementation of SVLK is key for the effectiveness of public monitoring and involvement. The government needs to ensure a space for the involvement of civil society in independent monitoring, including physical access and security protection for the monitoring actor. Moreover, civil society, who takes a role in monitoring, needs to have sufficient capacity and resources to ensure monitoring effectiveness.



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- <sup>52</sup> Response towards complaint report concerning PT Rimba Hutani Mas certification by PT Equality on 24 December 2012. Letter number 340/EQ/XII/2012.
- <sup>53</sup> RKT 2011 as set by Forestry Office 749/Kpts/XII/Hut/2010, RKT 2012 as set by Forestry Office 614/Kpts/XII/Hut/2011.
- <sup>54</sup> Allocation of crocodile conservation area of 14,041 Ha, river banks 1,982 Ha, DPSL 300 Ha, KPPN 209 Ha. The border with DPSL conservation area is in form of secondary canal (UTM 403553 and 9794548). The border with KPPN conservation area is in form of secondary canal and there is no signboard (UTM 403693 and 9793059).
- <sup>55</sup> Recommendation from UKL UPL No 66/229/436.6.3/2008 on 4 June 2008.

- <sup>56</sup> Violation of PP. No 18/1999 on B3 Waste Management.
- <sup>57</sup> Based on FGD and discussion with Head of Village, Community and Former staff of PT BSN in Batu Village, Ampar Village, Muara Tiga Village.
- <sup>58</sup> Based on FGD and discussion with Head of Village, Community and Former staff of PT BSN in Batu Village, Ampar Village, Muara Tiga Village.
- <sup>59</sup> Based on FGD and discussion with Head of Village, Community and Former staff of PT BSN in Batu Village, Ampar Village, Muara Tiga Village.
- <sup>60</sup> Based on FGD and discussion with Head of Village, Community and Former staff of PT BSN in Batu Village, Ampar Village, Muara Tiga Village.
- <sup>61</sup> Based on FGD and discussion with Head of Village, Community and Former staff of PT BSN in Batu Village, Ampar Village, Muara Tiga Village.
- <sup>62</sup> Letter No 15/E/LPVI-MKC/X/2011.
- <sup>63</sup> Letter No 16 /E/LPVI-MKC/X/2011.
- <sup>64</sup> Letter No 006 /KALBAR/JPIK/VIII/11.
- <sup>65</sup> <http://silk.dephtut.go.id/index.php/info/lpphpl> accessed on 9 October 2014
- <sup>66</sup> <http://sisni.bsn.go.id/index.php?/lembsert/inspeksi/detail/7985> accessed on 9 October 2014
- <sup>67</sup> Decree of the Minister of Forestry: SK Menteri Kehutanan No.304/MenhutII/1990.
- <sup>68</sup> Interview with the community around PT Puji Sempurna Raharja concession area.
- <sup>69</sup> Survey and interview with the community around PT Puji Sempurna Raharja concession area.
- <sup>70</sup> Field survey documentation around PT Puji Sempurna Raharja concession area.
- <sup>71</sup> Field survey documentation around PT Puji Sempurna Raharja concession area.
- <sup>72</sup> Interview with Mracang Illir village community.
- <sup>73</sup> BPK – Ikhtisar Hasil Pemeriksaan Semester II Tahun 2009 (BPK – Summary of Inspection Result of Semester II of 2009), published in March 2010
- <sup>74</sup> Result of delineation team meeting, which was conducted in December 2008.
- <sup>75</sup> Letter from BLH of Gresik District Number 660/990/437.75/2013
- <sup>76</sup> Results of 12 days monitoring of PT BMI.
- <sup>77</sup> Certificate from Environmental Agency of Gresik District (No 660/84/437.75/2009).
- <sup>78</sup> Against Law No. 14/2008 on Public Information Disclosure and the support from Ministry of Forestry
- <sup>79</sup> JPIK Riau's report on monitoring of PT AA.
- <sup>80</sup> JPIK Riau's report on monitoring of PT AA.

<sup>81</sup> JPIK Riau's report on monitoring of PT AA..

<sup>82</sup> JPIK Riau's report on monitoring of PT AA.

<sup>83</sup> JPIK Riau's report on monitoring of PT AA.

<sup>84</sup> JPIK Riau's report on monitoring of PT AA.

<sup>85</sup> JPIK Riau's report on monitoring of PT AA.

<sup>86</sup> JPIK Riau's report on monitoring of PT AA.

<sup>87</sup> JPIK Riau's report on monitoring of PT AA..

<sup>88</sup> Based on FGD and interview with the community of Teluk Lanus Village of Sungai Apit sub-district of Siak District; Inuman Village of Hulu Kuantan sub-district of Teluk Kuantan District, Lukit Village of Merbau Sub-district of Kepulauan Meranti District.

<sup>89</sup> Based on FGD and interview with the community of Teluk Meranti Village of Teluk Meranti Sub-district of Pelalawan District.

<sup>90</sup> A newspaper article: "Tim labfor Mabes Polisi tilik limbah produksi PT RAPP" [<http://finance.detik.com/read/2007/03/29/180539/760708/10/tim-labfor-mabes-polri-tilik-limbah-pt-rapp>].

<sup>91</sup> JPIK Riau's report on monitoring of PT RAPP.

<sup>92</sup> JPIK Riau's report on monitoring of PT RAPP.

<sup>93</sup> Based on PT Rotua's transport document to Surabaya in 2012, and documentation that reveal illegal merbau timber in Tanjung Perak Harbor by the police.

<sup>94</sup> Violation of Law no.32/2008.

<sup>95</sup> Information from BLHD of Makassar city.

<sup>96</sup> In accordance with Decree of Head of BAPEDALDA of Makassar City, in the name of Drs. Sultan Talim, M.Si, August 2004, point 4, which states that "Result of monitoring of implementation of Environment Management Document (DKL) must be reported at least twice a year to relevant institutions".

<sup>97</sup> Recapitulation data of document received, page 1 (for the period of January – April 2011) from Office of Forestry, South Sulawesi.

<sup>98</sup> Documentation of JPIK South Sulawesi monitoring, timbers caught by the police as found in TPS 2.

<sup>99</sup> Information from Bapak Nirwan (Air and Water Division) and Bapak Surono (AMDAL division) on 19 May 2011. [<http://makassar.tribunnews.com/2011/05/07/enam-perusahaan-diduga-cemari-sungai-tallo>] [<http://makassar.antaranews.com/berita/25407/profil-antara>].

<sup>100</sup> Based on audit result, number B-4750/MENLH/PDAL/04/2013 from Ministry of Environment.

- <sup>101</sup> Newspaper clip from Tangerang Express about pollution in Ciujung River by PT Indah Kiat Pulp and Paper.
- <sup>102</sup> FK3 is a forum established by the company in cooperation with one of (not-aspirational) local timber producers. Moreover, some staffs, who are members of labor union other than FK3, have their contract terminated unilaterally.
- <sup>103</sup> Letter from Ministry of Environment No. B-4809.MENLH/PDAL/04/2013 on 29 April 2013 concerning follow up of LH PT IKPP audit ("tindak lanjut audit LH PT IKPP").
- <sup>104</sup> PT ARU's IUI Permit Number: 01/Banten 01.29/HH/2.00.02/II/2003.
- <sup>105</sup> JPIK West Java's document on monitoring of PT ARU.
- <sup>106</sup> JPIK West Papua's report on monitoring of PT WMT in Teluk Wondama District.
- <sup>107</sup> JPIK West Papua's report on monitoring of PT WMT in Teluk Wondama District.
- <sup>108</sup> Information from the local community around Jl. Sukaluwih No 101 B.
- <sup>109</sup> In the regulation of Perdirjen BUK P.8/VI-BPPHH/2012, there is no stipulation concerning small industry (TDI), which has obtained S-LK Non ETPIK that supplies non-producer ETPIK. The Office of Industry and Trade, which give recommendation letter to manage Non-Producer ETPIK could not check on supplier from different districts.
- <sup>110</sup> Information from the local community around the industry and direct field observation.
- <sup>111</sup> Verbal explanation from staff of Ministry of Trade.
- <sup>112</sup> Implementation of transportation path is inconsistency with RKT 2008/2009 or RKT 2009/2010
- <sup>113</sup> Interview with the local community around the concession area.
- <sup>114</sup> Interview with the local community around the concession area.
- <sup>115</sup> Documentation of land conversion to palm oil plantation in concession area (Report of Monitoring of the performance of PT Aceh Nusa Indrapuri in 2012).
- <sup>116</sup> Documentation of logging does not fit with silvicultural phases (Report of monitoring of the performance of PT Aceh Nusa Indrapuri in 2012).
- <sup>117</sup> Newspaper article: Walhi requested to the President to stop forest exploitation in Aceh ("Walhi Minta Presiden Hentikan Eksploitasi Hutan di Aceh"). [<http://tempo.co.id/hg/nasional/2006/02/27/brk,20060227-74560.id.html>]
- <sup>118</sup> Violation of Regulation of Sorong District Government Number 06 of 2008; the use of 20m<sup>3</sup> timbers for individual purpose.
- <sup>119</sup> Based on PT Rotua's transport document to Surabaya.

<sup>120</sup> Perdirjen BUK P.5/VI-BPPHH/2014 has been issued currently, thus the previous Perdirjen is no longer valid.

<sup>121</sup> Confidential communication with JPIK resource person.

<sup>122</sup> Confidential communication with JPIK resource person in March 2014

<sup>123</sup> Results of JPIK Monitoring.







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