EU-Indonesia FLEGT Voluntary Partnership Agreement

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1. The country

Indonesia covers about 181.2 million hectares, spread over 17 000 islands. About 70% of its land area is categorised as forested, with half allocated for production purposes. Almost one third or 34.8 million hectares of national forest land is deforested or degraded. In addition, 12.8 million hectares, or 10.7% of the national forest land, is designated for non-forestry use. Of this, about half is forested.

Indonesia is one of the world's largest exporters of tropical timber products, which are produced from logging activities in natural forests, industrial plantations and household-managed small-scale plantings, as well as from imported timber. Indonesia exports a wide variety of timber products, ranging from plywood, pulp and paper to furniture and handicrafts. The value of this trade was EUR 10.4 billion in 2019.

The main export markets are in Asia (China, Japan and South Korea). Indonesia is also by far the biggest FLEGT VPA-country trade partner of the EU, exporting timber products worth EUR 1.1 billion in 2019.

In 2003, Indonesia started to develop an operator-based timber control system for all its timber exports, building on a mandatory third-party certification approach for legality and sustainability. The system, called SVLK, became the basis for the timber legality assurance system under Indonesia’s Voluntary Partnership Agreement (VPA) with the EU. The VPA covers all exports, and its coverage will expand to include the domestic market on a stepwise basis.

On 15 November 2016, Indonesia began issuing FLEGT licences to verified legal timber products exported to the EU. In 2017, Indonesia issued 38 961 licences for shipments exported to all 28 EU Member States, with a total value of more than one billion euros. In 2019, there were 40 261 licences issued for the export of timber products (for more information see Indonesia’s SILK database).

2. Background

Speed-reading:

- Illegal logging creates social problems, environmental degradation and loss of economic opportunities on a massive scale.
- Since 2001, Indonesia has made great progress in its efforts to eliminate illegal logging, including by developing and improving a national timber legality assurance system called SVLK.
- Between 2007 and 2011, Indonesia and the EU negotiated a Voluntary Partnership Agreement to promote trade in legal timber products and improve forest governance; in 2014 the two parties ratified the agreement.
- Under the VPA, Indonesia will export only verified legal timber products, which will be accompanied by FLEGT licences if exported to the EU.
- Indonesia began issuing FLEGT licences on 15 November 2016.
What is the EU-Indonesia VPA?

The EU-Indonesia Voluntary Partnership Agreement (VPA) is a legally binding trade agreement. It aims to ensure that only legal timber and timber products from Indonesia reach the EU market. In addition to promoting legal trade, the VPA addresses the causes of illegality by improving forest governance and law enforcement. A major strength of the VPA is that it looks beyond trade to consider environmental issues, as well as how policies affect local populations.

Several other countries are implementing or negotiating VPAs with the EU. Such agreements are a key component of the EU Forest Law Enforcement, Governance and Trade Action Plan (FLEGT) of 2003.

Indonesia and the EU have both ratified the VPA and are implementing the commitments laid out in the VPA text and annexes. An Indonesia-EU Joint Implementation Committee oversees this work (see Implementing the VPA).

Under the VPA, Indonesia issues FLEGT licences to accompany verified legal products it exports to the EU. FLEGT licensing become operational on 15 November 2016. The advantage of this is that FLEGT-licensed products are considered to comply with the requirements of the EU Timber Regulation, which prohibits EU operators from placing illegally harvested timber and timber products on the EU market.

The regulation requires EU importers to perform due diligence checks to ensure the products they import and trade are legal. FLEGT licensed timber products are, however, exempt from due diligence.

While FLEGT licensing is an important goal, it is not the VPA’s end point. Governance reforms, impact monitoring, continual improvements to the timber legality assurance system, efforts to improve transparency and other activities continue. The VPA has already had an impact, both as a result of what Indonesia and the EU have committed to, and as result of the multi-stakeholder process of negotiating and implementing the Agreement (see Indonesia’s VPA process and key elements).

Illegal logging and trade:

Indonesia’s forests provide millions of people with jobs and subsistence products. Between 1990 and 2010, however, 24 million hectares of Indonesia’s forests were destroyed and many millions more hectares were degraded. Illegal logging, driven by trade and development, is a major contributor to deforestation. Since the signing of the VPA, the annual rate of deforestation has steadily fallen from 1.1 million hectares in 2014-15, to 630 000 hectares in 2015-16, and 480 000 hectares in 2016-17. Trade is therefore an important tool with which to address the problem, as is transparency, enforcement and inter-ministerial coordination. The EU buys 10%, by value, of timber products and paper exported from Indonesia. Indonesia supplies 33% of the EU’s tropical timber imports by value.
Indonesian and EU efforts to tackle illegal logging:

Indonesia has become a leader in the global fight against illegal logging. In 2001, it hosted a regional conference, which concluded with the Bali Declaration on Forest Law Enforcement and Governance. This helped to make illegal logging an issue of global concern.

Indonesia’s efforts to tackle illegal logging therefore pre-dated and influenced the EU Forest Law Enforcement, Governance and Trade (FLEGT) Action Plan of 2003, which aims to address illegal logging through both demand and supply side action, including VPAs.

By 2003, Indonesia had launched a multi-stakeholder process to design a timber legality assurance system. The goal of the system is to ensure that timber and timber products harvested, imported and processed in Indonesia originate from legal sources and that companies producing and processing timber products comply with relevant Indonesian laws and regulations.

VPA negotiations between Indonesia and the EU began in 2007 and concluded with the signature of the agreement in 2013. The following year, Indonesia became the first Asian country to ratify a VPA. Indonesia is now one of the eight tropical countries that are implementing VPAs with the EU. On 15 November 2016, it became the first VPA country to deliver FLEGT licensed timber.

Through progress on VPAs, the implementation of the EU Timber Regulation and dialogues with other important timber market, including China, the EU and its VPA partner countries are contributing to a growing global movement to stop trade in illegal timber and timber products. Australia, the United States, Japan and South Korea also seek to restrict the placing of illegal timber on their markets through their respective national regulations. FLEGT licences may therefore help Indonesia and other VPA partner countries meet the legality requirements of markets beyond the EU.
Key dates:

- 2001: Indonesia hosts regional conference on forest law enforcement and governance
- 2003: Efforts to define timber legality begin in Indonesia
- 2003: EU launches Forest Law Enforcement, Governance and Trade Action Plan
- 2007: Indonesia-EU VPA negotiations begin
- 2009: Indonesia adopts SVLK Regulation
- 2010: Indonesia revises SVLK Regulation
- 2011: Indonesia-EU VPA negotiations end
- 2012: Indonesia and EU test systems for handling FLEGT-licensed timber
- 2013: EU Timber Regulation enters into force
- 2013: SVLK begins to issues V-Legal documents (a precursor to FLEGT licensing)
- 2013: Indonesia and EU sign the VPA
- 2013: Indonesia-EU joint evaluation of SVLK against the VPA begins
- 2013: Indonesia and EU launch joint action plan on VPA implementation
- 2014: Indonesia and EU ratify VPA and form Joint Implementation Committee
- 2014: Indonesia revises SVLK Regulation
- 2015: Indonesia and EU update joint action plan on VPA implementation and revise three VPA annexes
- 2015: Indonesia and EU establish a joint multi-stakeholder working group to monitor VPA implementation
- 2016: Indonesia revises SVLK Regulation
- 2016: Indonesia and the EU announce that Indonesia has met the final major VPA requirement ahead of FLEGT licensing
- 2016: Indonesia began FLEGT licensing on 15 November 2016
- 2017: Indonesia and the EU celebrate one year of FLEGT licensing with event in Jakarta
- 2018: The Joint Implementation Committee publishes the first independent assessment of VPA implementation, the Periodic Evaluation
- 2019: Indonesia and the EU meet for the 7th Joint Implementation Committee and publish the second Periodic Evaluation
- 2019: Indonesia passes the 100 000 mark of FLEGT licences issued for export to the EU
- 2020: Indonesia revises one trade regulation creating a dispute with the EU

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2020: Indonesia revises trade and SVLK regulations, re-installing compliance with the VPA

Indonesia’s VPA process and key elements

Indonesia and the EU negotiated the terms of the VPA through a cooperative process: both parties share the goals of eliminating illegality and fostering good forest governance.

The VPA negotiations involved representatives of Indonesian civil society organisations, the private sector and different government ministries and agencies. Significant national ownership and stakeholder engagement was achieved. The VPA therefore reflects a broad consensus among stakeholders.

Key elements of the VPA are described in its main text and annexes. They include:

- A timber legality assurance system which issues verified legal timber products with ‘FLEGT’ licences (see below);
- Commitments to public disclosure of information and other improvements to forest governance;
- A framework for overseeing, monitoring and evaluating implementation of the VPA and its economic, social and environmental impacts.

In addition, to these agreed commitments, the VPA process itself has fostered multi-stakeholder participation, transparency, legislative clarity, legal reforms and other aspects of good governance (see Improved forest governance). Since its implementation in 2014, three VPA annexes have been revised (in 2015) to reflect the changes in policy developments.

An Indonesia-EU Joint Implementation Committee oversees the implementation of the VPA. It has published and regularly updates action plans to guide this work. The committee is supported by a secretariat, led by both parties, and located in Indonesia’s Ministry of Environment and Forestry. EU-Indonesian exchanges take place at least three times per year in the form of joint expert meetings and the Join Implementation Committee that occurs once per year. In addition, multiple thematic, coordination, and policy related meetings take place as needed. JEM and JIC meetings invite all relevant stakeholders. Records of discussions from JICs are made public.

The Joint Implementation Committee, the Government of Indonesia and the EU respond to any concerns about problems in implementation as they arise. Implementation therefore improves as it proceeds. The Joint Implementation Committee will be regularly informed by an independent auditor (called a periodic evaluator, see below), which is a third-party organisation that assesses the overall performance of the timber legality assurance system and reports on any detected failures.
Indonesia’s timber legality assurance system

Indonesia has developed a rigorous yet practical system for assuring the legality of its timber, through an inclusive multi-stakeholder process. This work began before VPA negotiations started in 2007. Since then, Indonesia has refined its timber legality assurance system (Sistem Verifikasi Legalitas Kayu; SVLK) with ongoing stakeholder input through both its national process and the VPA process. As in all VPAs, the timber legality assurance system has the five essential components listed below. In addition, civil society monitoring is also an integral part of Indonesia’s timber legality assurance system (see Independent monitoring).

1. **Legality definition**: The legality definition clearly states the aspects of Indonesian law for which the timber legality assurance system will systematically seek evidence of compliance. Indonesia has different legality definitions for different kinds of rights and permits for forest use.

2. **Supply chain controls**: The purpose of supply chain controls is to ensure that unverified products do not enter the supply chain.

3. **Verification of compliance**: This means checking that all the requirements of the VPA legality definition and supply chain controls have been met to ensure that timber products are legal. In Indonesia, 27 independent private companies called Conformity Assessment Bodies verify compliance. These operate under ISO rules and need accreditation by Indonesia’s independent National Accreditation Committee. Overall oversight remains the responsibility of the government.

4. **FLEGT licensing**: A FLEGT licensing authority issues FLEGT licences for consignments of timber products, if the verification system has evidence consignments are legally compliant. Indonesia has 25 registered FLEGT licensing authorities (20 are active), and its FLEGT licensing scheme became operational on 15 November 2016.
5. **Independent audit**: The purpose of independent auditing is to regularly check that all aspects of a legality assurance system are working properly. An annex to the VPA provides terms of reference for the auditor. In Indonesia’s VPA the independent audit function is called ‘periodic evaluation’. Audits must take place no more than 12 months apart. The auditor will produce reports for the Joint Implementation Committee and a public report. The auditor needs to comply with ISO rules of auditing.

Indonesia has used the SVLK to audit more than 23 million hectares of forests and nearly 4500 forest industries, an unprecedented level of scrutiny. As of late 2019, Indonesia had issued just over 1 million V-Legal documents for verified legal timber products worth a total of EUR 59.3 billion. In the first 11 months of FLEGT licensing, Indonesia issued more than 35000 FLEGT licences for shipments exported to the 28 EU Member States.

### Independent monitoring of the timber legality assurance system:

The VPA gives civil society organisations, individuals and communities a role as independent monitors as an integral part of Indonesia’s timber legality assurance system. This gives civil society unprecedented oversight of private sector and government performance.

Independent monitors can report if SVLK audits are flawed or companies do not comply with the Indonesian legality standard. They can file complaints about operators, audit companies, government agencies, the periodic evaluator, the licensing authority or the accreditation body and monitor how these complaints are addressed.

To perform this task, Indonesian civil society organisations formed a number of independent forestry monitoring networks such as the Independent Forest Monitoring Fund (IFM Fund), Jaringan Pemantau Independent Kehutanan (JPIK), Aliansi Pemantau Independen Kehutanan Sumatera (APIKS), Aliansi Anti Mafia Hutan (Alliance Against Forest Mafia), and Eyes of the Forests (EoF). JPIK is the largest independent monitor whose members include more than 2000 individuals and 60 member organisations.

### How has the VPA improved forest governance?

#### Participatory decision-making

Representatives of civil society and the private sector participated in the negotiations and have seats in the Joint Implementation Committee. The VPA process is therefore a vehicle for addressing the needs of different stakeholders and for including many people who have never before had a voice in decision-making. Stakeholder consultations are a standard for the development of legislation in the forestry sector. However, they are not yet a standard in other sectors, sometimes resulting in challenges for the VPA.

#### Enhanced capacity

The VPA process has strengthened the capacity of government, private sector and civil society stakeholders to work together to address illegality in Indonesia’s forest sector. To strengthen capacity for SVLK at all levels, training has been provided to nearly 15,000 local government supervisors, sustainable forest management technician, staff at regional forests
management offices and heads of villages. By the end of 2019, government capacity building on SVLK has been provided to just over 11 000 SMEs and household industries. However, given the size of the country, more capacity development is still needed.

**Transparency**

The VPA includes an annex on public disclosure of information that lists the information the government of Indonesia commits to making available, in line with Indonesia’s freedom of information act. During VPA negotiations, civil society representatives requested the annex to ensure that they have access to data that enables meaningful independent observation. Agreed requirements were later challenged in court, which decided in favour of civil society demands. In February 2016, the Ministry of Environment and Forestry (MoEF) made forest management documents public in their entirety for the first time. Since this decision, civil society has improved access to MoEF data, though the time-consuming nature of this process is still a concern. Since September 2018, civil society groups can upload and monitor the status of reported non-compliance cases in a database managed by the MoEF.

**Legislative clarity and reform**

The VPA process has made legality in the forest sector much clearer in Indonesia (see box, How the VPA has made the law clear). The SVLK is based on a new national regulation, introduced in 2009. Amendments to that regulation in 2011-2019 reflect stakeholder views and VPA requirements. This represents a major reform of the law as it allows for independent oversight of the entire forest sector by professional audit companies and civil society.

Member of community forest in Java, Indonesia, 2014 (Source: EU FLEGT Facility)
How the VPA has made the law clear:

In Indonesia, more than 900 laws and regulations apply in some way to the forest sector. As well as being numerous, the laws are confusing and at times incoherent.

In 2003, four years before VPA negotiations started, Indonesia civil society organisations began a process to clarify forest legislation and develop a legality definition. Participation by government and industry in this process increased after VPA negotiations began in 2007. By the end of 2008, a multi-stakeholder group had presented the government with a legality definition and a proposal for a timber legality assurance system. Within six months, the government and stakeholders had revised the proposals and incorporated them in new legislation.

In place of hundreds of existing laws, stakeholders had identified a subset of laws and regulations that together provided a legality definition that met their immediate interests. The VPA provides indicators and verification measures that auditors must use to assess legality. The private sector has largely welcomed the new definitions.

VPA implementation

Trade in FLEGT licensed timber

As decided by the Indonesia-EU Joint Implementation Committee, Indonesia’s FLEGT licensing scheme became operational on 15 November 2016. All Indonesian timber-based products listed in the amended Annex I of the VPA and exported to the EU must be accompanied by a valid FLEGT licence. Indonesia’s Licence Information Unit (LIU) monitors the issuance of FLEGT licences and makes related information available to stakeholders and competent authorities in the EU. The EU customs officials will deny entry to any products covered by the VPA that arrive without a valid FLEGT licence.

Periodic Evaluation

In Indonesia’s VPA, independent audit is termed ‘periodic evaluation’ to distinguish it from the independent Conformity Assessment Body audits mentioned above. The purpose of periodic evaluation is to regularly check that all aspects of a legality assurance system are working properly.

The first Periodic Evaluation of the functionality of the Timber Legality Assurance System (TLAS) under the VPA was conducted in 2017 by the independent consultant PT Sucofindo SBI. The second Period Evaluation was conducted in 2019 by the Netherlands-based organisation Profundo. Both assessments were comprehensive in terms of examining the design, functionality, and implementation of TLAS/SVLK. The Executive Summary for both assessments are available to all stakeholders. Detailed reports are published as well and are available upon request.
Continual improvement

Indonesia and the EU will make continued efforts to improve both the timber legality assurance system and its implementation. This includes improvements to the independent monitoring function, supply chain control, enforcement, disclosure of relevant data and information and efforts to ensure the effective implementation of the VPA by small and medium enterprises. In addition, some legal and governance reforms that the VPA describes are ongoing. The VPA also makes possible a review of the legality definition based on stakeholder input.

Impact monitoring

The EU and Indonesia made a joint commitment to monitor the social, economic and environmental effects of the agreement. Monitoring examines whether a VPA is having the desired outcomes. Monitoring informs government policymaking as assessments reflects the effectiveness of policies. Monitoring also can identify unintended negative effects for the parties to address and mitigate. The joint implementation committee established a multi-stakeholder technical working group to develop and test a national VPA impact monitoring system. The first national Independent Monitoring exercise was completed in December 2018, which produced a baseline data against which subsequent impact assessment would be measured. In May 2019, CIFOR (with support from the EU) conducted a quick assessment of the VPA impact in Indonesia (called evidence gathering), which reflected improvements in nearly all governance, legal, and economic aspects of the VPA. The joint implementation committee is responsible for endorsing the impact assessments.

Independent market monitoring

The EC has appointed the International Tropical Timber Organization as independent market monitor for all VPA countries. The monitor assesses the trade in timber products between Indonesia and the EU, and the impacts of FLEGT licensing on this trade. IMM objectives are as follows:

- Improve understanding of impacts on timber prices, trade and market trends globally;
- Inform decisions by VPA Joint Implementation Committees by providing timely & accurate info on market impact;
- Contribute to monitoring the impacts of the FLEGT Action Plan and inform its implementation.

IMM regularly contributes to JEM and JIC meetings by providing updates and presentations.


3. Questions & Answers

This page provides answers to some common questions about the Indonesia-EU Voluntary Partnership Agreement, FLEGT licensing, Indonesia’s SVLK timber legality assurance system and the EU Timber Regulation.

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Part five: Ensuring effective VPA implementation

Part one: Background and basics

What is the Indonesia-EU Voluntary Partnership Agreement (VPA)?

The VPA is a legally-binding bilateral trade agreement that aims to improve forest governance and promote trade in legal timber from Indonesia to the EU.

VPAs are among the key tools of the EU Forest Law Enforcement, Government and Trade (FLEGT) Action Plan of 2003. As of late 2019, besides Indonesia, seven African and Latin American countries, and one Asian country are implementing VPAs agreed with the EU.

Under the Agreement, both parties commit to trading only in legal timber products.
Among other things, the VPA describes a timber legality assurance system capable of verifying the legality of timber products and issuing FLEGT licences to shipments of verified legal products exported to the EU.

Since 15 November 2016, Indonesia has been exporting to the EU only verified legal timber products accompanied FLEGT licences to accompany Indonesian exports of verified legal timber products to the EU.

The EU will only allow Indonesian timber products covered by the VPA to enter the EU if they are accompanied by a valid FLEGT licence. FLEGT-licensed timber is considered as meeting the requirements of the EU Timber Regulation, which prohibits EU importers and domestic producers from placing illegally harvested timber and timber products on the EU market.

FLEGT licensing is an important goal of the VPA but it is not the only one. The VPA process has already led to improved transparency, participation, capacity, accountability and other aspects of forest governance.

The VPA includes commitments to public disclosure of information and further improvements to forest governance. The VPA also includes a framework for overseeing, monitoring and evaluating implementation of the VPA and the economic, social and environmental impacts of the VPA.

Learn more about VPAs in VPA Unpacked.

Is the EU-Indonesia Voluntary Partnership Agreement available online?

Yes, you can read the full agreement and its annexes here. You can read the revised annexes here.

How was the Indonesia-EU VPA negotiated?

Indonesia and the EU negotiated the VPA through a process that involved input from stakeholders representing the Indonesian government, private sector and civil society. In addition to participating in consultations about the VPA, each of these stakeholder groups was represented in the team that negotiated with the EU on Indonesia’s behalf.

While the VPA was negotiated between Indonesia and the EU, much of its content was negotiated among stakeholders within Indonesia before being discussed in the bilateral negotiations.

Negotiations began in 2007 and concluded in 2011. Indonesia and the EU signed the agreement in 2013 and ratified the agreement in 2014. The VPA came into force in May 2014.

What is the relationship between the SVLK and VPA?

SVLK is the name of Indonesia’s timber legality assurance system, a central component of the VPA.
Indonesia began to develop the SVLK before VPA negotiations started and the SVLK passed into law before VPA negotiations ended.

The SVLK forms the basis of the VPA. Meanwhile, VPA negotiations and implementation have influenced reforms of the SVLK.

FLEGT-licensed timber automatically meets the requirements of the EU Timber Regulation, which prohibits EU importers and domestic producers from placing illegally harvested timber and timber products on the EU market.

The VPA contains more than just the timber legality assurance system. For instance, it includes commitments to transparency and a mechanism to monitor impacts of its implementation.

Indonesia has revised the SVLK has several times to accommodate stakeholder needs and improve efficiency. This triggered a revision of three VPA annexes in 2015.

**Why has the VPA process taken so long?**

Meaningful change takes time. The VPA process took the time necessary to build a consensus among national stakeholders and to design, revise and implement a timber legality assurance system that is robust and credible.

Although it has taken longer than expected for Indonesia to deliver FLEGT-licensed timber, many other gains have resulted from the VPA process and its underlying national process already.

These benefits include improved transparency, legislative clarity, human and technical capacity, accountability, stakeholder participation and other aspects of good forest governance.

The VPA process has involved an unprecedented level of stakeholder participation.

According to CIFOR research, Indonesia’s timber legality assurance system and reforms to the forest sector have cut the proportion of logging that is illegal, from 83% in 2001 to 20% in 2019.

Independent research from Chatham House and CIFOR concluded that the EU-Indonesia VPA had contributed to a decline in illegal logging and an improvement in forest governance.

**When will FLEGT licensing start?**

Indonesia began FLEGT licensing on 15 November 2016. Once FLEGT licensing became functional, all Indonesian exports to the EU of timber products covered by Indonesia’s timber legality assurance system must be accompanied by FLEGT licences.
What was the issue with the P89/2015 and P15/2020 timber export regulations?

In October 2015, the Ministry of Trade issued a new regulation (P89) for timber exports. This regulation allowed exporters of furniture covered by the Agreement to choose to export without legality verification under the timber legality assurance system (SVLK).

Such a provision fundamentally contradicted the VPA, which requires that all exports are covered by the SVLK and its related licensing scheme. In other words, under the VPA, all consignments composed of timber products listed in Annex I of the VPA (on product scope) should be accompanied with an export licence (FLEGT licence for EU market and V-Legal Document for any other market).

In April 2016, the Ministry of Trade issued a new regulation, which restored the requirement for exports of all products listed in Annex I of the VPA to be verified legal by the SVLK. By bringing the domestic regulation in line with the VPA, Indonesia cleared the last main hurdle before FLEGT licensing.

In late February 2020, the Ministry of Trade repeated the case from 2015 and issued Regulation No 15 on the export of timber products. While this regulation was not specifically about furniture, it did not make any specifications about the legality assurance of timber for export and covered only a part of timber products under VPA scope, creating an impression that other products would not require FLEGT licences or V-Legal for export. After several rounds of multi-ministerial consultations, pressure by civil society organisations and the private sector, and requests for clarification by the EU, in late April 2020, the Ministry of Trade agreed to suspend Regulation No 15 pending revisions until a new Ministry of Environment and Forestry regulation is in effect.

What products do the Indonesian FLEGT-licensing scheme cover? How do the types of products compare with the types of products covered by the EU Timber Regulation?

During the VPA negotiations, Indonesian stakeholders from government, the private sector and civil society reached agreement on which types of timber products to include.

Products covered by the Indonesian FLEGT licensing scheme include all those for which the EU Timber Regulation (EUTR) requires due diligence. You can check the products covered by the EUTR [here](#).

In addition to the minimum requirements of the product scope of a VPA, the Indonesian FLEGT licensing scheme also covers furniture, fuel wood, wooden tools, wooden packing material, builders’ joinery and carpentry of wood, wood pulp, paper and paper products, kitchen and tableware, and other products. See the revised Annex I of the Indonesia-EU Voluntary Partnership Agreement (VPA) for details.

The VPA also describes products that cannot be legally exported from Indonesia, such as logs and large dimension sawn timber. These products cannot be FLEGT licensed. Products made from rattan or bamboo (non-wooden materials), or paper made from recycled material, are excluded and do not need to be FLEGT-licensed because they are not covered by the timber legality assurance system.
What do Indonesian private sector actors think about the SVLK and VPA?

Associations of Indonesian private sector actors include: APHI, APKINDO, ISWA, APKI, ASMINDO, AWKMI, and AMKRI.

There is widespread support for the SVLK and VPA among these associations and their members. This support is the result of continuous private-sector engagement with the SVLK and VPA processes. Some timber processing companies have even financed SVLK certification for their suppliers.

In 2014 and 2019, some members of one of the associations of furniture and handicraft producers, HIMKI, advocated for small and medium furniture producers to be exempted from SVLK requirements and controls. In 2015 and 2019, some HIMKI members said transitional SVLK exemption measures for small and medium enterprises and low-risk timber should be extended to all industries and applied permanently, limiting the scope of the SVLK to timber production and trade that precedes initial processing.

These views, however, are not shared by all HIMKI members. A March 2020 survey of the private sector views on SVLK and V-Legal in Indonesia indicates that more than 70% of respondents, including the majority of HIMKI respondents, supports SVLK and the issuance V-Legal Documents for export to all markets.

The current export regulation, P/84 2016, makes it clear that all sectors, including furniture, are fully in the scope of SVLK for export. A new, updated regulation, reiterating the 2016 requirement, is expected in mid-2020.

How do the EU and Indonesia make information about their formal meetings available?

Indonesia and the EU publish summaries of meetings, called Records of Discussion, of the Joint Implementation Committee and its subsidiary body, the Joint Expert Meetings. The Joint Implementation Committee also publishes an annual report. All of these publications appear on the Ministry of Environment and Forestry’s SILK website and the website of the EU delegation to Indonesia.

How important is the trade in timber products from Indonesia to the EU?

The EU is an important market for Indonesian forest products. In 2014, the value of Indonesian timber products exported to the EU was EUR 645 million, up from EUR 593 million in 2013. By the end of 2019, the value of Indonesian exports increased to EUR 1.1 billion.

In terms of volume, the main timber products destined for the EU are paper, paperboard, wooden furniture and plywood.

Furniture is the most important item in terms of value (EUR).

Indonesia does not export unprocessed products such as logs and rough sawn timber.
The main destination markets within the EU are Netherlands, Germany, United Kingdom, Belgium, France, Spain and Italy.

For more information on trade flows see website and reports of the FLEGT Independent Market Monitor.

How much of Indonesia’s timber production does the SVLK cover?

Indonesia is rolling the SVLK out nationwide. By the end of 2018, it had certified 4 477 companies operating in the timber industry and more than 22.8 million hectares of forests (these are all forests on state lands currently under logging). By the end of 2019, Indonesia had issued just over 1 million V-Legal documents for verified legal timber products worth a total of EUR 59.3 billion. In the first 11 months of FLEGT licensing, Indonesia issued more than 35 000 FLEGT licences for shipments exported to the 28 EU Member States.

To date (December 2019) all active natural forest concessions, all industrial forest plantations with production and all plantations managed by PerumPerhutani are legally certified. Also 96% of all registered exporters (2104 timber producers and traders) are SVLK-certified. For more data, see the SILK website.

In October 2015, the Indonesian Anti-Corruption Commission (KPK) said Indonesia’s reported timber production was far less than what is actually harvested from natural forests. It suggested that Ministry statistics captured only 19–23% of total timber production. Does this mean the VPA and SVLK account for less than 25% of total Indonesian timber production?

The KPK report covers the period 2003-2014. It is based on projections and extrapolations that are subject to different interpretations. As a response to the report’s findings, the Ministry of Environment and Forestry has developed an integrated production data management system (SIPHPL) for all sources of timber. The system’s development was among the list of actions in the Indonesia-EU VPA action plan up to the end of 2019. A module that captures in real-time the production in natural forests and plantations by forest concessions is already in place.

How useful is the VPA, given that a significant portion of Indonesia’s timber products go to less sensitive markets than the EU?

Indonesia’s timber legality assurance system (SVLK) and related regulations apply to all markets.

Indonesia regulated that the SVLK apply to all markets. With this commitment, Indonesia requested that the VPA apply to all exports, not only those bound for the EU. FLEGT alone cannot stop trade in illegal timber, especially if major markets remain less regulated. Indeed, under the FLEGT Action Plan, the EU seeks to work with other major timber consumers to develop a more comprehensive framework to reduce imports of illegally harvested timber.

China, which is the world’s largest importer of tropical timber and also the main buyer of Indonesian timber, is developing its own legality assurance system and there are efforts to
link it to FLEGT under the EU-China Bilateral Coordination Mechanism on Forest Law Enforcement and Governance (FLEG). Bilateral and trilateral exchanges (China-Indonesia-EU) on timber legality occur and/or are planned.

Other markets have implemented or are designing measures to eradicate illegal timber from their imports. These markets include the United States, Australia, Japan and South Korea.

**Part two: How Indonesia verifies the legality of timber and timber products**

**What is the timber legality assurance system, or SVLK?**

Indonesia’s timber legality assurance system, or SVLK, is designed to verify the legality of timber from the forest or the point of import through the entire supply chain to the point of final sale or export. See Annex V of the VPA.

The application of SVLK is mandatory for all forest management units and industries, traders and timber depots, and for all export destinations.

Indonesia developed and has revised its timber legality assurance system through a multi-stakeholder process that, after 2007, coincided with the VPA process.

The SVLK entered law in 2009. Its export licences, which are called V-Legal Documents, became compulsory for some product types in 2013, and for all products covered by the VPA on 1 January 2015.

A temporary exemption for products from small and medium furniture producers was introduced in late 2014 and was due to end on 31 December 2015. The exemption was extended indefinitely by a new export regulation issued in October 2015 by the Ministry of Trade, which has hampered VPA implementation. A similar problem occurred in late February 2020, but it has been resolved (see related question above).

The newest export regulation, issued in April 2016 (Trade Regulation No. 84/2016), as a revision to the Trade Regulation No. 89/2015, confirms that the SVLK applies to furniture products, in line with the product scope of the VPA.

As in all VPAs, the timber legality assurance system has five essential components listed below. Civil society monitoring is also an integral part of Indonesia’s timber legality assurance system.

**Legality definition:** The legality definition clearly states the aspects of Indonesian law for which the timber legality assurance system will systematically seek evidence of compliance. Indonesia has different legality definitions for different kinds of rights and permit holdings.

**Supply chain control:** The purpose of supply chain control is to ensure that unverified products do not enter the supply chain.

**Verification of compliance:** This detects whether timber products comply with the VPA’s legality definition and supply chain controls and are therefore legal. In Indonesia, independent private companies called Conformity Assessment Bodies (mandated by the
Government of Indonesia and controlled by the national accreditation body, KAN) verify compliance with the legality definition. In Indonesia’s system, this is called ‘legality verification’ or ‘legality audit’). Some exemptions for small-scale operators exist. Overall oversight remains the responsibility of the government.

FLEGt licensing: To date (December 2019), Indonesia has 25 FLEGt licensing authorities (20 are operational). The FLEGt licensing authorities issue FLEGt licences for consignments of timber products, if the verification system has evidence consignments are legally compliant. FLEGt licensing began on 15 November 2016.

Periodic evaluation: In Indonesia’s VPA, independent audit is termed ‘periodic evaluation’ to distinguish it from the independent Conformity Assessment Body audits mentioned above. The purpose of periodic evaluation is to regularly check that all aspects of a legality assurance system are working properly. An annex to the VPA provides terms of reference for the evaluator. Evaluations must take place no more than 12 months apart. The evaluator will produce reports for the Joint Implementation Committee and a public report. In other VPAs this independent evaluation function is called ‘independent audit’.

How does the timber legality assurance system work in Indonesia?

The VPA includes different legality standards for timber and timber products from different types of permits and rights holders. For each legality standard, the VPA lists criteria, indicators and verifiers that can be used to prove compliance. In addition, the underlying Indonesian legislation describes agreed upon verification methods. See Annex V of the VPA and the SILK website’s page on regulations.

Auditors called Conformity Assessment Bodies (CABs) verify the compliance of timber producers, traders, processors and exporters with the relevant legality standard. Operators that pass the audit are issued with a legality certificate.

The legality certificate is valid for three years for large companies and for up to ten years for small-scale operators or low risk operators. Surveillance visits take place every year (large companies) or every two years (small-scale operators or low risk operators).

Licensing authorities issue FLEGt licences to accompany each consignment of verified legal timber exports from registered operators that hold a valid legality certificate.

This assessment and licensing are continuously monitored and informed by civil society actors acting as independent monitors of the timber legality assurance system.

In addition, the ‘periodic evaluation’ (termed ‘independent audit’ in other VPAs) will assess the functioning of the legality assurance system at least once a year.

To get certified, timber-based industries, traders, exporters, and small-scale privately owned (household or cooperative) forests must conform to the relevant legality standard.

An alternative procedure to SVLK called Supplier’s Declaration of Conformity (SDoC) can be used to enter SVLK supply chains under certain conditions. This alternative procedure is only open to small and medium enterprises and smallholders who deal only with low-risk planted
timber from privately owned forests and/or SVLK-certified plantation timber from state-owned company (Perhutani).

A sustainability standard is also mandatory for state owned forests managed by companies (natural and plantation forest concessions). Companies must conform to this standard, called PHPL, no later than the end of the three-year validity period of their first legality certificate.

All operators working on the basis of permits included in the VPA need to be SVLK certified (or provide a Supplier’s Declaration of Conformity), regardless of whether they export or place timber products on the domestic market. Only exporters also need to have a V-Legal Document for each consignment or a FLEGT licence if the export is destined to the EU (once FLEGT licensing starts).

Are public summaries of the independent SVLK audits available?

Yes. Public summaries of all audits and surveillance visits are available on the Ministry of Environment and Forestry’s SILK website and the respective sites of the Conformity Assessment Bodies.

What is a Supplier’s Declaration of Conformity (SDoC)?

Supplier’s Declaration of Conformity is a procedure introduced under the SVLK in 2014 to enable small and medium enterprises and smallholders to access trade in legal timber as, previously, many of these operators found it hard to meet the requirements of SVLK certification.

The Supplier’s Declaration of Conformity (SDoC, or DKP in Bahasa Indonesia) allows small and medium enterprises and smallholders to enter SVLK supply chains by declaring the origin and destination of their timber or timber products.

The use of SDoC is strictly restricted to the operators dealing exclusively with timber from privately owned planted forests considered as low-risk timber, and/or SVLK-certified plantation timber from state-owned company (Perhutani).

The SDoC procedure entails internal checks carried out by the buyers of the timber and timber products covered by SDoC.

In case a certified operator buys timber covered by a SDoC, the auditor will verify that he/she carried out and documented these internal checks confirming the validity of the information declared by his/her supplier in the related SDoC.

Timber products covered by a SDoC cannot be exported directly. Only certified operators can get export licences (V-Legal Document or FLEGT licences).

If a primary or secondary industry mixes SDoC declared timber with timber from state forests, the industry needs to hold SVLK certification.
How does the VPA deal with the wood Indonesia imports?

The Ministry of Trade and the Ministry of Environment and Forestry have developed regulations and procedures for verifying the legality of timber imports, with the participation of the Ministry of Industry. The legal requirements are reflected in the VPA, in its annex on the timber legality assurance system. See the SILK website’s page on import regulations. In January 2018, a new DG PHPL Regulation No 3 became effective, which introduced the concept of post-border due diligence implementation. In May of the same year, MoEF produced the Circular Letter No 2/2018 on the guidelines for the verification of due diligence by the CABs.

Only designated importers (traders) and processing operators can import timber and/or timber products into Indonesia. They must hold information on due diligence procedures they apply to their imports to minimise the risk of illegal timber entering the Indonesian supply chain.

The information on due diligence procedures encompasses data collection, risk analysis and risk mitigation. The upload of due diligence information by importers is carried out using the SILK online system of the Ministry of Environment and Forestry.

The operators must complete a declaration to provide information such as HS codes of products, bill of lading, countries of harvest, country of origin, proof of timber legality, and port of export before they proceed to apply to the Ministry of Trade for the Import Permit.

As per DG PHPL Regulation No 3/2018 and Circular Letter No 2/2018, Conformity Assessment Bodies (CABs) carry out the verification of the due diligence system applied by operators when conducting regular SVLK audits of the importing operator.

Detailed procedures for the due diligence system implementation and verification and related checks are provided in the Ministry of Environment and Forestry’s timber legality assurance system guidelines and related import regulations such as DG PHPL Regulation No 3/2018 and Circular Letter No 2/2018.

Do companies that hold voluntary certification (such as FSC, PEFC or LEI) also have to follow the SVLK system?

Yes. Operators that hold voluntary certification will be subject to the same SVLK requirements as non-certified operators. All exporters need to get V- Legal Documents or FLEGT licences to export timber products.

Under SVLK, legality certification is mandatory for all operators dealing with timber from state forest. In addition, for all forest concessions on state-owned land (plantations or natural forests), sustainable forest management certification is mandatory and must be obtained, before the initial legality certification expires.

Under SVLK, legality certification is mandatory for all operators dealing with timber from state forest. In addition, for all large-scale operations on state-owned land (natural forest concessions or timber plantations), SFM certification is mandatory and must be obtained, at the latest, before the initial legality certification expires.
Operators dealing exclusively with low-risk planted timber from privately owned land or forest, and/or SVLK-certified plantation timber from state-owned company (Perhutani) can use the Supplier’s Declaration of Conformity (SDoC) mechanism to enter SVLK supply chains.

Note that an SVLK certificate is not the same as a V-Legal Document (or FLEGT licence), which is an export licence issued through the SVLK system.

Why do the VPA’s legality definition requirements appear less detailed compared to other VPAs ratified to date?

The SVLK implementing guidelines provide more detail than the VPA’s five legality standards. The EU has refrained from putting that much detail into the VPA, but made reference to these guidelines. The guidelines further separate the VPA’s five legality standards into ten standards and contain means of verification on verifier level. See Annex II of the VPA.

Part three: How to recognise legal timber products from Indonesia

What is a V-Legal Document?

V-Legal Documents are Indonesian export licences attesting legality.

Companies that comply with the timber legality assurance system (SVLK) need to attach a V-Legal Document to their consignments for export to any international market. The V-Legal Document specifies that the timber products being shipped comply with the legality and/or sustainability standard and the supply chain control requirements as stipulated in Indonesian regulations and the VPA. Thus, the V-Legal Document provides assurance that timber or timber products are legal. V-Legal Documents are issued by bodies authorised by the Indonesian government to act as licensing authorities.

In Indonesian nomenclature, V-Legal is an all-encompassing terms that denotes two types of licences: 1) FLEGT licences for the EU market and 2) V-Legal for non-EU markets. Since 15 November 2016 when FLEGT licensing as described in the Indonesia-EU Voluntary Partnership Agreement (VPA) became fully operational, Indonesia issues FLEGT licences for timber bound for the EU and V-Legal Documents for other markets. See Annex IV of the VPA to see the format of the FLEGT licence.

What does the FLEGT licence from Indonesia look like and how does it differ from a V-Legal Document?

The FLEGT licence looks like the template in Annex III of the Indonesia-EU Voluntary Partnership Agreement (VPA). It looks similar to the V-Legal Document, but has ‘FLEGT licence’ clearly stated in the top right of the licence.

From 15 November 2016, the FLEGT licence replaced the V-Legal Document for exports to the EU of products listed in the VPA.
What is the difference between a V-Legal Document and the V-Legal logo?

A V-Legal Document is an export licence for legal timber products to non-EU markets. The V-Legal logo is a mandatory logo on a timber product, product package, or document that demonstrates on-product compliance with the requirements in the SVLK system, either through SVLK certification or the SVLK Supplier’s Declaration of Conformity mechanism. On-product conformity marking is not required under the VPA.

Indonesia already has SVLK legality certification and export licences called V-Legal Documents. How do these relate to FLEGT licences? Are FLEGT licences better than V-Legal Documents?

SVLK is the name of Indonesia’s national timber legality assurance system, which is a mandatory certification system built on a national multistakeholder consensus. Indonesia’s timber legality assurance system (SVLK) has been in force since 2013 and applies to all Indonesian operators and timber products. Under Indonesian law, SVLK certification and related documents (SVLK certificates and export licences called V-Legal Documents) constitute proof of legality for Indonesian timber products. They are an integral part of the VPA. Since the start of FLEGT licensing, FLEGT-licensed products from Indonesia automatically meet the EUTR requirements, meaning that no due diligence is required.

Only SVLK certified operators are allowed to export timber products. Those exporting to the EU must use FLEGT licences, which apply to product types listed in the revised Annex I of the Indonesia-EU Voluntary Partnership Agreement (VPA).

Indonesia issues V-Legal Documents for exports to non-EU markets for the products covered in the VPA. The Indonesia-EU VPA Joint Implementation Committee serves as a joint monitoring and decision making body. The Joint Implementation Committee responds to any problems stakeholders bring to its attention, thereby contributing to continual improvement of VPA implementation.

What is the link between SVLK, FLEGT licensing and CITES in Indonesia?

Exports of products from species listed under the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) need both CITES documentation and the relevant export licence (V-Legal Document or FLEGT licence). Conformity Assessment Bodies verify CITES documentation during SVLK audits. The requirement is covered in the SVLK legality standards, except in the case of round logs or rough sawn timber as Indonesia prohibits exports of such products so they can never have CITES documentation nor be FLEGT licensed.

How are FLEGT licences issued?

Licensing authorities issue FLEGT licences to accompany consignments of verified legal timber that registered operators with valid legality certificate wish to export to the EU.

FLEGT licences are issued at the point at which the consignment is consolidated prior to export. What follows is a summary of the procedure. For full details, consult the revised Annex V of the Indonesia-EU Voluntary Partnership Agreement (VPA):
To obtain a FLEGT licence, the exporter applies in writing to the licensing authority with which it holds a contract. The exporter attaches the following documents to demonstrate that the timber raw materials in the product originate only from verified legal sources:

- A summary of the transport documents for all timber/raw materials received by the factory since the last audit (up to a maximum of 12 months);
- Summaries of Timber/Raw Material Balance-Sheet Report, and Processed Timber Balance-Sheet Report since the last audit (up to a maximum of 12 months).

The licensing authority verifies the validity of the operator’s legality certificate by reconciling the data provided and, where necessary, conducting a field visit to ensure consistency with the information to be specified in the FLEGT licence.

For the licensing authority to issue a FLEGT licence, all suppliers in the exporter's supply chain that make up the consignment must have been covered by a valid legality or sustainable forest management certificate, or a Suppliers Declaration of Conformity (SDoC).

If the operator complies with legality and supply chain requirements, the licensing authority issues a FLEGT licence in the format presented in Annex IV of the VPA. If an operator does not comply with the legality and supply chain requirements, the licensing authority will issue a non-compliance report instead of a FLEGT licence. The non-compliance report halts the movement of the related timber and/or timber products.

Indonesia follows the same procedure to issue V-Legal Documents for exports to non-EU markets for the products covered in the VPA.

The licensing authority logs FLEGT licences in the Ministry of Environment and Forestry’s SILK system, which is linked to Indonesia’s online trade and customs systems to allow for fast approval of export and clearance of consignments. Competent Authorities in EU Member States have access to SILK, or the licensing information unit (LIU), as regulated in the VPA. If needed, the Competent Authorities may also consult with LIU in FLEGT licensing cases that need clarification or verification.

**Who are the Licensing Authorities?**

Licensing authorities are independent organisations registered with the Ministry of Environment and Forestry, which lists them on the SILK website.

Independent private certification bodies, called conformity assessment bodies (CABs), are accredited by the National Accreditation Committee (KAN) and mandated by the Ministry of Environment and Forestry to carry out legality verification functions nationwide. To date (end of 2019), 25 of the CABs have also been accredited and mandated as licensing authorities. Of these, 20 CABs actively issue FLEGT licences and V-Legal documents.

The licensing authorities issue their customers (exporting companies) with V-Legal Documents, and in future will issue FLEGT licences, to accompany shipments of verified legal timber products exported to the EU. The licensing authorities are supervised by the Ministry of Environment and Forestry, and use the SILK online information management system managed by the Licence Information Unit (LIU).
What is the Licence Information Unit?

The LIU is a service of the Ministry of Environment and Forestry in charge of overseeing the licensing function. In the case of questions about a licence or a licensing authority, the LIU is the main source of information in Indonesia. Visit the SILK website for information on the licensing authorities and V-Legal Documents (and in future FLEGT licences) that have been issued.

How long does it take Indonesia to issue a FLEGT licence following an application from an exporter?

The lead-time is three days for a licensing authority to issue a FLEGT licence after an application by an exporter, as set out in the SVLK Guidelines. Note that the licensing authority can only issue export licences (V-Legal Documents or FLEGT licences) to exporters that are SVLK certified.

How can EU competent authorities access relevant information on the FLEGT licences they receive?

EU competent authorities can access the SILK database managed by the Licence Information Unit (LIU) in the Ministry of Environment and Forestry and can validate any information in the licence. If specific questions arise, the competent authorities can contact the LIU in Indonesia directly. Competent authorities need to sign a memorandum of understanding with the LIU in order to be able to access the SILK database.

Will Indonesian port authorities stop a consignment from being exported if it has no FLEGT licence?

Indonesian port authorities shall stop (at the port) consignments from being exported to the EU if the products fall within the scope of the VPA and the consignment has no FLEGT licence. For other destinations, Indonesian port authorities shall stop (at the port) consignments that lack V-Legal Documents.

How can an EU operator be sure a FLEGT licence is genuine? Will Indonesia check to ensure that its FLEGT licences are genuine? Could a licence be counterfeit?

It would be difficult to counterfeit a FLEGT licence, as a valid FLEGT licence can only be issued using the Sistem Informasi Legalitas Kayu (SILK) online system operated by Indonesia’s Licence Information Unit (LIU).

The system generates a unique, secure barcode for each licence, and stores information about each licence in its database. SILK is a secure online system of the Ministry of Environment and Forestry. It connects in real time directly with the secure INATRADE online system of the Ministry of Trade, and with the National Single Window Customs system of the Ministry of Finance.

All licences are recorded in this system. Indonesian customs officials and EU competent authorities have direct access to the SILK system, so they can check that a licence is valid.
and not a counterfeit. To be valid, all the information in the FLEGT licence must match the information recorded in the SILK system.

Once an EU competent authority confirms it has received a FLEGT-licensed consignment, SILK will automatically update the FLEGT licence’s record, ensuring that the same licence cannot be recorded again. The requirements and technical specifications of the FLEGT licence are described in Annex IV of the Indonesia-EU Voluntary Partnership Agreement (VPA).

Since mid-2018, Indonesia has been exploring the concept of electronic licensing (E-licensing), with support from the EC and technical assistance from the Netherlands. E-licensing will not fundamentally change the current licensing system, but it will streamline the procedures and enable real-time data updates between LIU and CAs in EU Member States. E-licensing is currently envisioned to be implemented in early 2021.

The Indonesian timber legality assurance system and the VPA also include powerful safeguards such as an independent audit (termed periodic evaluation), which aim to detect any systemic failures and report them to the VPA joint implementation committee (JIC). In Indonesia civil society also plays a crucial role in carrying out independent observation (or independent monitoring) and informing organisations and decision makers about potential individual frauds and system loopholes.

Part four: Outcomes of the VPA

How will the impacts of the VPA be monitored?

The EU and Indonesia made a joint commitment to monitor the social, economic and environmental effects of the agreement.

VPA impact monitoring: The Joint Implementation Committee established a multi-stakeholder technical working group to develop and test a national VPA impact monitoring system. The Joint Implementation Committee (JIC) is responsible for endorsing the results of impact assessments. By late 2017, the first baseline impact assessment was conducted. In late 2019, the national impact assessment of the VPA was initiated. The results are expected in mid-2020. The annual impact assessments will inform the JIC about both positive and negative impacts of the VPA and any corrective measures to may need to be taken.

Independent Market Monitoring: The European Commission has appointed the International Tropical Timber Organization as the FLEGT Independent Market Monitor for all VPA countries. The market monitor assesses in a periodic manner the trade in timber products between Indonesia and the EU, and the impacts of FLEGT licensing on this trade. A baseline report was published in 2015. IMM have produced annual reports for 2016 and 2017. IMM also produces monthly newsletters and thematic updates.

How does the VPA benefit Indonesia?

The VPA will bring economic, social and environmental benefits to Indonesia.
The VPA strengthens the market position of Indonesia’s verified-legal timber products in the EU and elsewhere.

FLEGT-licensed timber automatically meets the requirements of the EU Timber Regulation so Indonesia’s FLEGT licensed products are exempt from any due diligence assessment process, saving time and money. FLEGT licence status of Indonesian timber products should increase EU importer confidence in Indonesian timber products and make their products more attractive compared with products without FLEGT licences. However, proactive awareness building of the value-add of FLEGT timber among the consumers in EU Member States is also needed.

The VPA increases government revenues by blocking access to export and domestic markets for illegal operators who do not pay appropriate taxes and fees.

The VPA makes it easier for Indonesia to manage forest resources in a sustainable way notably through better monitoring and data.

The VPA helps smallholders and small or medium enterprises through extensive capacity efforts and financial support to gain international market access.

The VPA will raise the international profile of Indonesia, as it will highlight Indonesia’s efforts to improve transparency and governance in the forestry sector.

How has the Indonesia-EU VPA improved forest governance?

The VPA has improved accountability, transparency, participation, technical and human capacity, legislative clarity and other aspects of forest governance.

Participatory decision-making: The level of stakeholder participation in the VPA process in unprecedented. Representatives of civil society and the private sector participated in the negotiations and have seats in the Joint Implementation Committee. The VPA process is therefore a vehicle for addressing the needs of different stakeholders and for including many people who have never before had a voice in decision-making. Stakeholder consultations are increasingly becoming a standard for the development of legislation in the forestry sector.

Enhanced capacity: The VPA process has strengthened the capacity of government, private sector and civil society stakeholders to work together to address illegality in Indonesia’s forest sector. To strengthen capacity for SVLK at all levels, training has been provided to nearly 15 000 local government supervisors, sustainable forest management technicians, staff at regional forests management offices and heads of villages. By end of 2019, government capacity building on SVLK has been provided to just over 11 000 SMEs and household industries. However, given the size of the country, more capacity development is still needed.

Transparency: The VPA includes an annex on public disclosure of information that lists the information the Government of Indonesia commits to making available, in line with Indonesia’s freedom of information act. During VPA negotiations, civil society representatives requested the annex to ensure that they have access to data that enables
meaningful independent monitoring. This access has recently been granted. Requests for
information are progressively being met as transparency improves. Since September 2018,
civil society groups can upload and monitor in SILK the status of reported non-compliance
cases.

Legislative clarity and reform: The VPA process has made legality in the forest sector much
clearer in Indonesia. More than 900 laws and regulations applied to the forest sector at the
start of the VPA. Multi-stakeholder processes in Indonesia identified a subset of laws and
regulations that together provided a legality definition that met their immediate interests.
The VPA provides indicators, verifiers and verification measures that auditors working for
Conformity Assessment Bodies must use to assess legality. The SVLK is based on a national
regulation, introduced in 2009. Amendments to that regulation in 2011-2015 reflect
stakeholder views and VPA requirements. This represents a major reform of the law as it
allows for independent oversight of the entire forest sector by professional audit companies
(Conformity Assessment Bodies and the periodic evaluator) and civil society.

Is the VPA fair to small-scale operators in the sector?

Indonesia has provided direct support and introduced new measures to help small-scale
operators comply with the VPA, including through revisions to the SVLK regulation.

These measures include options to apply for group SVLK certification or to use, under
certain circumstances, a self-declaration of legality called a Supplier’s Declaration of
Conformity.

In addition to nationwide awareness campaigns, the Ministry of Environment and Forestry
launched in 2015 a programme to accelerate the certification of small and medium
enterprises and smallholders, joining efforts by the Ministry of Industry. The programme has
deployed focal points in 18 provinces and developed a database to monitor progress in
group certification.

Indonesia is deploying large human and financial resources to assist SMEs with SVLK
certification. By late 2019, capacity building on SVLK has been provided to over 11 000 SMEs
and household industries. Recertification and surveillance for SMEs have been made free of
charge.

How can the VPA address corruption?

The VPA has led improved transparency, accountability, legislative and institutional clarity
and the capacity of civil society to hold government and the private sector to account. These
all help to address corruption.

Corruption is considered a special crime in the Indonesian legal system, which requires the
KPK (Corruption Eradication Commission) or the Attorney General’s office to determine that
a corruption crime has been committed and individual suspect(s) named.

Within this context, SVLK cannot be expected to become a rigorous anti-corruption tool by
revoking licences of companies or industries whose executives have been suspected or
convicted of corruption. This is because the legal subjects in this crime are individuals, not
institutions. SVLK is an administrative certification procedure, not a legal measure that determines the status of a company. As companies are often established by several shareholders and owners, the status of the company will be determined by these shareholders. However, if a company were identified as using corruption it would lose its SVLK certificate and would not be able to receive V-Legal Documents/FLEGT licences.

However, KPK or the Attorney General’s office may use findings generated by the timber legality assurance system for prosecution in corruption cases.

How does the VPA protect community rights?

The Indonesian government’s commitment to protect and promote community rights is reflected in Article 12 of the VPA, on ‘social safeguards’.

This is a commitment by both parties to monitor the impacts of the VPA implementation in the long term including its impact on livelihoods and vulnerable groups.

In addition, the SVLK contains a special legality standard for timber from permit areas for community or private forest plantations, community forest management, and village forest management.

How does the VPA deal with the rights of indigenous peoples?

The rights of indigenous peoples are mentioned in one of the articles of Indonesia’s SVLK regulation.

The VPA (as well as the SVLK) refers to the ruling by Indonesia’s constitutional court, stating “Changes in the procedures for utilisation and / or administration of timber from Customary Forests, to address the implementation of Constitutional Court Decision (MK) No. 35/PUU-X/2012, shall be introduced after the adoption of related implementing legislation.” This could happen by, for instance, categorising land of indigenous peoples as privately owned forest (communal ownership) or by developing specific legality standards.

In the case of overlap with an existing concession, by law, once legally recognised, the areas shall be excluded from the concession. The concessionaire may cooperate with indigenous peoples to manage such areas (with clear benefit-sharing and management plan).

Under the Sustainable Forest Management standard of the SVLK, communities surrounding concessions (including surrounding indigenous peoples) are required to be part of the free, prior informed consent process.

VPA also provides for the recognition of timber from indigenous forests, Annex V.

How does the VPA address conversion of forests, such as for agriculture?

Within the VPA, the timber legality assurance system is intended to ensure that timber and timber products originating from forests/lands can be traded nationwide or exported only if verified-legal.
The timber legality assurance system does not address the land allocation process and decisions about forest conversion. However, the right to use timber originating from natural forest conversion is regulated by the SVLK and a specific legality standard in the VPA.

Certification audits ensure that the conversion activities have been lawful, based on an environmental impact assessment and the correct forest classification, and that timber extraction is in compliance with the related technical and social legal requirements.

The most recent version of SVLK regulation made SVLK certification a precondition for any new permits for the use of timber from converted forests (IPK/IPHHK permits). Any operator applying for an IPK/IPHHK permit must demonstrate that they are engaged in a SVLK certification process. SVLK certification on IPK/IPHHK permits covers field assessment and one surveillance visit after six months (IPK permits are usually only valid for one year).

However, if no timber is (legally) sold or commercially traded from a conversion area there will be no application for an IPK/IPHHK permit and the conversion area will therefore not be part of any SVLK controls. In fact, nowadays, the amount of IPK/IPHHK timber is relatively small.

In 2019, MoEF issued Regulation No 66/2019 that tightens requirements on IPK operations by requiring that logs be marked and tagged before being transported from the first Forest Logyard (TPT). This improves the control and traceability of timber from these permits.

Other initiatives or processes in Indonesia, such as REDD+, address more specifically the issue of deforestation and natural forest conversion.

Changes from natural forests to forest plantations are not classified as forest conversion under Indonesian law. They are dealt with under the VPA legality standard for forest plantations.

Are there any areas or contexts in Indonesia in which the risk for illegal timber to be laundered would increase?

Under a strict implementation of the SVLK there should not be any permit type or area in Indonesia where the risk for illegal timber to enter into supply chains is higher, since the system provides for higher verification intensity (more frequent audits and stricter legal requirements for natural forests) in contexts where illegal logging could occur more frequently.

However, the risk may be greater in areas where numerous conversion operations take place, in particular if such areas are not (yet) SVLK-certified or where SVLK certificate of specific operation(s) has expired but this is not (yet) recognised by the system. To minimise the possibility of such occurrences, MoEF has been working to implement the integrated online system for sustainable forest management (SIPHPL). In late 2019, the system was demonstrated effectiveness in data reconciliation at the national level. In addition to SIPHPL, MoEF is also working on interlinkages between other theme-specific online monitoring systems (SIPNBP, SIPUUH, SIRPBBI, and SILK) to enable real time coordination of production, tax payments, and certification status. The source of timber is one of the
The introduction of the Supplier’s Declaration of Conformity procedure allows all operators along the supply chain, apart from exporters, to produce, process and trade timber products without being SVLK-certified.

However, this specific procedure applies only to timber and timber products originating from privately owned forests and lands, considered to be low-risk sources. As soon as a company has a timber supply originating from natural forests, this company must be SVLK-certified. Timber species planted/growing in privately owned forests are easily recognisable.

If an exporter, or another SVLK-certified company, uses “SDoC timber”, the Conformity Assessment Body will check that this operator has verified the information declared by its direct supplier(s), through field inspections when needed.

Thus, the main risk for illegal timber to be traded probably lies in cases where the whole supply chain is not SVLK-certified i.e. timber/timber products being traded exclusively in the domestic market. Consistency of the data declared along the supply chain will be checked by the Periodic Evaluator (termed ‘independent auditor’ in other VPAs) after FLEGT licensing has started. Indonesia has issued a public procurement policy that will also promote SVLK use in the domestic market.

Part five: Ensuring effective VPA implementation

What if problems emerge? Who has oversight of the VPA?

A Joint Implementation Committee (EU-Indonesia) oversees the implementation of the VPA and will respond to any concerns about problems in implementation as they arise. Implementation therefore improves as it proceeds. See Article 14 of the VPA.

The VPA also gives Indonesian civil society organisations, individuals and communities a role as independent monitors as an integral part of Indonesia’s timber legality assurance system. This gives civil society unprecedented oversight of private sector and government performance. See Annex V of the VPA.

Independent monitors can report if SVLK audits are flawed or if companies do not comply with the Indonesian legality standard. They can file complaints about operators, audit companies, government agencies, the independent periodic evaluator, the licensing authorities or the accreditation body.

The ‘periodic evaluator’ in the Indonesian VPA (termed ‘independent auditor’ in other VPAs), regularly assesses whether the timber legality assurance system functions as described in the VPA and will report to the Joint Implementation Committee. See Annex VI of the VPA.
How does the VPA address grievances?

The VPA includes a mechanism to resolve grievances. Under the agreement, stakeholders in the forestry sector in Indonesia can raise issues with the EU-Indonesia Joint Implementation Committee through the Periodic Evaluator or by putting matters of concern on the agenda for Joint Implementation Committee meetings.

Who is the periodic evaluator?

The periodic evaluator is an independent evaluator (with auditing qualifications following ISO rules) whose role is to regularly assess whether the timber legality assurance system functions as described in the VPA. The periodic evaluator reports findings to the Indonesia-EU Joint Implementation Committee.

A specific annex in the VPA describes the status, skills and tasks of the periodic evaluator. The team assigned to carry out periodic evaluation shall not be directly engaged in the TLAS implementation and demonstrate auditing experience. See Annex VI of the VPA.

Indonesia recruited periodic evaluators in consultation with the EU. The process to appoint the first periodic evaluator resulted in the appointment in December of one-year contract by PT Sucofindo - SBU LSI. The second period evaluation as conducted by the Netherlands-based organisation Profundo. The third periodic evaluation is due to be completed by Profundo as well in early 2021.

Who are the independent monitors?

The VPA defines independent monitors and their rights and responsibilities. The VPA states that Indonesian civil society organisations, communities and individuals can act as independent monitors of the timber legality assurance system. The corresponding SVLK regulation details the independent monitors’ tasks and their access to information.

To perform this task, Indonesian civil society organisations formed a number of monitoring networks including the Independent Forest Monitoring Fund (IFM Fund), Jaringan Pemantau Independent Kehutanan (JPIK), Aliansi Pemantau Independen Kehutanan Sumatera (APIKS), Aliansi Anti Mafia Hutan (Alliance Against Forest Mafia), and Eyes of the Forests (EoF). JPIK is the largest independent monitor, whose members include more than 2000 individuals and 60 member organisations.

Civil society organisations in Sumatra also established an independent forestry monitoring association (APIKS – Asosiasi Pemantau Independen Kehutanan Sumatera), with more than 80 individual and 20 organisational members.

Other civil society networks, such as the Anti Forest-Mafia Coalition (Koalisi Anti Mafia Hutan) Eyes on the Forests also conduct forest monitoring.

Individuals can also act as independent monitors.
What complaints have independent monitors made and what were the outcomes?

Numerous formal monitoring missions are carried out each year by independent monitors. Informal surveys are also carried out. By the end of 2019, these activities had led to 37 complaints that are listed in the non-compliance portal in SILK. All of these complaints have been reviewed by MoEF and addressed. One complaint filed with KAN (Indonesia’s National Accreditation Body) led to the revocation of the accreditation of one Conformity Assessment Body.

What will happen to FLEGT licensed timber that is shown to be illegal?

If a FLEGicensed shipment is reported to be illegal in Indonesia before it leaves the country, the relevant licensing authority shall cancel the licence, which will stop the shipment. The Ministry of Environment and Forestry, through its Licensing Information Unit, can also tell the relevant licensing authority to cancel the licence, which will stop the shipment.

If a FLEGT-licensed shipment is proven to be illegal in Indonesia after it leaves the country, the Licensing Information Unit would inform the relevant EU Competent Authority. If the Licensing Information Unit can contact the EU Competent Authority before the shipment is released by Customs in the EU, the shipment would be seized and would not be placed on the EU market.

Enforcement actions would be taken against the companies involved in the production and trade of the related timber in Indonesia. Authorities in the EU may also take action against the importer(s).

If the Licensing Information Unit can only contact the relevant EU Competent Authority after the FLEGT licensed timber has been released by customs in the EU, the Competent Authority would investigate and try to intercept the timber. Both Indonesia and the relevant EU member state would take enforcement actions against implicated companies.

What happens when the legality assurance system fails to detect illegal timber?

If and when illegal timber is shown to have passed through Indonesia’s timber legality assurance system undetected, this will provide opportunities to strengthen the system to avoid a reoccurrence of the breach.

The VPA is part of a holistic yet gradual improvement of forest governance in Indonesia.

The VPA will not eliminate illegal logging overnight.

The timber legality assurance system is adaptive and subject to continuous improvement, informed by regular reports from SVLK auditors, independent monitors, and the periodic evaluator.

The Joint Implementation Committee conducts the oversight of the agreement and will take remedial actions if systematic failures are identified.
4. Official documents from the EU-Indonesia VPA process

Legal bases

EU-Indonesia FLEGT VPA:

- **Voluntary Partnership Agreement between the European Union and the Republic of Indonesia** on forest law enforcement, governance and trade in timber products into the European Union – text and annexes (20 May 2014) [link]

- **Commission Decision (EU) 2015/1158** of 8 July 2015 **on the position to be taken by the Commission**, on behalf of the European Union, in the **Joint Implementation Committee** set up by the Voluntary Partnership Agreement between the European Union and the Republic of Indonesia on Forest Law Enforcement, Governance and Trade in timber products into the European Union **as regards the amendments to the Annexes I, II, and V** of the Voluntary Partnership Agreement between the European Union and the Republic of Indonesia [link]

- **Council Decision 2014/284/EU** of 14 April 2014 **on the conclusion of the Voluntary Partnership Agreement** between the European Union and the Republic of Indonesia on forest law enforcement, governance and trade in timber products to the European Union [link]

- **Decision No 1/2016 of the Joint Implementation Committee** set up by the Voluntary Partnership Agreement between the European Union, of the one part, and the Republic of Indonesia, of the other part of 15 September 2016 **concerning the start date of the Forest Law Enforcement Governance and Trade (FLEGT) licensing scheme** [2016/1797] [link]

FLEGT Regulation:

- **Council Regulation (EC) No 2173/2005** of 20 December 2005 **on the establishment of a FLEGT licensing scheme** for imports of timber into the European Community [link]


Joint Implementation Committee meetings

- Indonesia-EU VPA Joint Implementation Committee. 2019. Record of discussion of the 7th Joint Implementation Committee meeting, 18 November 2019 [PDF]

- Indonesia-EU VPA Joint Implementation Committee. 2018. Record of discussion of the 6th Joint Implementation Committee meeting, 1 March 2018 [PDF]
- Indonesia-EU VPA Joint Implementation Committee. 2016. Record of discussion of the 5th Joint Implementation Committee meeting, 15 September 2016 [PDF]

- Indonesia-EU VPA Joint Implementation Committee. 2016. Record of discussion of the 4th Joint Implementation Committee meeting, 18 May 2016 [PDF]

- Indonesia-EU VPA Joint Implementation Committee. 2015. Record of Discussion of the 3rd Joint Implementation Committee, 8 July 2015 [PDF]

- Indonesia-EU VPA Joint Implementation Committee. 2015. Record of Discussion of the 2nd Joint Implementation Committee, 12 February 2015 [PDF]

- Indonesia-EU VPA Joint Implementation Committee. 2014. Record of discussion of the 1st Joint Implementation Committee, 24 September 2014 [PDF]

**Periodic evaluations**

- Periodic Evaluation FLEGT VPA – Indonesia and the European Union: Second Annual Evaluation of the TLAS Functionality in Indonesia [PDF]

- Periodic Evaluation FLEGT VPA – Indonesia and the European Union: First Annual Evaluation of the TLAS Functionality in Indonesia [PDF]

**Progress reports**

- Annual report 2019: Implementation of the Indonesia–EU FLEGT Voluntary Partnership Agreement [PDF English]


- Annual report progress update April 2015-May 2016: Implementing the Indonesia – EU FLEGT Voluntary Partnership Agreement [PDF English]

- Annual report May 2014-April 2015: Implementing the Indonesia – EU FLEGT Voluntary Partnership Agreement [PDF English] [PDF Bahasa Indonesia]

**Reports on the application of the FLEGT Regulation in the EU**

The reports on the application of the FLEGT Regulation in the EU can be found [here](#).
Action plans

- Summary of joint Indonesia-EU actions for the implementation of the FLEGT-VPA, 2020 [PDF]
- Summary of joint Indonesia-EU actions for the implementation of the FLEGT-VPA, 2018 [PDF]
- Summary of joint Indonesia-EU actions for the implementation of the FLEGT-VPA, 2017 [PDF]
- Summary of joint Indonesia-EU actions for the implementation of the FLEGT-VPA, July 2015 [PDF]
- Indonesia-EU VPA Joint Implementation Committee. 2015. Summary of Indonesia-EU Action Plan on the Advancement of VPA Implementation [PDF]

Update emails from the Joint Implementation Committee to stakeholders

- 2 December 2019 – Indonesia and EU celebrate three years of licensing of legal timber, under their Forest Law Enforcement, Governance and Trade (FLEGT) Partnership [PDF]
- 8 April 2018 – Lessons learnt from Indonesia: The First Year of FLEGT Licensing [PDF]
- 6 December 2017 – Indonesia and the EU release latest annual report on VPA progress [PDF]
- 28 October 2017 – Clarification on the numbers of FLEGT Licences issued [PDF]
- 20 October 2017 – Progress in implementing the Indonesia - EU FLEGT Voluntary Partnership Agreement [PDF]
- 30 September 2016 – Indonesia, the first country to issue FLEGT Licences [PDF]
- 23 August 2016 – EU adopts Regulation to recognize FLEGT Licences from Indonesia [PDF]
- 8 June 2016 – Indonesia Will Send FLEGT-Licensed Timber to Europe by End of 2016 [PDF]
- 30 September 2015 – Indonesia-EU JIC reports on VPA progress [PDF]
- 16 July 2015 – VPA JIC Recommends that Indonesia and the EU Initiate Internal Preparations for FLEGT Licensing [PDF]
− 23 April 2015 – Progress on the Indonesia - EU FLEGT Voluntary Partnership Agreement [PDF]

Other resources

− Joint Statement between Indonesia and the EU on the conclusion of the negotiation for a FLEGT VPA [PDF]

− Public summary with results of the second stage of the joint assessment of Indonesia's TLAS [PDF]

− Briefing note, May 2011 (EN IND)

− Baseline study 7, Indonesia: Overview of Forest Law Enforcement, Governance and Trade [PDF]

Useful websites:

− Timber Legality Information System (SILK)

− EU delegation in Indonesia

− VPA Unpacked: Helping you understand FLEGT Voluntary Partnership Agreements

− MFP3: Multi-stakeholder Forestry Programme

− ITTO: VPA independent market monitoring

− LoggingOff.info: Indonesia