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This summary is based on *VERIFOR Case Study No. 9: 'Systems for Verification of Legality in the Indonesian Forest Sector'* by Adrian Wells, Ngadiono and Daru Asycarya. VERIFOR case studies explore the principles of verification practice in the forest sector. Full reports are available at <http://www.verifor.org>.

Indonesia is the largest exporter of tropical timber in the world. With exceptionally high levels of illegality, the forest sector in Indonesia has become the focus for a wide range of donor-, NGO and private-sector initiatives aimed at promoting legal and sustainable trade. However, while many of these efforts focus on civil-society monitoring and voluntary standard-setting, the priority remains to strengthen the mandatory “backbone” of existing monitoring and verification systems. This includes:

- (i) Legal compliance in respect of timber administration (PUHH) and harvest practices (including compliance with selective Cutting and environmental management systems);
- (ii) ‘Certification’ against mandatory C&I for SFM, introduced under an initiative to revitalize and secure the long-term viability of natural production forest management.
- (iii) Mandatory export registration (EPTIK).

Routine timber administration and monitoring of harvest practices is undertaken by Provincial and District level forestry offices under powers delegated by Ministerial Decree. Responsibility for verifying compliance with mandatory C&I for SFM is split between an internal Ministerial Working Group (Pokja) and 16 Independent Evaluation Institutions (LPIs) appointed by MoF. Mandatory export registration requires prior endorsement by the Timber Industry Revitalisation Body (BRIK), an industry organization operating under a Ministerial mandate.

This multi-agency arrangement has the potential to deliver comprehensive oversight of the sector. Nevertheless checks and balances with respect to its individual components remain weak. Specific concerns include:

- Weak supervision by Provincial and Ministerial levels with respect to timber administration and harvest monitoring by District forestry offices. This partly reflects inconsistencies in the distribution of roles and responsibilities as set out in laws on administrative decentralisation and equivalent forest-sector decrees.
- Limited transparency with respect to verification decisions. These decisions remain the exclusive privilege of the Minister of Forests, with the power to override the recommendations of the team appointed to evaluate LPI reports. LPIs are also directly funded by MoF possibly raising questions over their independence.
- Lack of public access to BRIK’s procedures for endorsing export registration of companies. BRIK relies on transport permits (SKSHH) as a proxy for legality; but it is questionable whether these provide sufficient guarantee of legal origin. As an industry body itself consisting of exporting companies, BRIK’s independence in determining legality may also be questioned.
- Joint enforcement sweeps by MoF and the Police under Operation Sustainable Forests (OHL) arguably override existing verification systems. No clear standards or procedures have been established for evaluation and decision-making. OHL also relies on criminal law as opposed to administrative sanctions or more managerial approaches to compliance.

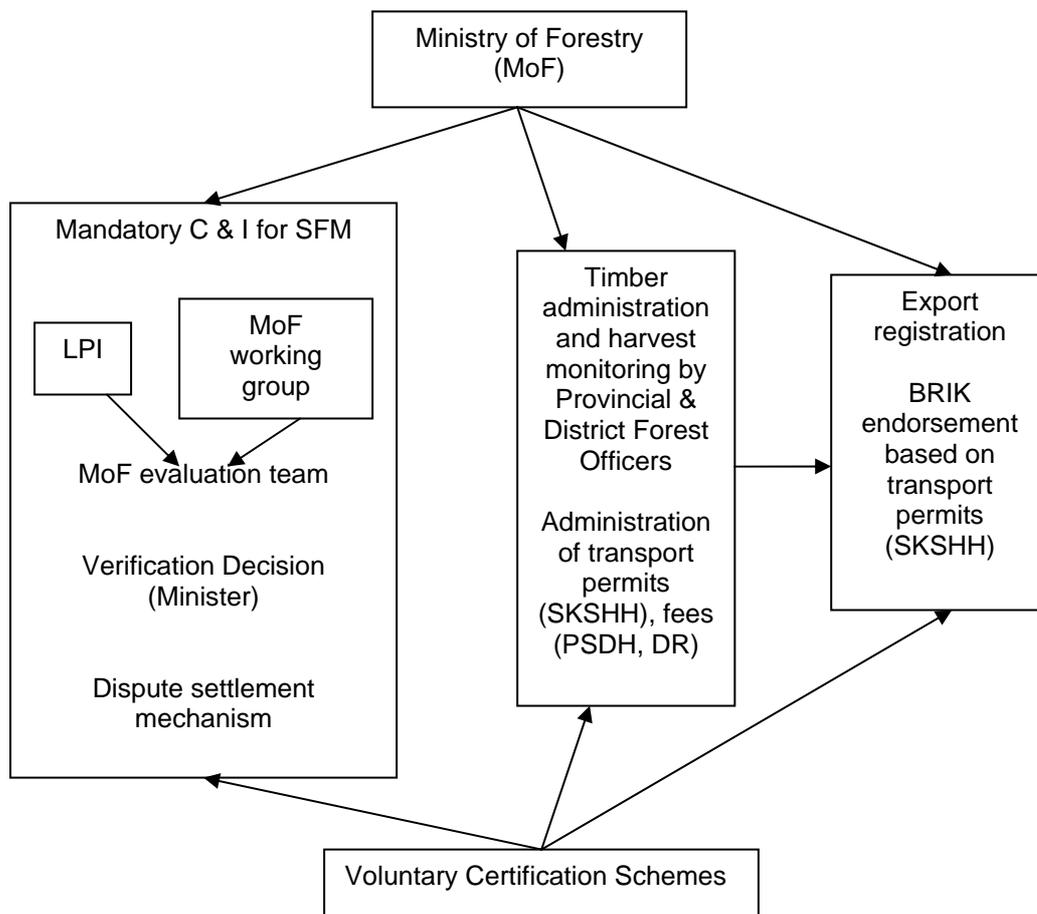
Possible measures for enhancing the integrity of mandatory verification systems include:

- Reforms to forest-sector regulations in line with laws on administrative decentralisation, as well as capacity building of Provincial and District forest offices, to enable more effective oversight of harvest practices and timber administration.

- Introduction of ISO9001:2000, ISO 14000, ISO19000 (as appropriate) to strengthen consistency and accountability in routine monitoring and timber administration.
- Multi-agency involvement in the evaluation of LPI and Pokja reports to introduce greater oversight of verification decisions; as well as more consistent use of MoF's dispute settlement mechanism (Dewan Pertimbangan Verifikasi) in appealing verification decisions.
- Engagement with emerging mechanisms such as the National Ombudsman Commission, in providing securing the public accountability of the forest monitoring and verification systems

It is also important to review the extent to which voluntary certification initiatives are now working to guarantee the integrity of mandatory monitoring and verification systems at key points in the production chain including, pre-harvest planning, post-harvest timber administration, processing and export. While such schemes will only provide third-party oversight with respect to individual operators, there is potential to incorporate best practice into mandatory systems, including C&I for SFM as well as measures to secure chain-of-custody.

A comprehensive review of existing implementing regulations and Ministerial decrees may also be necessary in order to define basic requirements for legal origin, compliance and sustainability (including appropriate sanctions). Work to develop a legality standard under the UK – Indonesia *Memorandum of Understanding on Cooperation to Improve Forest Law Enforcement and Governance*, goes some way to achieving this but remains to be endorsed by the Ministry of Forests.



VERIFOR is a research partnership between ODI, CATIE, CIFOR and RECOFTC, with funding from the European Union and the Governments of the Netherlands and Germany. It seeks to ensure that timber and forest products are legally harvested, and will help producer nations establish verification systems with high national and international credibility.