Research Report for Project on “Enhancing Community-Based Commercial Forestry in Indonesia (ACIAR FST/2015/040)”

Status of Forest and Timber Certification for Smallholder Growers in Indonesia

2019
STATUS OF FOREST AND TIMBER CERTIFICATION FOR SMALLHOLDER GROWERS IN INDONESIA

By:
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Research report for project: “Enhancing Community-Based Commercial Forestry in Indonesia” (ACIAR FST/2015/040)
Research team

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Preface

This report was a component of the ACIAR project FST/2015/040 ‘Enhancing community-based commercial forestry in Indonesia’, conducted from July 2016 to December 2020. The report was part of the studies under objective 1: ‘To enhance the commercial benefits from community-based commercial forestry (CBCF) for smallholders by strengthening their business networks’.

Acknowledgements

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Citation

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**List of Abbreviations**

CoC  Chain of Custody  
CW   Controlled Wood  
DKP  *Deklarasi Kesesuaian Pemasok* (Supplier conformity declaration)  
FM   Forest Management  
FSC  Forestry Stewardship Council  
HA   *Hutan Alam* (Natural Forest)  
HD   *Hutan Desa* (Village Forest)  
HKm  *Hutan Kemasyarakatan* (Community Forest)  
HT   *Hutan Tanaman* (Timber Plantation)  
HTHR *Hutan Tanaman Hasil Reboisasi* (Timber Plantation by Government’s Forest Rehabilitation)  
HTR  *Hutan Tanaman Rakyat* (Community Timber Plantation)  
IPK  *Industri Pengolahan Kayu* (Timber Processing Industry)  
IPPKH  *Izin Pinjam Pakai Kawasan Hutan* (Permit to use Forest Area)  
IRT  *Industri Rumah Tangga* (Home Industry)  
IUIP HHK *Izin Usaha Industri Primer Hasil Hutan Kayu* (Business Permit for Timber Primary Industry)  
IUPHHK *Izin Usaha Pemanfaatan Hasil Hutan Kayu* (Business Permit for Timber Utilization)  
LPVI  *Lembaga Penilai dan Verifikasi Independen* (Independent Assessment and Verification Agency)  
Permenhut  *Peraturan Menteri Kehutanan* (Ministry of Forestry Regulation)  
PermenLHK  *Peraturan Menteri Lingkungan Hidup dan Kehutanan* (Ministry of Environment and Forestry Regulation)  
PHPL  *Pengelolaan Hutan Produksi Lestari* (Sustainable Production Forest Management)  
RE  *Restorasi Ekosistem* (Ecosystem Restoration)  
S-LK  *Sertifikat Legalitas Kayu* (Timber Legality Certificate)  
S-PHPL  *Sertifikat Pengelolaan Hutan Produksi Lestari* (Sustainable Production Forest Management Certificate)  
SVLK  *Sistem Verifikasi Legalitas Kayu* (Timber Legality Assurance System)  
TDI  *Tanda Daftar Industri* (Registered Industry)  
TPT  *Tempat Penampungan (kayu) Terdaftar* (Registered Timber Depot)
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Introduction

Forests have been certified since the early 1990s under a number of schemes to address the issues of global deforestation and forest degradation and to promote responsible forest management. Certification schemes have a set of principles, criteria and indicators related to the ecological, social and economic aspects of forest management. Independent bodies assess the compliance of forest management against the schemes (Romero et al. 2013).

Forest certification in smallholder and community forests in Indonesia operates under three schemes:

- Forest Stewardship Council (FSC) scheme, a global scheme that is voluntary;
- Indonesian Ecolabelling Institute (LEI, Lembaga Ekolabel Indonesia) scheme that is voluntary; and
- Indonesian Timber Legality Assurance System (SVLK, Sistem Verifikasi Legalitas Kayu) that is required by Indonesian law for all wood product exporters from Indonesia.

The two main schemes are FSC and SVLK. This report provides an overview of these two schemes in Indonesia with particular reference to smallholder and community forests, and progress of certification as measured by the number of certificates issued and the area of forest certified.

Overview of FSC certification

The Forest Stewardship Council (FSC) is an independent, non-governmental, not-for-profit organisation established in 1993 to promote the responsible management of forests. It sets standards, and provides trademark assurance and accreditation services to companies and organisations that practice sustainable forestry. Products carrying the FSC label are independently certified to assure consumers that they come from forests that are managed to meet the social, economic and ecological needs of present and future generations.

In Indonesia, the applicable FSC standard is the ‘Harmonised Certification Bodies’ Forest Stewardship Standard for the Republic of Indonesia’. It was approved in 2013 as the generic standard to apply nationally in Indonesian natural forests, plantations and SLIMF (Small and Low Intensity Managed Forests) (FSC 2013).

Types of FSC certification

There are two main types of FSC certification.

- FSC forest management certification is awarded for responsible management of a forest or plantation area. The system provides forest management certificates that are issued to forest enterprises.
- FSC chain of custody certification tracks FSC-certified material along the supply chain in recognition that wood, and other tree-based products sourced from forests can undergo many processes before they become a product for sale. Chain of custody certificates are issued to organisations, which convert or trade forest products.
FSC certification is valid for five years, subject to annual checks by independent auditors that FSC requirements are continuously met.

**FSC certificates**

Under the FSC scheme, the following types of certificates can be issued:

**Forest management certificates (FM, FM/CoC)** — issued to forest enterprises (mixed FM and CoC certificates can be issued).

**Chain of custody certificates (CoC)** — issued to organisations, which convert or trade forest products.

**Controlled wood in forest management certificates (CW/FM)** — not all companies are able to source 100% FSC-certified wood for their products. In this case, they can supplement it with controlled wood from a forest management company that has controlled wood certification.

**FSC labels**

FSC labels can be found on numerous products around the world. The labels assure consumers that the product they are buying has been made from wood from responsible sources.

There are three types of FSC product labels.

FSC 100% – The wood within the product comes completely from FSC-certified forests. FSC research showed that over a third of the certificate holder respondents to its global market survey reported they sold FSC 100% products.¹

FSC recycled – The wood or paper in the product comes from reclaimed (re-used) material.

FSC mix – The wood within the product is from FSC-certified material, recycled material, or controlled wood. While not fully FSC-certified, controlled wood cannot be:

- illegally harvested;
- harvested in violation of traditional and civil rights;
- harvested in forests where high conservation values (HCVs) are threatened;
- harvested in forests being converted to plantations or non-forest use; or
- harvested in forests where genetically modified trees are planted.

**Overview of SVLK certification**

Timber Legality Assurance System or *Sistem Verifikasi Legalitas Kayu* (SVLK) is an assurance system established by the Ministry of Environment and Forestry (MOEF) within the Government of Indonesia, to ensure sustainability of forest management and/or timber legality and timber tracking. The system was first introduced in Indonesia in 2009 through the issuance of Minister of Forestry Regulation or *Peraturan Menteri Kehutanan* (Permenhut) No. 38 / Menhut-II / 2009.

Since the first issuance, regulation related to SVLK has been revised namely through the Permenhut No. 68/2011, Permenhut No. 45/2012, Permenhut No. 42/2013, Permenhut No. 43/2014, Permenhut No. 95/2014 and lastly by Permenhut No. 30/2016. As the subordinate of the last Permenhut, there is also the Regulation of Director General of Sustainable Production Forest Management No. 14/2016. These regulations currently provide the legal basis for implementing SVLK in Indonesia. Apart from these regulations, the MOEF issued Permenhut No. 85/2016 that specifically regulates timber transportation from smallholder plantations.

The SVLK is mandatory to all timber business actors in Indonesia that produce wood products that are sold within Indonesia or exported, including timber growers, processors, traders and industries. It applies to all right holders of timber utilization including forest concessions, social forestry, smallholder private forests, timber processors, craftsmen and log/timber traders.

Two types of certificates can be issued in SVLK, i.e. the S-PHPL or Sertifikat Pengelolaan Hutan Produksi Lestari (Sustainable Forest Production certificate) and S-LK or Sertifikat Legalitas Kayu (Timber Legality certificate). The S-PHPL certificate is granted to right holders of forest areas who have been assessed to comply with the certification requirements of sustainable forest management. The S-LK certificates are awarded to all right holders as assurance that their timber or timber products are legal. Both certificates have different validity periods and need to undergo surveillance assessment prior to extension (Table 1).

Exception is given to the smallholder private forests who have not been able to obtain the S-LK by issuing a self declaration of timber legality or Dokumen Kesesuaian Pemasok (DKP). The document declares legality of timber based on a land ownership certificate as required by the Permenhut No. 85/2016 and described in more detail in the regulation of Director General of Sustainable Production Forest Management or Perdirjen PHPL No. 85/2016. In practice, this exception of SVLK for smallholder timber can be accepted by using the documents of Nota Angkutan and Nota Angkutan Lanjutan as presented at Annex 1 and Annex 2.

The certified timber and timber products are marked with the S-LK logo as shown in Figure 1. The logo indicates that the timber or timber products are allowed to be traded overseas (exported) and will be allowed entry into importing countries without undergoing further due diligence, particularly into European Union countries that have signed an agreement with the Government of Indonesia in the recognition of SVLK.

Figure 1. The S-LK logo of certified timber or timber products
Table 1. Types of SVLK certificates and their validity and surveillance periods based on Permenhut No. 30/2016

<table>
<thead>
<tr>
<th>No.</th>
<th>Type of right holders</th>
<th>SVLK certificate</th>
<th>Validity period (year)</th>
<th>Surveillance period (months)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Izin Usaha Pemanfaatan Hasil Hutan Kayu – Hutan Alam/Hutan Tanaman/Restorasi Ekosistem (IUPHHK-HA/HT/RE) Forest concessions (logging companies, timber estates, restoration companies)</td>
<td>S-PHPL</td>
<td>5</td>
<td>12</td>
</tr>
<tr>
<td></td>
<td></td>
<td>S-LK</td>
<td>3</td>
<td>12</td>
</tr>
<tr>
<td>2</td>
<td>Izin Usaha Pemanfaatan Hasil Hutan Kayu – Hutan Tanaman Rakyat/Hutan Kemasyarakatan/Hutan Desa/Hutan Tanaman Hasil Reboisasi (IUPHHK-HTR/HKm/HD/HTHR) Social Forestry schemes</td>
<td>S-LK</td>
<td>6</td>
<td>24</td>
</tr>
<tr>
<td>3</td>
<td>Izin Pemanfaatan Kayu/Izin Pinjam Pakai Kawasan Hutan (IPK/IPPKH) Wood based industries</td>
<td>S-LK</td>
<td>1</td>
<td>6</td>
</tr>
<tr>
<td>4</td>
<td>Izin Usaha Industri Pemanfaatan Hasil Hutan Kayu (IUIPHHK) with all timber supplied from smallholder private forest. Wood based industries</td>
<td>S-LK</td>
<td>6</td>
<td>24</td>
</tr>
<tr>
<td>5</td>
<td>IUIPHHK &gt; 6,000 m3/year (production capacity) Wood based industries</td>
<td>S-LK</td>
<td>3</td>
<td>12</td>
</tr>
<tr>
<td>6</td>
<td>Izin Usaha Industri (IUI) with investment up to IDR 500 million or production capacity of 6,000 m3/year Wood based industries</td>
<td>S-LK</td>
<td>6</td>
<td>24</td>
</tr>
<tr>
<td>7</td>
<td>IUI with investment &gt; IDR 500 million Wood based industries</td>
<td>S-LK</td>
<td>6</td>
<td>12</td>
</tr>
<tr>
<td>8</td>
<td>Smallholder private forest</td>
<td>S-LK</td>
<td>10</td>
<td>24</td>
</tr>
<tr>
<td>9</td>
<td>Tanda Daftar Industri (TDI) Wood based industries</td>
<td>S-LK</td>
<td>6</td>
<td>24</td>
</tr>
<tr>
<td>10</td>
<td>Home industry/Artisan</td>
<td>S-LK</td>
<td>10</td>
<td>24</td>
</tr>
<tr>
<td>11</td>
<td>Tempat Penampungan (kayu) Terdaftar (TPT) Timber trader</td>
<td>S-LK</td>
<td>6</td>
<td>24</td>
</tr>
</tbody>
</table>

Progress of certification

FSC scheme in Indonesia

Trends in FSC certification

FSC publishes trends in global statistics on forest certification under the FSC scheme in its series ‘FSC Facts & Figures’ (FSC 2017a). The area of forest in Indonesia certified under the FSC scheme increased from 1.25 million hectares in 2012 to 3.85 million hectares in 2017, a growth of more than 200% over the five-year period (Figure 2).
From 2012 to 2017, the number of forest management (FM) and forest management/chain of custody (FM/CoC) certificates held in Indonesia nearly doubled, increasing from 19 to 37 (Figure 3). The number of chain of custody (CoC) certificates in Indonesia grew steadily from 2012 to 2017, increasing from 175 to 253 certificates (Figure 3).

During 2012 to 2017, the uptake of FSC certification in Indonesia was more rapid than the uptake globally (Table 2). As at September 2017, the area of forest in Indonesia under forest management certification (FM & FM/CoC) was 2% of the global total, up from 1% in 2012. As at September 2017, companies in Indonesia held 0.8% of the global CoC certificates.
Table 2. Uptake of FSC certification in Indonesia and globally, 2012-2017

<table>
<thead>
<tr>
<th>Year</th>
<th>Area under forest management certification (FM &amp; FM/CoC)</th>
<th>Number of FM &amp; FM/CoC certificates</th>
<th>Number of CoC certificates</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Indonesia</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>1.25 M ha</td>
<td>19</td>
<td>175</td>
</tr>
<tr>
<td>2017</td>
<td>3.85 M ha</td>
<td>37</td>
<td>253</td>
</tr>
<tr>
<td></td>
<td>World</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>157.31 M ha</td>
<td>1,124</td>
<td>23,674</td>
</tr>
<tr>
<td>2017</td>
<td>198.68 M ha</td>
<td>1,513</td>
<td>32,802</td>
</tr>
</tbody>
</table>

Note: During 2012 to 2017, the number of countries with FM & FM/CoC certification increased from 80 to 84; the number of countries with CoC certification increased from 107 to 121.

Source: FSC (2017a).

The 10 largest forest management units (FMU) in the world with FSC certificates ranged from 2 million ha (in Russia) to nearly 6 million ha (in Canada). The largest FMU with a FSC certificate in Indonesia is in West Papua province (298,710 ha).

FSC certificates held as at September 2017

FSC provides a facility for the public to search certificates by country and certificate type (FSC 2017b). A search for certificates held by organisations in Indonesia as at September 2017 showed that 297 certificates were held under the FSC scheme. The types of certificates held were:

- FM (Forest management) – 1 certificate;
- FM/CoC (Chain of custody) – 38 certificates;
- CW (Controlled wood) / FM – 6 certificates; and
- CoC – 253 certificates (FSC 2017b)\(^2\).

As at September 2017, four certificates in Indonesia were suspended, 16 FM/CoC certificates had been terminated and more than 200 CoC certificates had been terminated (FSC 2017b).

There was one FM certificate, held by an organisation in West Nusa Tenggara province, covering 185 ha. There is no harvesting of forest products – the organisation only claims watershed services by increasing the cover of native forest.

The attributes of the 38 FM/CoC certificates held as at September 2017 are shown in Table 3. Most certificates (20) were held for forests in Kalimantan where the area of the FMUs was 1.92 M ha or 60% of the total area of forest covered by FSC certification in Indonesia. Typical of these certificates was that held by PT Balayan River Timber (certificate CU-FM/CoC-813447) that covered a forest concession area of 97,500 ha of lowland dipterocarp forest managed as a single FMU in East Kalimantan province. The company holds a legislated permit for timber harvesting (selective cutting and enrichment planting) in the concession from 1996 to 2051. Under the FSC certification the approximate annual allowable cut of commercial timber is 39,731 cubic metres per year based on a 45-year forest rotation.

\(^2\) There were minor differences between FSC ‘Facts & Figures’ data and data extracted from the public certificate search facility on the FSC website.
Table 3. Attributes of FM/CoC certificates in Indonesia held as at September 2017

<table>
<thead>
<tr>
<th>Region (Province)</th>
<th>No. FSC certificates</th>
<th>Area of Forest Management Units (ha)</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kalimantan (Central Kalimantan, East Kalimantan &amp; West Kalimantan)</td>
<td>20</td>
<td>1,919,682 (60% of area certified)</td>
<td>19 certificates cover areas ranging from 28,220 ha to 216,850 ha. One certificate is for a Group SLIMF scheme.</td>
</tr>
<tr>
<td>Java (West Java, Central Java &amp; East Java)</td>
<td>8</td>
<td>279,786 (9% of area certified)</td>
<td>Perum Perhutani (a state-owned enterprise) holds one certificate that covers 277,033 ha of forest. The other seven certificates are for Group SLIMF schemes.</td>
</tr>
<tr>
<td>Sumatra (South Sumatra and Riau)</td>
<td>3</td>
<td>109,040 (3% of area certified)</td>
<td>One certificate covers 90,956 ha. Two certificates are for Group SLIMF schemes.</td>
</tr>
<tr>
<td>Papua &amp; West Papua provinces</td>
<td>4</td>
<td>651,055 (21% of area certified)</td>
<td>The four certificates cover areas ranging from 82,120 ha to 298,710 ha.</td>
</tr>
<tr>
<td>Gorontalo province</td>
<td>1</td>
<td>74,155 (2% of area certified)</td>
<td>The certificate covers several forest management units.</td>
</tr>
<tr>
<td>Maluku province</td>
<td>1</td>
<td>148,450 (5% of area certified)</td>
<td>The forests certified are on Buru island and include Shorea and Eucalyptus species.</td>
</tr>
<tr>
<td>Yogyakarta &amp; Southeast Sulawesi provinces</td>
<td>1</td>
<td>1014 (&lt;0.1% of area certified)</td>
<td>The certificate covers two Group SLIMF schemes.</td>
</tr>
<tr>
<td>Total</td>
<td>38</td>
<td>3,183,182</td>
<td></td>
</tr>
</tbody>
</table>

Certificates for other large FMUs were held for forests in Papua and West Papua provinces (four certificates for 651,055 ha representing 21% of the total area of forest with FSC certification in Indonesia), one certificate in Riau province in Sumatra (90,956 ha), one in Gorontalo province (74,155 ha), one in Maluku province (148,450 ha), and one in Java (277,033 ha).

Perum Perhutani (a state-owned enterprise) held the latter certificate (certificate SGS-FM/CoC-010716) that covers 277,033 ha of forest in eight FMUs in the provinces of East Java, Central Java and West Java. Of the area within the scope of the certificate, 220,868 ha are classified as ‘plantation’ and are managed for timber production and the remainder is protected forest. The certified forests are managed for production of Acacia mangium, Tectona grandis, Swietenia mahogany and mixed hardwoods with a maximum annual allowable harvest of 34,187 cubic metres per year. The certified forest is a small proportion of the 2.4 M ha of forest managed by Perum Perhutani in Java.

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3 SLIMF = Small or low intensity managed forest.
4 The total area of forest certified in Indonesia, derived from the facility for the public to search certificates on the FSC website, was less than that stated in the summary statistics found at ‘Facts & Figures’ on the FSC website.
Eleven of the 38 FM/CoC certificates are for Group SLIMF schemes that cover 22,566 ha of forest (Table 4).

Table 4. Attributes of FM/CoC certificates held for Group SLIMF schemes in Indonesia as at September 2017

<table>
<thead>
<tr>
<th>Province (Regency) FSC certificate</th>
<th>Area of FMU (ha)</th>
<th>AAC (m3/year)</th>
<th>Main species harvested</th>
<th>Organisation &amp; other details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central Kalimantan (Katingan) SCS-FM/CoC-005915</td>
<td>690</td>
<td>1002 wet tonnes per year</td>
<td>Nine local species of Rattan</td>
<td>FME = Perkumpulan Petani Rotan Katingan (P2RK). Scheme has 209 members and 270 FMUs, producing Rattan harvested on a two-year cycle.</td>
</tr>
<tr>
<td>East Java (Probolinggo) SA-FM/CoC-002083</td>
<td>1004</td>
<td>n.d.</td>
<td>Sengon, Balsa, Gmelina, Jabon, Mahoni</td>
<td>FME = KSU Alas Mandiri KTI (KAM KTI). The scheme has 1296 farmers from 21 villages and 30 FMUs.</td>
</tr>
<tr>
<td>East Java (Ponorogo) SCS-FM/CoC-005367</td>
<td>690</td>
<td>4251</td>
<td>Pine, Sengon, Mahoni</td>
<td>FME = FMU Enggal Mulyo. The scheme has 14 farmer groups and 1553 members.</td>
</tr>
<tr>
<td>East Java (Probolinggo) SA-FM/CoC-005493</td>
<td>206</td>
<td>3277</td>
<td>Sengon, Gmelina, Balsa, Jabon</td>
<td>FME = KSU Bromo Mandiri KTI. The scheme has 413 members from 20 villages and 10 FMUs / farmer groups.</td>
</tr>
<tr>
<td>Central Java (Kebumen) SCS-FM/CoC-005063</td>
<td>252</td>
<td>n.d.</td>
<td>Mahoni, Jati, Teak, Albasia, Sengon, Rosewood</td>
<td>FME = KSU Taman Wijaya Rasa (Kostajasa cooperative), with 27 farmer groups and 1309 farmers, supported by TFT (The Forest Trust).</td>
</tr>
<tr>
<td>Central Java (Klaten) SCS-FM/CoC-005976</td>
<td>128</td>
<td>390</td>
<td>Jati, Mahoni</td>
<td>FME = Koperasi Petani Hutan Rakyat Lestari (Kopehral). The scheme has 15 farmer groups.</td>
</tr>
<tr>
<td>West Java (Padorangan) SCS-FM/CoC-005581</td>
<td>302</td>
<td>3067</td>
<td>Jabon, to produce small logs (20-25 cm dbhob) in 5-6 years to make pencil slats.</td>
<td>FME = PT Lestari Mahaputra Buana. The scheme has 409 members. The community has planted Jabon since 2009.</td>
</tr>
<tr>
<td>West Java (Cianjur) SCS-FM/CoC-005752</td>
<td>196</td>
<td>5893</td>
<td>Jabon, to produce small logs (20-25 cm dbhob) in 5-6 years to make pencil slats.</td>
<td>FME = PT. Sentosa Hastareksa. The scheme has 35 farmers and 67 FMUs. The community has planted Jabon since 2009.</td>
</tr>
<tr>
<td>South Sumatra (Musi Rawas) SCS-FM/CoC-004141</td>
<td>17,624</td>
<td>42,191</td>
<td>Pulai, Jabon</td>
<td>FME = PT Xylo Indah Pratama. The scheme has 8271 FMUs.</td>
</tr>
<tr>
<td>South Sumatra (Ogan Komering Ilir) SCS-FM/CoC-</td>
<td>460</td>
<td>13,582</td>
<td>Jabon, to produce small logs (20-25 cm dbhob) in 5-6 years to be</td>
<td>FME = PT Xylo Indah Pratama–Jejawi. The scheme has 231 members and 283 FMUs. Inventory indicates the average yield of</td>
</tr>
</tbody>
</table>
processed into pencil slats. planted Jabon is 45 m³/ha/year. 

<table>
<thead>
<tr>
<th>Location</th>
<th>Area (ha)</th>
<th>Members</th>
<th>Tree Species</th>
<th>FME</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yogyakarta &amp;</td>
<td>1014</td>
<td>2216</td>
<td>Teak, Mahoni, Albizia, Rosewood</td>
<td>PT Sosial Bisnis Indonesia.</td>
</tr>
<tr>
<td>Southeast Sulawesi</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SGS-FM/CoC-001027</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

FME = PT Sosial Bisnis Indonesia. The certificate covers two schemes – Koperasi Wana Lestari Menoreh (KWLM) in Yogyakarta (819 ha, 1339 members) and Koperasi Hutan Jaya Lestari (KHJL) in Southeast Sulawesi (195 ha, 147 members).

Notes:
1. AAC = Annual Allowable Cut for sustainable management, FME = Forest Management Entity, FMU = Forest Management Unit, n.d. = could not be determined from the available information or not yet calculated.
2. Albizia/Sengon (*Paraserianthes falcataria*), Jabon (*Anthocephalus cadamba*), Jati/Teak (*Tectona grandis*), Mahoni/Mahogany (*Swietenia sp.*), Pine (*Pinus merkusii*), Pulai (*Alstonia scholaris*), Rattan (e.g. *Calamus caesius*), Rosewood (*Dalbergia latifolia*).
3. In the certificate notation, the first three letters denote the certifying organisation (e.g. ‘SCS’ = SCS Global Services).

These Group SLIMF schemes are set up for smallholder forest growers. FSC defines a small producer in terms of the area of their forests or the volume of timber harvested each year. A small or low intensity managed forest, or SLIMF, can qualify for streamlined auditing procedures that reduce the cost of the audit (e.g. by reducing the intensity of sampling in the audit). The procedures also allow for desk-based audits in years where a small producer has not harvested timber. FSC has eligibility guidelines for SLIMFs that certification bodies use to determine whether or not a forest qualifies as a SLIMF. FSC has also policies to address the issues and obstacles with certifying communities (group certification policies) in which a group holds a certificate that covers a number of growers.

The information in Table 4 has been drawn from audits reports of the schemes (FSC 2017b) prepared by different certification companies accredited under the FSC system. The reporting format is not standardised, leading to statistics about the schemes being presented in different ways.

The Forest Management Entity (FME), or ‘owner’ of the group SLIMF scheme, in some cases is a cooperative organisation and in other cases is a private sawmilling company. For example, for certificate SCS-FM/CoC-005063, KSU Taman Wijaya Rasa (Kostajasa cooperative) is the legal entity that was formed by a group of farmers in Kebumen Regency, Central Java to manage Mahoni forests. In 2006, The Forest Trust (TFT), a non-government organisation, began to support the work of the cooperative. On the other hand, PT Sentosa Hastareksa is the FME for certificate SCS-FM/CoC-005752 that applies to 196 ha of forest in West Java. The company holds a primary processing permit for a sawmill with capacity of 5,250 cubic metres per year issued in 2014 by the regulatory authorities.

The farmer groups usually sign a Memorandum of Understanding with the FME and in turn farmers that become members of the farmer groups will sign a membership form with information on rights, obligations and sanctions before they are officially managed by the FME.
Table 4 shows the Annual Allowable Cut (AAC), or the sustainable rate of harvest, for the schemes. It is normally determined from inventory of forests in the scheme. A safety factor is sometimes applied to further reduce the harvested volume (e.g. by 20%, certificate SCS-FM/CoC-004141) to ensure sustainability of harvest. In practice, the Actual Annual Cut is less than the AAC, and in some cases substantially less, depending on market demand and other factors.

The case of certificate SGS-FM/CoC-001027 illustrates the dynamics of FSC certification. Koperasi Hutan Jaya Lestari (KHJL) in Southeast Sulawesi is a community cooperative that held a FSC FM/CoC certificate under the Group SLIMF scheme from 2006 to 2013. KHJL was unable to maintain its certification due to financial difficulties. In 2017 it was brought into the FM/CoC certificate held by PT Sosial Bisnis Indonesia (certificate SGS-FM/CoC-001027). Similarly, Koperasi Wana Lestari Menoreh (KWLM) held a FSC FM/CoC certificate under the Group SLIMF scheme from 2011 to 2016 but was unable to maintain its certification due to financial difficulties. It was also brought under the FM/CoC certificate held by PT Sosial Bisnis Indonesia in 2017. The entity PT Sosial Bisnis Indonesia was set up in 2016 by a non-government organisation (PT Telapak). The business model is to add more cooperative members to the group in the future.

**SVLK scheme in Indonesia**

Since the issuance of the MOEF regulation No. 38/2009, timber certification under the SVLK scheme has occurred in Indonesia, in particular by companies exporting wood products. The State of Indonesia’s Forest (MOEF 2018) recorded that as of July 2017, the issued SVLK certificates were 3,490, consisting of 217 S-PHPL certificates and 3,490 S-LK certificates with the total coverage area of around 22.9 million ha (Table 5). The smallholder forests are categorized under ‘Private Forest’ with the total issued S-LK certificates of 190 that cover 272,800 ha.

<table>
<thead>
<tr>
<th>No.</th>
<th>Type of Management Unit</th>
<th>Issued certificates</th>
<th>Area (million ha)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Natural Forest</td>
<td>123 S-PHPL 49 S-LK</td>
<td>13.4</td>
</tr>
<tr>
<td>2</td>
<td>Plantation Forest</td>
<td>91 S-PHPL 37 S-LK</td>
<td>6.8</td>
</tr>
<tr>
<td>3</td>
<td>State Owned Forestry Enterprises (Perum Perhutani)</td>
<td>3 S-LK</td>
<td>2.4</td>
</tr>
<tr>
<td>4</td>
<td>Timber Utilization Permit (IPK)</td>
<td>113</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Private Forest</td>
<td>190</td>
<td>0.3</td>
</tr>
<tr>
<td>6</td>
<td>Primary Industry</td>
<td>1,291</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Secondary Industry</td>
<td>1,530</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Registered Shelter (TPT)</td>
<td>179</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Exporter</td>
<td>101</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>217 S-PHPL 3,490 S-LK 3,707</td>
<td>22.9</td>
</tr>
</tbody>
</table>

*Source: MOEF (2018).*

Progress of the issue of S-LK certificates for smallholder private forests is shown in Figure 4. The S-LK certificates were first issued in 2011 and the number of certificates issued was highest in 2013 and in 2015. The trend of S-LK certificate issuance was probably related to
two main factors: the first is the government affirmation regarding the deadline of all business actors to obtain the S-LK certificate by 31 December 2013 at the latest (provisions pursuant to Minister of Forestry Regulation No. 45 / 2012); and the second is the availability of supporting budgets from both government (MOEF) and donor agencies to assist smallholder groups obtain certificates.

Figure 4 also shows the source of funds that supported smallholder’s S-LK certification. The certification cost of smallholder private forests was mostly provided either by government (MOEF) or donor agencies. Relatively small numbers of certificates were obtained where smallholders themselves provided the certification cost.

Most of the issued certificates for smallholder private forests were distributed in Java and Bali (Table 6). From the total of certified area of around 347,000 ha (MOEF, 2017), 32% of the area was located in Java and Bali. The households included as certificate holders were mainly located in Java and Bali (95% of the total households). The certified areas per household outside Java were much higher than in Java, except in Sulawesi which was similar to Java.
Another important point to note is that by July 2017, only 141 or 62% of the total issued certificates were active. The rest were either suspended or terminated, mostly due to discontinuance of surveillance assessments (Table 7).

Table 7. Status of S-LK certificates issued for smallholder timber plantations, July 2017

<table>
<thead>
<tr>
<th>Region</th>
<th>No. of issued S-LK certificate</th>
<th>Current status of the certificate</th>
<th>Certified areas (ha)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Active</td>
<td>Terminated</td>
</tr>
<tr>
<td>Java and Bali</td>
<td>147</td>
<td>89</td>
<td>49</td>
</tr>
<tr>
<td>Sumatra</td>
<td>42</td>
<td>27</td>
<td>6</td>
</tr>
<tr>
<td>Kalimantan</td>
<td>19</td>
<td>16</td>
<td>2</td>
</tr>
<tr>
<td>Sulawesi</td>
<td>13</td>
<td>5</td>
<td>8</td>
</tr>
<tr>
<td>Maluku and Papua</td>
<td>5</td>
<td>4</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>226</td>
<td>141</td>
<td>65</td>
</tr>
</tbody>
</table>


Timber Legality Information System

The Indonesian government, through the MOEF, has maintained a website on Sistem Informasi Legalitas Kayu (SILK) or Timber Legality Information System since 1 August 2012. The website is publicly accessible and can be used to monitor the implementation of the timber legality system in Indonesia.6 The website was designed to facilitate applicants in obtaining the S-LK certificate by providing updated information on the status of certification process and all related information with timber legality verification. Up to July 2013, the website information was that the total issued S-LK documents was 37,874 units for products

5 The number was higher than the published data on The State of Indonesia’s Forest (MOEF 2018). The number was obtained through interview with key informant in the Ministry of Environment and Forestry in 2018. Lower numbers in the published data could be due to termination of some certificates.
destined to 144 countries. For the period 2016-2018, the total issued S-LK documents, total weight of forest products and the FOB value is presented in Table 8. The figures show promising progress of S-LK certified timber products exported from Indonesia.

Table 8. Trends in the issue of S-LK documents, total amount of forest products exported from Indonesia and FOB value of products exported

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of issued S-LK documents</th>
<th>Amount of forest products exported (M tonnes)</th>
<th>Value of forest products exported (Billion USD FOB)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018 (to Oct.)</td>
<td>169,285</td>
<td>13.4</td>
<td>9.9</td>
</tr>
<tr>
<td>2017</td>
<td>213,361</td>
<td>15.2</td>
<td>10.9</td>
</tr>
<tr>
<td>2016</td>
<td>173,244</td>
<td>17.4</td>
<td>9.3</td>
</tr>
</tbody>
</table>

Challenges of smallholder timber certification in Indonesia

The uptake of FSC certification in Indonesia from 2012 to 2017 was more rapid than uptake globally, leading to more than three million hectares covered by forest management certification. However, most of the 38 FM/CoC certificates as at 2017 were held by large organisations (concentrated in Kalimantan) that accounted for 99 per cent of the FSC certified forest area in Indonesia. Smallholder growers that had forests certified under the FSC system did so through Group SLIMF schemes. Statistics from FSC indicated that only 22,566 ha were certified via 11 Group SLIMF schemes in Indonesia as at September 2017. Even though a small or low intensity managed forest (SLIMF) can qualify for streamlined auditing procedures that reduce the cost of the audit, the cost of certification for smallholders was often heavily subsidized either by government and donor agencies (Stewart et al. 2015). Case history of Group SLIMF schemes operating in Indonesia gleaned from audit reports and statistics on the FSC website indicated that smallholder growers continue to face financial challenges in maintaining their FSC certification.

Under the SVLK scheme, about 200 S-LK certificates were issued for smallholder private forests between 2011 and 2017. The area of forest covered by these certificates was 0.3 million hectares, which was only a fraction (about 1%) of the area of forest covered by all S-LK certificates in Indonesia (22.9 million ha). Given that the cost of FSC certification was an impediment for smallholder growers in Indonesia (Stewart et al. 2015, Savilaakso et al. 2016), it is likely that the same applies to the SVLK scheme. Even if farmers can apply for a group certificate, the costs incurred for obtaining land certificates, preparation costs to make the farmer group compliant with SVLK filing requirements, and auditing fees for the Independent Assessment and Verification Agency (LPVI) might not be compensated by the additional profit from selling certified smallholder timber. In addition, farmers generally sell timber only to local markets and can use timber transport documents, such as SKAU (Surat Keterangan Asal Usul Kayu) or Letter of Timber Origin issued by Village Leader and Nota Angkutan or Timber Transport Note, which is the self-declaration statement (Annex 1).
The government of Indonesia has committed to provide incentives to the small and medium scale forestry enterprises by providing SVLK certification costs. In 2018, the support will be given to facilitate S-LK group certification to small and medium scale enterprises under several categories, i.e.:

- IUIPHHK with capacity less than 6,000 m³/year of wood intake;
- IUI dan TDI with investment less than IDR 500 million;
- TPT (Tempat Penampungan Terdaftar);
- Industri Rumah Tangga/Pengrajin or home industries/craftsmen; and
- Hutan Hak or smallholder private forests.

Interested enterprises may apply through the Provincial Forestry Office or Provincial Industry Office. Advocation to the successful applicants is provided up to the auditing process to obtain the S-LK certificate. The amount of facilitation costs is regulated according to the cost standard decided by The Ministry of Finance.

The strict application of SVLK to all actors in the timber industry value chain created new trade barriers that were not intended by the government (especially the Ministry of Trade). To overcome this impediment, the government has modified the SVLK scheme a number of times, including new regulations to release smallholder or community timber producers from the obligation of SVLK by using DKP (supplier conformity declaration) in marketing their timber. The revision has given flexibility to community timber farmers who want to be involved in supplying timber for export markets (Maryudi 2016).

Conclusions

Forest and timber certification in Indonesia began around 1990. NGOs and private companies initiated certification in response to global concern about forest sustainability. The first certification system introduced in Indonesia was the international FSC scheme, followed by the Indonesian LEI initiative. The latter has been replaced by the SVLK scheme; thus, currently there are two forest certification schemes in place in Indonesia – the voluntary FSC scheme and the mandatory SVLK scheme.

Up to 2017 about 3.85 million ha of forests has been FSC certified in Indonesia. The certificates holders consist of one of FM certification type, 38 of FM/CoC certification type, six of CW certification type, and 253 of CoC certification type. Eleven within the 38 FM/CoC certificate holders are using the SLIMF scheme that applies to smallholder forest growers. The forest area managed by smallholders was only 22,566 hectares, equivalent to less than one per cent of the area under FSC forest management certification in Indonesia.

The SVLK scheme in Indonesia is mandatory for all business units that export wood products. Exemption from the need to hold a S-LK certificate is granted to timber from smallholder private forests that is considered have met the SVLK requirements by using a DKP document. Up to 2017, the issued S-LK certificates reached around 3,700 consisting of 217 S-PHPL

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certificates and the rest S-LK certificates. Only 190 S-LK certificates were held by smallholders under the category of ‘Private Forests’ with a total area of 272,800 hectares.

In general, the SVLK certification scheme has a good prospect as an entry point for Indonesian timber products that aim for export, especially with the SVLK ratification by the European Countries. The process of ratification of SVLK by other export destination countries is actively pursued by the Indonesian government, which will eventually broaden opportunities for Indonesian timber exports. The S-LK exemptions that have been granted to smallholder private forests through the use of DKP (supplier conformity declaration) has opened export market access for timber from smallholder private forests. Meanwhile, the FSC certification scheme still maintains its market segments, especially to meet the demand for certified timber by some multinational furniture companies.

The costs and benefits of certification are likely to remain a challenge for the sustainability of timber certification in Indonesia. Termination of the certification was generally caused by the unwillingness of the certificate holders to pay the cost of surveillance assessment, especially for smallholders who generally obtained their first certification through government or donor supports. The certification could be continued when tangible economic benefits could compensate the certification costs.
References


Annexes:

Annex 1. Document of *Nota Angkutan*

```
NOTA ANGKUTAN
HASIL HUTAN KAYU BUDIDAYA YANG BERASAL DARI HUTAN HAK
(berlaku sebagai DKP)
Nomor :

Desa : ..........................
Kecamatan : ..........................
Kabupaten/Kota : ..........................
Provinsi : ..........................

ASAL KAYU
Bukti kepemilikan *) : ..........................
Nomor bukti kepemilikan : ..........................
Pengirim : ..........................
Alamat pengirim : ..........................
Tempat muat : ..........................
Jenis dan identitas alat angkut : ..........................

TUJUAN PENGANGKUTAN
Penerima : ..........................
Alamat penerima : ..........................

MASA BERLAKU
selama : (...........) hari
dari tanggal : ..........................
sampai tanggal : ..........................

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<tr>
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JUMLAH

Catatan :
*) diisi bukti pemilikan/penguasaan yang diakui BPN

..............................................................
Femilik hutan hak

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Annex 2. Document of *Nota Angkutan Lanjutan*

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**NOTA ANGKUTAN LANJUTAN**

HASIL HUTAN KAYU BUDIDAYA YANG BERASAL DARI HUTAN HAK

(berlaku sebagai DKP)

Nomor :

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**ASAL KAYU**

Nomor Nota Angkutan : ..............................................

| scbclumnya         | : .............................................. |
| Pengirim           | : .............................................. |
| Alamat pengirim    | : .............................................. |
| Tempat muat        | : .............................................. |
| Jenis dan identitas| : .............................................. |
| alat angkut        | : .............................................. |

**TUJUAN PENGANGKUTAN**

Penerima : ..............................................

| Alamat pencrima   | : .............................................. |

**MASA BERLAKU**

selama : .... (.........) hari

| dari tanggal      | : .............................................. |
| sampai tanggal    | : .............................................. |

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<table>
<thead>
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<th>Nomor</th>
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<th>Jumlah (batang/keping/ikat)</th>
<th>Volume (m³)</th>
<th>Keterangan</th>
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<tbody>
<tr>
<td>1</td>
<td></td>
<td></td>
<td>3</td>
<td>4</td>
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</tbody>
</table>

**JUMLAH**

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GANISPHPL PKB TPKRT,

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