



Indonesia and the European Union

Annual Report

Progress update - April 2015 to May 2016

Implementing the Indonesia – EU
FLEGT Voluntary Partnership Agreement



Common efforts to ensure and promote legal timber trade and good stewardship of the forest sector

Background

This summary updates the information presented in the first annual report on the implementation of the Indonesia-EU Voluntary Partnership Agreement (VPA), which the VPA Joint Implementation Committee published in May 2015.¹

In particular, the new information focuses on the national roll-out of Indonesia's timber legality assurance system, which is known by its Indonesian acronym SVLK.

The Secretariat of the Joint Implementation Committee compiled this information to report developments and progress achieved from April 2015 to May 2016. The Joint Implementation Committee will publish its next annual report in early 2017.

Roll-out of the SVLK

The data below and in Figure 1 confirm the positive trends shown in the Joint Implementation Committee's first annual report. The updated figures demonstrate progress in all segments of the private sector.

By the end of 2015, the following areas and industries were SVLK-certified:

FOREST



- **100%** of all active (holding an annual logging permit) concessions operating in natural forest or plantations
- **23 million hectares** of production forests
- **356 forest** management units and timber-producing conversion areas

PRIMARY AND SECONDARY INDUSTRY



- **100%** of the large-scale primary industries, which produce more than 6000 m3 of timber products each year, and 82% of the registered mills that produce 2000-6000 m3 each year
- **1226** secondary processors
- **In total, 2363 industries** hold SVLK certification, an increase of more than **200%** since the end of 2014
- **124 timber depots** (operated by domestic wood traders)

EXPORTERS



- **95%** of all industries and traders that export timber products, a total of 1794 companies
- The Ministry of Environment and Forestry and Indonesia's Multi-stakeholder Forestry Programme (MFP3) are facilitating SVLK certification of the **remaining 5%**

SMALL ENTERPRISES



- **143 small mills**, whose yearly production is below 2000 m3
- **285 small industries**, whose average production was 120 m3 of timber products in 2015
- In 2015, small scale private forest owners issued more than one million Supplier's Declaration of Conformity documents, which **covered an average of 17 m3 of logs**. Such smallholders are now a key source of wood in Indonesia.



Figure 1. Key statistics indicating progress made by 31 December 2015

Improved forest governance

Since April 2015, efforts to implement the VPA and to improve the SVLK continued. Indonesia revised its SVLK and timber administration regulations, notably to further secure conditions required for effective independent monitoring and to strengthen supply chain controls.

In March 2016, the Ministry of Trade issued a regulation making SVLK certification and the use of export licences (V-Legal Documents) compulsory for furniture exports, in line with VPA requirements.

The Ministry of Environment and Forestry and the Multi-stakeholder Forestry Programme (MFP3) intensified their efforts to help small enterprises become SVLK-certified.

Representatives of independent monitors and the Ministry of Environment and Forestry agreed on a protocol, through which the ministry will share information needed for independent monitoring. With the support of the JIC Secretariat, the Ministry of Environment and Forestry published all the latest regulations and information related to the VPA implementation process on the SILK and MFP3 websites.²³

PT Sucofindo-SBU LSI was appointed as the Periodic Evaluator of the SVLK timber legality assurance system at the end of 2015, and started its work in January 2016. The company is developing the methodology for auditing the SVLK. Indonesia and the EU agreed that the first round of Periodic Evaluation should be carried out shortly after FLEGT licensing starts, and thereafter repeated annually.

Indonesia advanced on the development of a framework and methodology for monitoring the long term impacts of SVLK implementation.

Joint monitoring of VPA implementation

In October 2014, Indonesia and the EU agreed on a second joint action plan to address pending issues in VPA implementation with the aim of achieving FLEGT-licensing as soon as possible. This action plan built on the findings and recommendations of the joint evaluations of the timber legality assurance system conducted in 2013 and 2014.

Early in 2015, the parties to the VPA established a Joint Working Group (JWG), comprising representatives of the EU, the EU FLEGT Facility and all main Indonesian stakeholder groups, to monitor progress against this action plan. The JWG met ten times since then. Throughout 2015, the JWG field team recognised significant progress in the nationwide roll-out of the SVLK.

In November 2015, based on the findings of JWG's final assessment on the second joint action plan, the parties agreed on a short list of actions to be completed before FLEGT licensing can start. The parties also agreed on a draft plan for longer term activities to be continued or carried out after FLEGT licensing starts.

When the Joint Implementation Committee met for the 4th time, on 18 May 2016 in Brussels, Indonesia and the EU acknowledged new progress against the short list of actions. The parties agreed that progress was sufficient for them to initiate final preparations for FLEGT licensing to start, with the aim of Indonesia issuing the first FLEGT licences before the end of 2016.

¹ Indonesia and the European Union. 2015. Implementing the Indonesia-EU Voluntary Partnership Agreement. Annual Report, May 2014-April 2015. Indonesia-EU Joint Implementation Committee. http://www.mfp.or.id/attachments/article/357/AR_FLEGT_VPA_ID_EU_2014-2015.pdf

² SILK is the Ministry of Environment and Forestry's timber legality information system: <http://silk.dephut.go.id/>

³ MFP3 is the Indonesian Multi-stakeholder Forestry Programme: <http://mfp.or.id/>