

APEC Experts Group on Illegal Logging and Associated Trade (EGILAT)

Timber Legality Guidance Template for Indonesia

The purpose of this guidance template document is to provide APEC member economies with guidance on compiling the appropriate information for businesses and governments within the APEC region regarding timber legality laws and regulations in place in Indonesia. It follows from multiple discussions at EGILAT meetings in which it was recognized that it would be beneficial to compile the laws or regulations of APEC economies governing timber production and trade with a goal of supporting legal timber trade between APEC Economies.

Overview of Timber Legality in Indonesia

- **Who owns forests in Indonesia (public, private, indigenous)?**

Indonesia has endowed with around 120 million hectares of forests areas or 64 percent of its total land area, with an additional 5.3 million hectares of marine conservation areas). The total of these areas stands at 125.92 million hectares.

Based on Law No. 41/1999 on Forestry, forest area is a particular area which the government has appointed and stipulated to be maintained as a permanent forest, with the remaining land being designated for other purposes. Based on the status of ownership, the Forestry Law No.41/1999 classifies forests into state-owned forests (including customary forest) and privately-owned forests.

- **Are there forests in Indonesia with different statuses (protected, production)?**

Forest areas in Indonesia are managed in accordance with their designated functions, with these designated functions including Production Forests; Conservation Forests and Protection Forests. Production forests are intended to produce timber, fibre, bio-energy, and non-timber forest products; while conservation forests are intended to conserve forest ecosystems, including their biodiversity; and the protection forests are largely intended for forest hydro-logical purposes.

Indonesia's Forest Area is categorized into three different functions: production forest (i.e. HP/*Hutan Produksi*, 68.8 million hectares), protection forest (i.e. HL/*Hutan Lindung*, 29.6 million hectares), and conservation forest (i.e. HK/*Hutan Konservasi*, 22.1 million hectares). Production forest area consists of Permanent Production Forest (i.e. HP/*Hutan Produksi Tetap*), Limited Production Forest (i.e. HPT/*Hutan Produksi Terbatas*), and Convertible Production Forest (i.e. HPK/*Hutan Produksi yang Dapat Dikonversi*). Timber production in state forests is only permitted in production forests through the granting of forest concessionaires (business licenses) to individuals, cooperatives, private enterprises, state-owned and regional enterprises.

Conservation forest is a forest area with a particular characteristic and with the chief function of conserving the diversity of plants and animals and their ecosystem. Conservation forest areas cover a total area of 27.4 million hectares, or 22 percent of the total area of Indonesia's forest areas and aquatic conservation areas.

Protection Forest is one of the three main types of Forest Area. Its main function is to serve as buffer system, so that water systems may be regulated, floods prevented, erosion controlled, sea water intrusion prevented, and soil fertility maintained. Protection forests cover a total area of approximately 29.6 million hectares or nearly 25 % of the total forests land and aquatic conservation areas

- **Are there multiple jurisdictions for managing forests in Indonesia?**

The Basic Law 1945 stipulates that land, water and natural resources has been fully under ownership of the state, and being utilized for prosperity of the people. This stipulation has been the basis for management of natural resources in Indonesia, in which the Government of Indonesia has the main role to determine ownership of lands and other natural resources. Management of forests has also related to:

- Act No. 5/1960 on Land to regulate basic principles on management and administration of land,
- Act No. 41/1999 on Forestry to regulate management of forests in Indonesia.
- Act No. 18/2013 on Prevention and Eradication of Forest Crimes,
- Act No. 23/ 2014 on Regional Government (i.e. *Pemerintahan Daerah*),
- Government Regulation No. 23/2021 regarding forest management.

- **Which bodies or institutions are responsible for managing and regulating forests in Indonesia?**

The Forestry Law UU 41/1999 stipulates that the central government (namely the Ministry of Environment and Forestry) as the entity to manage the state forests, including the designation and and/or determination of forest areas. The Ministry also regulates issuance of permits for management of state-owned forests by concessionaires of natural forests and plantation forests.

Management of the forests has been in close coordination with other bodies, including the Planning Bodies (i.e. *Badan Perencanaan Pembangunan Nasional/Bappenas*), Coordinating Ministry for Maritime Affairs and Investment (i.e. *Kementerian Koordinator Bidang Maritim dan Investasi*), and other related bodies such as ministry on peat-land restoration, Ministry of Home Affairs as well as provincial/regional forestry offices including the field forestry offices of Forest Management Units (i.e. *KPH/Kesatuan Pengelolaan Hutan*) and Parks Managements.

- **Which laws regulate timber harvesting and exportation in Indonesia?**

Laws or regulations that authorize or regulate timber harvesting and exportation in Indonesia to include laws on:

1. Harvesting Regulation

- 1.1 Government Regulation No.23/2021 regarding the implementation of forestry (<https://jdih.menlhk.go.id/new/katalog/peraturan/1038>)
- 1.2 Ministry of Environment and Forestry Decree Number 8/2021 regarding Forest Management
<https://silk.menlhk.go.id/app/Upload/hukum/20210617/42007beb6c60cffa45605794733cbc4.pdf>)

2. Exportation Regulation

Exportation of timber products from Indonesia has been regulated under the jurisdiction of the Act Number 17/2006 to revise the Act Number 10/1995 on Customs (<https://jdih.kemenkeu.go.id/fullText/1995/10TAHUN~1995UU.HTM>)

The Act has been derived into regulations of:

- 2.1 Government Regulation Number 55/2008 on Imposition of Exports Tax on Exported Products (<https://peraturan.bpk.go.id/Home/Details/4871>)
- 2.2 Regulation of Ministry of Trade Number 18/2021 on Export Prohibition (<http://jdih.kemendag.go.id/peraturan/detail/2165/2>)
- 2.3 Regulation of Ministry of Trade Number 19/2021 on Provisions on Export (<http://jdih.kemendag.go.id/peraturan/detail/2166/2>)

3. Regulation to Prohibit or regulate timber harvesting in specified locations such as in parks, reserves, or protected areas:

- 3.1 UU 41/1999 on Forestry in particular in article 50 verse (3)
(<http://103.52.213.225/hukum/simppu-lhk/public/uploads/files/UU%2041%20Tahun%201999.pdf>)
- 3.2 UU 5/ 1990 concerning Conservation of Living Resources and their Ecosystem (<http://extwprlegs1.fao.org/docs/pdf/ins3867.pdf>)
 - 3.2.1 Government Regulation Number No.8/1999 on Utilization of Wildlife Flora and Fauna (<http://103.52.213.225/hukum/simppu-lhk/public/uploads/files/PP%208%20Tahun%201999.pdf>)
 - 3.2.2 Government regulation Number 45/2004 on Forest protection
(<http://103.52.213.225/hukum/simppu-lhk/public/uploads/files/PP%2045%20Tahun%202004.pdf>)
4. Regulation to prohibit harvesting or exportation of specific tree species;
 - 4.1. Act No.18/2013 on Prevention and Eradication of Forest Crimes
([http://103.52.213.225/hukum/simppu-lhk/public/uploads/files/UU%2018%20Tahun%202013%20\(1\).pdf](http://103.52.213.225/hukum/simppu-lhk/public/uploads/files/UU%2018%20Tahun%202013%20(1).pdf))
 - 4.2. Government Regulation No. 7/1999 on Preservation of plant and animal
(<http://103.52.213.225/hukum/simppu-lhk/public/uploads/files/PP%207%20Tahun%201999.pdf>)
 - 4.3. Decision of President No. 43/1978 on Ratification of CITES (<https://peraturan.bpk.go.id/Home/Details/78932/keppres-no-43-tahun-1978>)
 - 4.4. Government Regulation (*i.e. Peraturan Pemerintah/PP*) Number 7 Tahun 1999 on Preservation of flora and fauna species (*i.e. Pengawetan Jenis Tumbuhan dan Satwa*) (<https://peraturan.bpk.go.id/Home/Details/54143/pp-no-7-tahun-1999>)
 - 4.5. Government Regulation Number No.8/1999 on Utilization of Wildlife Flora and Fauna (<https://peraturan.bpk.go.id/Home/Details/54213>)
 - 4.6. Regulation of The Minister of Environment and Forestry Number P.106/2018 on second revision of the Minister's Decree Number P.20/ 2018 on Protected Plant and Animal
(http://ksdae.menlhk.go.id/assets/news/peraturan/P.20_Jenis_TSL_.pdf)
 - 4.7. Minister of Environment and Forestry Decree Number 447/2003 on Administration on the Capture or extraction and distribution of wildlife plant and animal
(http://www.flevin.com/id/lqso/translations/JICA%20Mirror/english/54.FORESTRY_%20447.2003_final.Eng.QC.html)
5. Regulation on forestry payment, such as royalties, stumpage, or other fees, for the right to harvest timber;
 - 5.1. Act Number 20/1997 on Non-Tax state Revenue at
<file:///C:/Users/user/Downloads/UU%20Nomor%2020%20Tahun%201997.pdf>)

- 5.2. Government Regulation Number 35/2002 on Rehabilitation Fund (i.e. *Dana Reboisasi/DR*) (<http://103.52.213.225/hukum/simppu-lhk/public/uploads/files/PP%2035%20Tahun%202002.pdf>)
- 5.3. Government Regulation Number 12/2014 on Non-tax state revenue tariff (<https://peraturan.bpk.go.id/Home/Details/5449>)
- 5.4. Regulation of Minister of Environment and Forestry Number 71/2016 on Payment of forestry dues (<http://ditjenppi.menlhk.go.id/reddplus/images/adminppi/permen/P71.pdf>)
6. Grant legal rights of use and tenure in relation to the place in which timber is harvested to people or groups of people, such as indigenous peoples;
 - 6.1. Regulation of Ministry of Environment and Forestry Number P.9/2021 on Social Forestry Management (https://jdih.menlhk.go.id/new/uploads/files/2021pmlhk009_menlhk_06102021150537.pdf)
 - 6.2. Regulation of Ministry of Environment and Forestry Number 8/2021 on Forest Management and Arrangement Forest Management Plans, and Forest Utilization in Protection Forest and Production Forest (related to forest management unit and community partnerships with concession holders) (https://jdih.menlhk.go.id/new/uploads/files/2021pmlhk008_menlhk_06102021121117.pdf)
7. Prohibition or regulation on the transportation, export, import, or transshipment of timber or wood products;
 - 7.1. Government Regulation Number 23/2021 on Implementation of Forestry, (<https://peraturan.bpk.go.id/Home/Details/161853/pp-no-23-tahun-2021>)
 - 7.2. Minister of Environment and Forestry Decree Number 447/2003 on Administration on the Capture or extraction and distribution of wildlife plant and animal (http://www.flevin.com/id/lqso/translations/JICA%20Mirror/english/54.FORESTRY_%20447.2003_final.Eng.QC.html)
 - 7.3. Regulation of Ministry of Trade Number 50/2013 on Regulation on exports of natural plant and wildlife animal not protected by law and included in the CITES Lists (<http://inatrade.kemendag.go.id/files/peraturan/166.pdf>)
 - 7.4. Regulation of Ministry of Trade Number 19/2021 concerning Provisions on Export (<http://jdih.kemendag.go.id/peraturan/detail/2166/2>)
 - 7.5. Regulation of Ministry of Trade Number 18/2021 on Export Prohibition (<http://jdih.kemendag.go.id/peraturan/detail/2165/2>)
 - 7.6. Regulation of Ministry of Trade Number 20/2021 on import regulation (<http://jdih.kemendag.go.id/peraturan/detail/2169/2>)
8. Regulate the possession, purchase, sale, or processing of timber or wood products; and procedures and requirements for harvesting based on forest ownership and types:

Ministry of Environment and Forestry Decree Number 8/2021 regarding Forest Management (<https://silk.menlhk.go.id/app/Upload/hukum/20210617/42007beb6c60cffa45605794733cbc4.pdf>).

How do timber harvesting laws operate in Indonesia?

- **What are the requirements of legislation in Indonesia that authorise or regulate the harvesting or exportation of timber?**

1. The utilization of timber from state forests is governed by Law No. 41 of 1999 on Forestry, Government Regulation No. 23 /2021 regarding the Implementation of Forestry. Stipulations in these regulations encourage for sustainable management practices of all type of forests. In particular, the Regulation No. 23 /2021 regulates:
 - Forest planning;
 - Different types of forest use;
 - Legal subjects entitled in forest management to take advantage of state forests for production;
 - Social Forestry Management;
 - Monitoring and Evaluation;
 - Guidance and control, as well as sanctions upon violation.
2. Timber harvesting from state forests is only permitted in production forests (production forest, limited production forest, and convertible production forest) through the granting of business licenses to individuals, cooperatives, private enterprises, and state-owned and regional enterprises. In addition, utilization of timber from conservation and protected forests is strictly prohibited.
3. Permit holders of forest concessionaires could perform timber felling only if the management units have been granted with approval upon its Business Work Plan (i.e. *Rencana Karya Usaha/RKU*) by Minister of Environment and Forestry.
4. Stipulation in the regulation of to govern: 1) Not to cut trees beyond the forest concession areas as set in the Business Working Plan; 2) Not to cut trees under the allowed diameter limits; 3) Not to cut tree species being used or being protected by the local communities; 4) Cut tree in compliant with CITES regulation; 5) Not to cut trees within forest protection areas, sacred forest areas with cultural and religious values for local communities designated as forest protection areas; conservation areas for conserving specific and/or pristine habitat, areas with high biodiversity, as well as buffer zones for rivers.
5. The concessionaires have also to fulfill the requirements upon three types of levies to be paid by forest concessionaires' holders: Forest Utilization Business Permit Fee as a fee imposed to forest concessionaires' holders over a certain area of forest, the reforestation fund (i.e. DR/*Dana Reboisasi*) as a fund allocated for reforestation and the rehabilitation of forest and its supporting activities, and provision upon forest resources (i.e PSDH/*Provisi Sumber Daya Hutan*) as a levy imposed for compensation of intrinsic values from the forest products taken from the state forests. Endorsement upon the RKU has become approval to carry out felling activities.
6. In order to be able to transport logs from felling sites or timber and timber products from industries, valid documents should be completed:
 - Transportation document (i.e. the SKSHHK/*Surat Keterangan Sahnya Hasil Hutan Kayu*) and QR code for each individu of log from state forests, or a Transportation note (i.e. the SAKR/*Surat Angkutan Kayu Rakyat*) for timber coming from private or community forests (Note: 1) QR Code attached at the ends of log is a valid proof

the log has already been registered and originated from designated block or compartment in the approved annual working plan; 2) For timber originated from private or community forests, a valid document for transportation is transportation note (i.e. *Nota Angkutan*) or transportation document for timber from community forests (i.e. *Surat Angkutan Kayu Rakyat/SAKR*) that also functions as 'Self Declaration of Conformity/SDoC' to proof that the transported timber comes from the designated private or community,

- Valid transportation document for species listed in CITES Appendix, namely the SATS-DN (i.e. *Surat Angkutan Tanaman dan Satwa Dalam Negeri*) for destination within Indonesia, or the SATS-LN (i.e. *Surat Angkutan Tanaman dan Satwa Luar Negeri*) for destination of exports.
 - V-Legal Document or FLEGT License for exports of timber (Note: Since 1 January 2013, Indonesia regulates that the export of timber products be accompanied by a V-Legal Document/FLEGT License to provide assurance of the legality of the products from the point of harvesting, transportation, processing, trading and exports).
7. For timber coming from natural forests, logs could be transported from the felling sites only after:
- Verification by an authorized technical staff (i.e. *Ganis PH/ Tenaga Teknis Pengelolaan Hutan*) as the one to issue the SKSHHK
 - Declaration being made that the timber is valid and coming from the designated block or compartment within the approved annual work plan.

• **What are the requirements of the laws or regulations that prohibit or restrict timber harvesting in specified locations, such as in parks, reserves, or protected areas;**

1. Article 13 of the Act No. 18/2013 on Prevention and combat for forest destruction, among others regulates for timber cutting in forest area within radius of: a) 500 meters from ponds or lakes; b) 200 meters from spring and riversides of peat lands; c) 100 meters from riversides.
2. Regulation of Minister of Forestry Number 8/2021 regulates that the RKU of concessionaires of plantation and natural forests should enlist timber species as well as forest areas not allowed to be cut.
3. Regulation of the Minister of Forestry Number PP 28/2011 that being revised with PP.108/2015 on Management of natural protection and preservation area (i.e. the KSA/*Kawasan Suaka Alam* and the KPA/*Kawasan Pelestarian Alam*) does not allow for any kind of such activity to fell and extract timber.

• **What are the requirements of the laws that prohibit or regulate harvesting or exportation of specific tree species;**

1. The Act Number 41/1999 on Forestry regulates prohibition for extraction and transportation of unprotected wildlife flora and fauna originated from forest area without permits from authorised institutions (as article 50 (3) point m).
2. Notifications of CITES on 7 November 2016 and 14 November 2016 concerning *Amendment to Appendices I and II Convention* which was adopted at the 17 CITES COP

on 24 September - 4 October 2016 in Johannesburg South Africa to stipulate that species of Sonokeling (*Dalbergia latifolia*) has included in the Appendix II CITES.

3. Regulation of Minister of Forestry Number 447/Kpts-II/2003 concerning Administration on extraction or capture and distribution of wildlife plant and animal.

- **What are the requirements of the laws that require any type of payment, such as royalties, stumpage, or other fees, for the right to harvest timber;**

1. The Act Number 41/1999 on Forestry in article 35 (1) to (3) specifies 4 types of levies in forestry sector, including levies for permits, provision of forestry resources (i.e. the PSDH/*Provisi Sumber Daya Hutan*), the rehabilitation fee (i.e. the DR/*Dana Reboisasi*), as well as the performance fee. Permit levies has been quoted upon permit holders of management units in state forests, including forest concessionaires of natural forests and plantation forests, as well as permits for state forest management by community in term of Community-based Forest Management (i.e. HKM/*Hutan Kemasyarakatan*) and Community Plantation Forests (i.e. HTR/*Hutan Tanaman Rakyat*).,
2. The rehabilitation fee or the DR has been based on the Government Regulation Number 35/2002, while the PSDH has been mandated under the Government Regulation Number 12/2014. In the Government Regulation Number 23/2021, the DR fee has been defined as the fee quoted to the holders of concessionaires of natural forests in the state's production forests for rehabilitating and re-planting the forests, while the PSDH has been defined as the fee quoted from permit holders of concessionaires as the compensation of intrinsic value of the forest products extracted from state forests.
3. Both the PSDH and DR has been quoted upon timber originated from natural forests within the state-owned forests, while only the PSDH has been quoted upon timber originated from plantation forests within the state-owned forests. No PSDH and DR has been quoted to timber originated from private forests. Besides those two types of levies, permit holders of management timber products are also obliged to allocate investment fee for sustaining forest resources.

- **What are the requirements of the laws grant legal rights of use and tenure in relation to the place in which timber is harvested to people or groups of people, such as indigenous peoples;**

1. The Government of Indonesia develops a policy to improve social and economic condition of community through schemes of land re-distribution of nearly 9.1 million hectares under the jurisdiction of the Act No. 5/1960 on Land, and development of social forestry program to improve access of community to manage forest areas of nearly 12.7 million hectares under the jurisdiction of the Act Number 41/1999 on Forestry.
2. The social forestry program has been carried out through allocation of state-lands to be managed by local community as regulated in the Minister of Environment and Forestry number P.9/2021 on Social Forestry Management. This regulation stipulates that social forestry is a system of forest management within state forests or customary forests and carried out by local community or customary forests as the main actor to improve their prosperity, the balance of environment as well as the social dynamic.

3. The Government put a target that by 2019 local community would manage a total area of nearly 12.7 million hectares under the social forestry program. The Minister's Regulation Number P.9/2021, social Forestry refers to sustainable forest management systems implemented within the Forest Area or titled forest or customary (i.e. *Adat*) forest lands by members of local communities or *Adat* community groups, intended to facilitate improvements to the welfare, environmental balance and sociocultural dynamics through establishment of Village Forests, Community Forests, Community Plantation Forests, Private Forests, *Adat* Forests and Forestry Partnerships.

- **What are the requirements of the laws that prohibit or regulate the transportation, export, import, or transshipment of timber or wood products;**

1. Requirement of the laws regulate the transportation of timber or wood products:
 - 1.1. For timber originated from state-owned forests, Ministry of Environment and Forestry manages an online timber administration system, namely the SIPUHH to issue electronic transport documents for timber. Issuance of the transport document carried out after a verification process to ascertain upon validity of the origin, fulfillment of requirement on regulated levies, etc. The transport document issued by SIPUHH contains the legality logo and the bar code to allow for tracing back the movement of the products. Online tracking the timber using the bar code can be carried out using QR Code or Label QR Code. More detail information on SIPUHH is available in the website: 'puhh.phl.menlhk.go.id'.
 - 1.2. Ministry of Environment and Forestry also regulates timber administration for timber originated from privately-owned forests in which the transport document (namely the Transportation Notes or *SAKR*) is issued by forest owner and at the same time also functions as a self declaration on compliance of legality. Verification of transport document from privately-owned forests is carried out by primary industry to receive the timber (i.e. by technical personnel on timber administration), among others to verify land title. The Indonesian Sustainability and Legality Assurance System or the SVLK Scheme regulates that independent certification body further will verify timber administration in primary industry, including tracking of timber from privately-owned forests.
2. Requirement of the laws and regulations to regulate the export of timber and timber products:
 - 2.1 Regulation of the Ministry of Trade Number 84/2016 (that has been revised by the Regulation of Ministry of Trade No 12/2017, and the latest with Regulation number 74/2020 jo. 93/2020) regulates exportation of timber and timber products, including assurance on legality of the exported timber and timber products from Indonesia,
 - 2.2 By law and regulation, Verified Legal (V-Legal) Document accompanies shipment of timber and timber products as proof of legality of the exported products. The V-Legal Document issued by an independent 3rd party Certification Body through the online SILK information system (*Sistem Informasi Legalitas dan Kelestarian* - <http://silk.menlhk.go.id>).
 - 2.3 For European Union and United Kingdom markets, the V-Legal Document has been recognized as FLEGT Licence under the Agreement on FLEGT VPA between Indonesia and those partners.

3. Regulation of Ministry of Trade Number 18/2021 regulates products that prohibited for exportation of timber products, including logs, sawn-timber, railway sleepers and raw rattan.
4. Requirement of the laws regulate the import of timber or wood products :
 - 3.1 As part of supply chain control, Indonesia applies verification of raw materials, including for imported timber and timber products.
 - 3.2 Regulation of Ministry of Trade Number 20/2021 that has been revised with the regulation Number 25/2022 regulates that the Ministry of Trade issues import permit after a due diligence process carried out by the operators.
 - 3.3 Procedure for the due diligence process refers to the Regulation Director General for Sustainable Management of Production Forests, Ministry of Environment and Forestry No. P.3/PHPL/PPHH/HPL.3/I/2018.
 - 3.4 The due diligence process requires the operator to submit data and information on the importers, the exporters, and detail data and information on the imported timber, including the place of harvest, place of origin, and the proof of legality for the imported products,
 - 3.5 The due diligence procedure requires operators to carry out mitigation to screen up potential importation from high risk sources as well as importation of protected species, etc.

• **What are the requirements of the laws regulate the possession, purchase, sale, or processing of timber or wood products;**

1. In the upstream, concessionaires of natural and plantation forests are required to:
 - 1.1. Hold proofs of legality of the business entity (permits for forest management, including permits for timber utilization, etc.), approved business work plan (i.e. RKU/*Rencana Karya Usaha*) to cover activities of forest planning, planning for production and felling, planning on tending trees or stands, and planning on timber distribution/marketing, etc.
 - 1.2. Develop and implement a timber administration system to administer for procurement of raw materials as well as production, distribution and stocks of timber and timber products,
 - 1.3. To be registered at the on line timber administration system (i.e. the SIPUHH/*Sistem Informasi Penata-Usahaan Hasil Hutan*) in order to be able to issue transportation document for timber,
 - 1.4. Hold certificates of SVLK sustainability (i.e. the SPHL/*Sertifikat Pengelolaan Hutan Lestari*) or certificate of legality (i.e. the SLK/*Sertifikat Legalitas Kayu*) as assurance on legality/sustainability of the products,
 - 1.5. To hold proofs of payment of applicable levies and taxes,
 - 1.6. Manage to have transportation document for the timber sales.
2. In the downstream, the industries and exporters of timber products are required to:
 - 2.1 Hold proofs of legality of the business entity or permits for industry (issued by Minister of Environment and Forestry for industry with capacity of production \geq 6000 m³/year or by local authorities at provincial level for industry with capacity of production < 6000 m³/year)
 - 2.2 Hold approved business work plan and annual work plan, including the plan on raw material supply (to be issued by Minister of Environment and Forestry for industry with capacity of production \geq 6000 m³/year or by local authorities at provincial level for industry with capacity of production < 6000 m³/year)

- 2.3 Implement a robust timber administration to be able to trace back the raw material as well as to monitor production process,
- 2.4 Registered in the on-line timber administration system,
- 2.5 Manage to have a technical staff (i.e. *Ganis/Tenaga Teknis*) to handling transportation document,
- 2.6 Hold certificates of SVLK legality (i.e. the SLK) as assurance on legality of the products.
- 2.7 To hold proofs of payment of applicable levies and taxes,
- 2.8 Manage to have transportation document for the timber products, including the V-legal Document or FLEGT license as proof of legality for exported products.

• **What are the requirements of any other laws that must be complied with for timber or wood products to be considered legally harvested or exported.**

1. Indonesia has developed and implemented an initiative of Sustainability and Legality Assurance System (i.e. the SVLK/*Sistem Sertifikasi Legalitas dan Kelestarian*) as an instrument to verify as well to assure traceability of timber and timber products from legal and sustainable sources.
2. The SVLK is a soft approach to support efforts to combat illegal logging and associated trade, and at the same time to fulfill market requirements on legal and sustainable timber and timber products. Under the SVLK, Indonesian timber and timber products is deemed legal when its origin, production, processing, transport and trade are verified as meeting all applicable laws and regulations.
3. Development and implementation of the SVLK Scheme have involved all elements of stakeholders in Indonesia, including civil societies. The scheme regulates that verification process has been carried out by independent third parties, namely the certification bodies, and monitoring on the functioning of the system has been carried out by elements of civil societies.
4. Implementation of SVLK helps to screen out the entry of illegal timber and timber products into chains of production and distribution. This in turn will help to reduce deforestation and forest degradation.
5. Under the Regulation of the Minister of Environment and Forestry Decree Number 8/2021, implementation of the SVLK Scheme is mandatory by all players in the up-stream to down-stream, including for permit holders of state forests and wood industries, private forests, traders and exporters. The Scheme of SVLK provides incentives by promoting market access for verified-legal products and blocking market access for illegal products.
6. Implementation of the SVLK system has also supported by implementation of Information System of Sustainability and Legality (i.e. SILK/*Sistem Informasi Legalitas Kelestarian*) managed by the Ministry's Licensing Information Unit (LIU). SILK is an online platform for issuance of legality assurance document. The system directly links to systems of respective Ministries in Indonesia as well as to Competent Authorities in EU to allow for instant process for verification of export requirement on timber legality, and to support communication among authorities to verify validity of legality document.
7. The SVLK Scheme has been recognized as the instrument to verify legality of timber and timber products exported to EU under the FLEGT VPA with the European after a long deliberation since 2007.
8. Based on the SVLK instrument, Indonesia started to issue the first FLEGT License in 15 November 2016. With the license, no due diligence process would not be applied to Indonesian forest products imported and distributed into territories of European Union and United Kingdom under the FLEGT VPA.

9. By December 2021, more than 5200 forest based enterprises has been SVLK-certified, and more than 29 million hectares of production state forests has been SVLK–certified. Since 2013, SILK has issued more than 1,7 million V-Legal Document (including FLEGT Licenses) to support timber product exports with total value of US\$ 98.49 billion. Export of SVLK-certified timber products has increased significantly from US\$ 6.06 billion (2013) to US\$ more than 13 billion (2021), or increase more than double within a period of 9 years. Number of importing countries has also increased from 155 countries in 2013 to 196 countries in 2021. This reflects market’s confidence upon Indonesian timber products.
- 10.Indonesia is in the process for piloting on E-Licensing to enable the use of bar-code or numbered-code to release exports in destination ports, and eventually remove the use of paper-based FLEGT Licenses.
- 11.Indonesia has also developed and implemented a policy and regulations on verification (due diligence) for imported timber and timber products to ascertain legality of raw materials to entry the production and supply chains.

Licenses, Permits and Certification Schemes

- An authority or permit to harvest or felling licence

Regulation of the Government of Indonesia Number 23/2021 regulates among others procedures for the application of permits and issuance of permits for forest concessionaires by the Minister of Environment and Forestry. This regulation has also mandated the Ministry to review and approve concessionaires' business work plan (the RKU/*Rencana Karya Usaha*) as the basis for the concessionaire to carry out management of the forests, including for harvesting and felling of timber when the RKU have been granted by the Ministry of Environment and Forestry.

- An authority or permit to transport, process or trade

Stipulations on process and transports of timber and timber products have been regulated under the Minister of Environment and Forestry Decree Number 8/2021. The administration of timber since the movement from the felling site, the logyards, the timber depot, primary and integrated industry as well as from private forests is as presented in the Annex 3 (Description of the supply chain for timber from state-owned forests).

- An export permit, issued by the relevant government authority

Stipulation within the Minister of Trade Regulation Number 19/2021 regulates among others that exports of timber products could be performed by entities of producer exporters or non-producer exporters who hold permits for performing business and trade and identification of company registration. The Regulation also requires for issuance of V-Legal Document as proof of legality for exported timber and timber products. The V-Legal Document has been issued by Conformity Assessment Bodies/CABs as Licensing Authorities through the Ministry of Environment and Forestry online template of SILK.

- Certification/verification system

- Under the Regulation of the Minister of Environment and Forestry Number 8/2021 concerning assessment on sustainable forest management and verification of timber legality, the Government of Indonesia has implemented the SVLK Scheme in mandatory manner for all management units of forest management, timber industries, traders and exporters.
- The Scheme has been applied for certification of timber legality and forest sustainability, and issuance of legality assurance for product exports (i.e the V-Legal Document).
- Under the SVLK regulation, the verification process has been carried out by independent third party Conformity Assessment Bodies (CABs) accredited by the Indonesian Committee for Accreditation (i.e. the KAN/*Komite Akreditasi Nasional*). For transparency, the implementation of the SVLK Scheme has been under monitoring of a CSO consortium of Independent Monitors in Forestry. Example of SVLK Certificates is as presented in Annex 1 in the attachments.
- The Scheme also implements a robust timber administration system to trace back origin of timber from legal and sustainable sources. Issuance of the V-Legal Document as legality assurance document or license for all timber and timber products exported from Indonesia has been through an online platform of sustainability and legality information system (i.e. SILK/*Sistem informasi legalitas*

Kelestarian at the <http://www.silk.menlhk.go.id>. Example on format of the V-Legal Document as presented in the Annex 2 as the attachment.

- The SILK system also allows for verification or due diligence process by importers to verify legality of imported timber products. This platform to connect respective authorities in Indonesia (Ministry of Trade and Customs) and Competent Authorities in EU and UK (under the FLEGT VPA RI-EU and RI-UK) to ease issuance and validation legality assurance document and guarantee a prompt process for exportation.
 - The Scheme also provides appeal mechanism and dispute settlement to assure for a fair and transparent process.
 - The detail mechanism, institutions, standards of verification, procedures for verification, procedure on complaint and dispute settlement, independent monitoring and other aspects have been regulated in the Director General of Sustainable management of Production Forests Number 62/2020 regarding Standards and assessment on performance of forest sustainability and timber legality.
 - Under the scheme, logo of SVLK Indonesia has been developed and applied either on the products, the invoice or the packaging.
 - In domestic markets, Indonesia has also in a process for development and implementation of green procurement policy through issuance of Government Regulation Number P. 46/2017 on Economic instrument of environment to stipulate among others requirements of certified timber products under SVLK in the procurement process for government institutions. Implementation of green procurement policy has been supported by issuance of Minister of Environment and Forestry Regulation Number P.5/2019 and Circular Letter of the Public Procurement Agency Number 16/2020.
- A non-government certification (harvest or Chain of Custody) scheme recognized by Indonesia.

As regulated at the Minister of Environment and Forestry Number 8/2021 concerning assessment on sustainable forest management and verification of timber legality, the Government of Indonesia has implemented the SVLK Scheme in mandatory manner for all management units of forest management and timber industries. The Regulation of Minister of Trade Number 19/2021 concerning export regulation for timber products also stipulate that all timber exported from Indonesia has to be legal with the v-legal document/FLEGT license as the proof of legality.

When markets require such voluntary certification of harvests and chain of custody, the Government of Indonesia allow implementation voluntary scheme to complimentary supports acceptance of Indonesia timber products.

Legality of timber products manufactured in Indonesia

NOTE: This section recognises that timber products from Indonesia may use timber inputs from numerous jurisdictions in manufactured products. APEC member economies will want access to information that can be used to assess and reduce the risk that timber in the manufactured products from Indonesia has come from illegal sources.

In preparing this section, please indicate:

- whether there are any arrangements, formal or otherwise, to trace timber supply chains in Indonesia;

Indonesia has implemented an On-line Timber Administration System (i.e. the SIPUHH/*Sistem Informasi Penatausahaan Hasil Hutan*) or information system for timber administration in Indonesia. This system is a core element of Indonesian Timber Legality Assurance System with regard to its traceability to trace back origin of products. Scope of SIPUHH has been for the whole nodes from its origin in the forests, timber harvesting, transportation from the forests to primary industry, the processing, etc. Each piece of timber has its single barcode number that connected and can be monitored in the SIPUHH. The use of the barcode technology also allows for tracing timber position to monitor its transfer or movement. Each barcode stores respective data and information to include origin of the timber, the destination, and information on species, size, volume and others.

This system is also an electronic tool and procedure to prepare, collect, store, process, analyze, present, deliver and distribute information on administration of timber products. Collected data and information in the SIPUHH further become basis for calculating and collecting levies.

- whether Indonesia has any legality assurance systems for domestic timber used in manufactured or complex products;

The SVLK scheme as Regulation of the Ministry of Environment and Forestry Number 8/2021 has been implemented for domestic timber used in manufactured or complex products or imported raw material and timber products. For domestic timber, the SVLK Scheme regulates the broad scope of production and felling from forest management, transportation to industries, processing in the industries, as well as trade and exports of the products. The SVLK Scheme regulates verification and assurance sustainability of forests and legality of timber products.

- whether Indonesia has any legality assurance systems for imported timber used in manufactured or complex products.

For legality verification of imported timber, Indonesia has issued and implemented Ministry of Trade (MoT) Regulation No 20/2021 that has been revised by the Ministry of Trade Regulation Number 25/2022 on Import regulations. The new regulation removed requirement for accomplishment of mandatory verification upon the due diligence (DD) process and issuance of import recommendation by Ministry of Environment and Forestry in order to allow for post border control system. Detail implementation of the DD process has been regulated under the Decree of Directorate General of Production Forest

Management Number 7/2015 that has been revised by the Regulation of the Regulation of Director General Sustainable Management of Production Forests Number 3/2018 that confirms on the elimination of mandatory verification of the DD process and elimination of issuance of import recommendation by Licensing Information Unit (LIU) of the Ministry of Environment and Forestry (MoEF). These regulations regulates procedures on due diligence (DD) process carried out by importers using the online platform of SILK (i.e *Sistem Informasi Legalitas kayu*/Timber Legality System - <http://silk.menlhk.go.id>). If the DD process is valid, importers could issue import declaration. This import declaration is parts of requirements to apply for import recommendation to the Ministry of Trade. This **DD process for Timber import requires** Importers to fill in and upload information, including:

- a. Information about importer (location and legality credentials)
- b. Information about producer and/or exporter (location and legality credentials)
- c. Information about port loading and port of destination
- d. Type of Products
- e. HS code Trade name & scientific name
- f. Place of origin (region & concession for logs)
- g. Information and proof of product legality that may be based on one of the following: 1) FLEGT license; 2) Agreement between Indonesia and the exporting countries on Mutual Recognition Arrangement (MRA) on Timber Legality Assurance System; 3) CSG/Country Specific Guidelines (in the context of Australian Illegal Logging Prohibition Act (ILPA) 2012); 4) A certificate or a proof of 3rd party certification (example: FSC, PEFC, etc.); 5) Letter of Authority (from place of origin or export by government, association or single supplier that already certified in exporting countries), risk analysis on timber species, Risk Mitigation and steps taken based on risk analysis.

Other relevant non-government resources

- Resources for the implementation of SVLK have been primarily come from the Government of Indonesia and business entities. External financial and non-financial support is facilitated by the Directorate General for Sustainable Management of Production Forests under the Ministry of Environment and Forestry, Republic of Indonesia,
- Supports from the Multi-Stakeholder Forestry Programme (MFP) – a collaboration project between Indonesia and Department for International Development (DFID) of the Government of the United Kingdom,
- Supports of the European Union through the FAO FLEGT Programme, European Forest Institute (EFI), and other organizations to implement SVLK and other programs related to prevention and eradication of illegal logging and associated activities,
- International and domestic non-governmental organizations have been involved in the development and the implementation of SVLK at all levels.


Who should I contact for further information?

Details of the relevant government contacts within the Ministry of Environment and Forestry for information on timber legality in Indonesia:

1. Krisdianto, Ph.D, Director for Forest Product Processing and Marketing Management at email: kris[ditpphh@gmail.com](mailto:krisditpphh@gmail.com)
2. Yoga Prayoga/Mr., for Licensing Information Unit (export, import, certification, SILK online) and SVLK at email: yogaprayogakemenhut@gmail.com
3. Teguh Widodo/Mr. for Indonesian timber administration system. At email: twidodo82@yahoo.com,
4. Dodi Sumardi/Mr. for International Cooperation Affairs at email: bilateral.klhk@gmail.com,


Attachments

Annex 1 - Sample of SVLK Timber Legality Certificate

<h1>Certificate</h1>	
Standard	The Director General of Forest Production Development's Regulation Number : P. 8/VI-BPPHH/2012 dated December 17, 2012 Concerning Standard and Guidelines on Assessment of Performance of Sustainable Production Forest Management and Timber Legality Verification
Certificate Registr. No.	[REDACTED]
Certificate Holder:	[REDACTED] certifies:
	<u>Head Office :</u> [REDACTED]
	<u>Factory :</u> [REDACTED]
Scope:	<p>Downstream Timber Industry License – Head of BKPM Decision Letter No. 453/T/INDUSTRI/1995 dated September 20, 1995 jo. 620/T/INDUSTRI/1998 dated November 24, 1998 jo. 426/T/INDUSTRI/2001 dated November 12, 2001 jo. 310/T/INDUSTRI/2008 dated April 04, 2008 jo. Revision of Industrial Business License No. 67/1/IU/III/PMA/INDUSTRI /2012 dated March 15, 2012 jo. KBLI Revision Letter No. 109/B.2/A.8/2012 dated June 15, 2012</p> <p>Holders of Downstream Timber Industry License (Advanced IUI) for Manufacturing of Test Liner/Corrugated Medium, Folding Box Board, Corrugated Carton Box, Paper Tube, Paper Cone, Box, Duplex/Manila/Ivory/Art Board/Solid Bleached Board, Printed Packaging Products.</p> <p>Comply with the criteria and indicator of Timber Legality Verification according to The Director General of Forest Production Development's Regulation Number: P. 8/VI-BPPHH/ 2012 dated December 17, 2012 Annex 3.4 Guidelines on Timber Legality Verification in Primary Industry (IUIPHHK) and Downstream Timber Industry (Advanced IUI)</p>
Validity:	<p>The certificate is valid from 03-07-2012 until 02-07-2015. Revision 01 dated on 02-07-2013</p> <p>Jakarta, 02-07-2013</p> <p>[REDACTED]</p>
	
[REDACTED]	[REDACTED]
	Precisely Right.

1. Annex 2 – Sample form of V-legal Document

Notes for guidance:



A.		B.	
COPY FOR IMPORTER	3 1 Issuing authority Name Address Authority registration number		2 Importer Name Address Country of destination and ISO Code Port of loading Port of discharge Value (USD)
	3 V-Legal/ licence number		4 Date of Expiry <div style="border: 1px solid black; width: 100px; height: 20px; margin: 0 auto;"></div>
	5 Country of export		7 Means of transport
	6 ISO Code		
	8 Licensee Name Address		ETPIK Number Tax Payer Number
	9 Commercial description of the timber products		10 HS-Heading
	11 Common and Scientific Names		12 Countries of harvest
			13 ISO Codes
	14 Volume (m3)	15 Net Weight (kg)	16 Number of units
	17 Distinguishing marks		
18 Signature and stamp of issuing authority Name Place and date			

L7 - 19

General:

- Complete in capitals.
- ISO codes, where indicated refer to the international standard two letter code for any economies.
- Box 2 is for use by the Indonesian authorities only
- Headings A and B for use of FLEGT licensing to the EU only

Heading A	Destination	Insert 'European Union' if the licence covers a shipment destined for the European Union.
Heading B	FLEGT licence	Insert 'FLEGT' if the licence covers a shipment destined for the European Union.

Box 1	Issuing authority	Indicate the name, address, and registration number of the licensing authority.
Box 2	Information for use by Indonesia	Indicate the name and address of the importer, the total value (in USD) of the shipment, as well as the name and the two-letter ISO code of the economies of destination and where applicable of the economies of transit.
Box 3	V-Legal/ licence number	Indicate the issuing number.
Box 4	Date of expiry	Period of validity of the licence.
Box 5	Economies of export	This refers to the partner economies from where the timber products were exported to the EU.
Box 6	ISO code	Indicate the two-letter ISO code for the partner economies referred to in Box 5.
Box 7	Means of transport	Indicate the means of transport at the point of export.
Box 8	Licensee	Indicate the name and address of the exporter, including the registered exporter ETPIK and tax payer numbers.
Box 9	Commercial Description	Indicate the commercial description of the timber product(s). The description should be sufficiently detailed to allow for classification into the HS.
Box 10	HS code	For the original, copy for Customs at destination and copy for Importer indicate the four-digit or six-digit commodity code established pursuant to the Harmonised Commodity Description and Coding System. For copies for use within Indonesia (copies (iv) to (vii) as set out in Article 3.1 of Annex IV) indicate the ten-digit commodity code in accordance with the Indonesia Customs Tariff Book.
Box 11	Common and scientific names	Indicate the common and scientific names of the species of timber used in the product. Where more than one species is included in a composite product, use a separate line. May be omitted for a composite product or component that contains multiple species whose identity has been lost (e.g. particle board).
Box 12	Countries of harvest	Indicate the countries where the species of timber referred to in Box 10 was harvested. Where a composite product include for all sources of wood used. May be omitted for a composite product or component that contains multiple species whose identity has been lost (e.g. particle board).
Box 13	ISO codes	Indicate the ISO code of the countries referred to in box 12. May be omitted for a composite product or component that contains multiple species whose identity has been lost (e.g. particle board).
Box 14	Volume (m3)	Indicate the overall volume in m3. May be omitted unless the information referred to in box 15 has been omitted.
Box 15	Net weight (kg)	Indicate the overall weight of the shipment at the time of measurement in kg. This is defined as the net mass of the timber products without immediate containers or any packaging, other than bearers, spacers, stickers etc.
Box 16	Number of units	Indicate the number of units, where a manufactured product is best quantified in this way. May be omitted.
Box 17	Distinguishing marks	Insert barcode and any distinguishing marks where appropriate e.g. lot number, bill of lading number. May be omitted.
Box 18	Signature and stamp of issuing authority	The box shall be signed by the authorised official and stamped with the official stamp of the licensing authority. The signatories' name, as well as place and date shall also be indicated.

2. Annex 3 - Description of the supply chain for timber from state-owned forests

1. **Description of the operational control of the supply chain for timber from state- owned forests**

Felling Site

- (a) Main activities:
 - Timber Cruising (enumeration of trees) by the permit holder;
 - Preparation of a Timber Cruising Report by the permit holder;
 - Approval of the Annual Work Plan by the permit holder;
 - Harvesting operations by the permit holder, including skidding of logs to the log-landing site.
- (b) Procedures:
 - Timber cruising (enumeration of trees) is conducted by the permit holder using bar code. These bar code are made up of three detachable sections, attached to the stump, harvested log, and the operator report. Each section contains the necessary information required for timber tracking, including the number of the tree and its location;
 - The permit holder prepares a Timber Cruising Report, which contains information on the number, estimated volume, preliminary species identification and location of trees to be harvested, and a summary, using official Ministry of Forestry Forms;
 - The permit holder submits the Timber Cruising Report to the district forestry official. The official conducts both a document-based and field verification of the Timber Cruising Report on a sample basis. The official approves the Report if all is in order;
 - The Timber Cruising Report provides the basis for the Proposed Annual Work Plan, which is prepared by the permit holder and submitted to the provincial forestry officer for review and approval. The official reviews and cross-checks the Proposed Annual Work Plan against the approved Timber Cruising Report and approves the work plan if all is in order;
 - Once the Annual Work Plan is approved by the official, the permit holder is allowed to commence harvesting operations;
 - During harvesting operations, tags are used to ensure that the log is from an approved felling site, as described above.

Log-Landing Site

- (a) Main activities:
 - Scaling (measurement) and grading of logs by the permit holder;

- Log marking using ID bar codes by permit holder
- Preparation of a log-list by the permit holder;
- (b) Procedures:
 - All logs Measured and Tested by *GANISPH* and recorded in the log list.
 - Logs that have been measured are marked on the logs using ID bar codes.
 - In terms of measurement carried out using the staple meter method. measurement results are converted into meters cubic (m3).
 - The conversion rate of the staple meter measurement results appointed by the director General.
- (c) Data Reconciliation:
 - Reconciliation between SIPUHH administrator and permit holder

Log-Yard

Logs are transported from the log-landing site to log yards and then either directly transported to a processing mill or to an intermediate log-yard.

- (a) Main activities:
 - Preparation of a log production report by permit holder;
 - The Log Production Report is used to calculate the required payment of the Forest Resources Fee and to the Reforestation Fund (as applicable) in Non-Tax State Revenue Information system.
 - Issuance of non-tax state revenue billing code in Non- Tax State Revenue Information system by permit holder.
 - Payment of non-tax state revenue at the perception bank based on the non-tax state revenue billing code by permit holder.
 - Issuance of legal certificate documents for log forest products by permit holder.
 - Preparation of a Log Balance-Sheet Report by the permit holder.

(b) Procedures:

- Permit holders make Logs production report at the latest at the end of every month for all the wood resulting from the Measurement and Testing that has been recorded in the measuring book of the month concerned.
- Logs production report made in online forest product administration information system at the log-yard by the Logs production report makers.
- The Logs production report makers are *GANISPH* testing logs according to their competence.
- Permit holders calculate the amount of non-tax state revenue in Non- Tax State Revenue Information system based on Logs production report.
- Permit holders pay non-tax state revenue at the perception bank based on the the non-tax state revenue billing code in Non- Tax State Revenue Information system.
- Permit holder issues legal certificate documents for log forest products at online forest product administration information system for Logs production report that have paid off non-tax state revenue.
- Permit holder transports logs to their destination accompanied by legal certificate documents for log forest products.

(c) Data Reconciliation:

- Reconciliation between SIPUHH administrator and permit holder

Intermediate log-yard

Intermediate log-yards are used if logs are not transported from the concession area directly to the mill yard. Intermediate log-yards are used in particular for inter- island transportation of logs or if the transport mode is changed.

The permit for establishment of an intermediate log-yard is granted by the forestry official based on a proposal submitted by the permit holder. An intermediate log- yard permit is valid for five years, but can be extended following review and approval by the forestry official.

(a) Main activities:

- Termination of the validity of the Log Transport Document by an official;
- Preparation of Log Balance-Sheet Report by the permit holder;
- Preparation of log-list by the permit holder;
- The permit holder completes the Log Transport Document following the format provided by the Ministry of Forestry.

(b) Procedures

- The district forestry official physically verifies the number, species, and dimensions of incoming logs by counting them (census) or on a sample basis if the number of logs exceeds 100;

- Subject to a positive outcome of the verification, the official terminates the validity of the Log Transport Document for the incoming logs;
 - The permit holder prepares a Log Balance-Sheet Report as a means to control the inflow and outflow of logs at the intermediate log-yard;
 - For the outgoing logs, the permit holder prepares a log-list, which is linked to the previous Log Transport Documents;
 - The Log Transport Document for moving logs from the intermediate log yard is completed by the permit holder.
- (c) Data Reconciliation:
- Reconciliation between *SIPUHH* administrator and permit holder

Registered Log Depot

Registered log depots are used if logs are not transported from the concession area and/or intermediate log-yards and/or other registered log depot directly to the mill yard.

The permit for establishment of a registered log depot is granted by the district forestry official based on a proposal submitted by the permit holder. A registered log depot permit is valid for three years, but it can be extended following review and approval by the forestry official.

- (a) Main activities:
- Termination of the validity of the Log Transport Document by the official; in case of natural timber using online log tracking system or plantation timber, termination of the validity of the Log Transport Document is done by the designated registered technical staff;
 - Preparation of Log Balance-Sheet Report by the permit holder;
 - Preparation of log-list by the permit holder;
 - The permit holder completes the Log Transport Document following the format provided by the Ministry of Forestry.
- (b) Procedures
- The district forestry official terminates the validity of the Log Transport Document for the incoming logs;
 - The district forestry official physically verifies the number, species, and dimensions of incoming logs by counting them (census) or on a sample basis if the number of logs exceeds 100;
 - Subject to a positive outcome of the verification, the timber is recorded

- in the Log Balance-Sheet Report;
- The permit holder prepares a Log Balance-Sheet Report as a means to control the inflow and outflow of logs at the registered log depot;
- For the outgoing logs, the permit holder prepares a log-list, which is linked to the previous Log Transport Documents;
- The Log Transport Document for moving logs from the registered log depot is completed by the permit holder.

(c) Data reconciliation:

- Reconciliation between SIPUHH administrator and permit holder

Registered Processed-Timber Depot

Registered processed-timber depots are timber depot that receive processed-timbers from primary mill, registered processed-timber depots, processed-timber importer. Registered processed-timber depots sell to secondary mill, registered processed- timber, household industry, registered exporter, and end user.

The permit for establishment of a registered processed-timber depot is granted by the district forestry official based on a proposal submitted by the permit holder. A registered processed-timber depot permit is valid for three years, but can be extended following review and approval by the forestry official.

(a) Main activities:

- Termination of the validity of the Processed-Timber Transport Document by the designated registered technical staff;
- Preparation of Processed-Timber Balance-Sheet Report by the permit holder;
- Preparation of timber-list by the permit holder;
- The permit holder completes the Processed-Timber Transport Document following the format provided by the Ministry of Forestry.

(b) Procedures

- The designated registered technical staff terminates the validity of the Timber Products Transport Documents for the incoming processed-timbers;
- The permit holder prepares a Processed-Timber Balance-Sheet Report as a means to control the inflow and outflow of processed-timbers at the registered processed-timber depot;
- For the outgoing processed-timber, the permit holder prepares a timber- list, which is linked to the previous Timber Products Transport Documents;

- The Timber Products Transport Documents for moving processed-timbers from the registered processed-timber depot is completed by the permit holder.

(c) Data reconciliation:

- Reconciliation between SIPUHH administrator and permit holder

2. **Description of the operational control of supply chains of timber from for privately owned forest/lands**

Timber harvesting operations on privately-owned forest/land are regulated by Minister of Forestry Regulation.

There are no legal requirements for the private owners of forest/lands to affix ID marks on trees inventoried for harvesting or on logs. Log yards and intermediate log yards are generally not used for timber harvested from privately-owned forest/lands.

Control procedures for timber from privately-owned forest/lands differ between logs obtained from trees which were on the site when the land title was acquired and logs obtained from trees that have been planted since the title was acquired. They also depend on the tree species harvested. The payment of the Forest Resources Fee and to the Reforestation Fund applies to logs from trees already present on the site when the land title was awarded but does not apply to logs from trees established after the award of the land title.

In the case of logs harvested from trees established after granting of the land title, there are two scenarios:

- For species listed in Article 5.1 of the Regulation, the owner prepares an invoice, which serves as the transport document;
- For other species, the head of the village or appointed official issues the transport document.

In the case of logs harvested from trees present on a site before the granting of the land title, the district forestry official issues the transport document.

Felling/Log-Landing Site

(a) Main activities:

- Recognition of the property right;
- Where necessary, cross-cutting;
- Scaling (measurement);
- Preparation of a log-list;

- Invoicing by the district forestry office and payment of the invoiced amount by the owner of the Forest Resources Fee and/or to the Reforestation Fund;
- Issuance or preparation of the transport document;

(b) Procedures:

- The private forest/land owner requests recognition of his or her property right;
- Once the forest/land property right is recognized, the owner prepares a log-list after measurement of the logs.

In the case of logs harvested from trees present on a site before the granting of the land title:

- The owner submits a log-list and a request to settle the Forest Resources Fee and Reforestation Fund payment to the district forestry official;
- The official conducts document checks and physical verification of the logs (dimensions, species identification, and number of logs);
- Subject to a positive outcome of the document checks and physical verification, the district forestry official issues a Forest Resources Fee and Reforestation Fund Invoice for settlement by the owner;
- The landowner submits the receipt for payment of the Forest Resources Fee and to the Reforestation Fund to the head of village, together with a request for issuance of a Log Transport Document;
- The head of village conducts document checks and physical verification of the logs (dimensions, species identification, and number of logs);
- Based on the above, the head of village issues the Log Transport Document.

In the case of logs harvested from trees established after granting of the land title:

Species listed in Article 5.1 of the Regulation:

- The owner marks the logs and identifies the species;
- The owner prepares a log-list;
- Based on the above, the owner prepares an invoice following the format provided by the Ministry of Forestry, which also serves as the transport document.

Other species not listed in Article 5.1 of the Regulation:

- The owner marks the logs and identifies the species;
- The owner prepares a log-list;
- The owner submits the log-list and a request for issuance of a Log Transport Document to the head of village or appointed official;
- The head of village or appointed official conducts document checks and physical verification of the logs (species identification, number of logs, location of harvest);

- Based on the above, the head of village or appointed official issues the Log Transport Document following the format provided by the Ministry of Forestry.
- (c) Data Reconciliation:
The head of village or appointed official or the district forestry official compares the volume of harvested logs with the log-list.

3. **Description of the operational control of timber supply chains for industry and for export**

Primary/Integrated Industry

- (a) Main activities:
 - Preparation of Log Balance-Sheet Report by the processing mill;
 - Physical verification of logs by the district forestry official;
 - Termination of the validity of Log Transport Document by an official;
 - Preparation of Raw Material and Products Tally Sheet by the mill;
 - Preparation of Processed Timber Balance-Sheet Report by the mill;
 - The mill completes in the Timber Products Transport Document following the format provided by the Ministry of Forestry;
 - Preparation of sales report of the mill.
- (b) Procedures:
 - The mill prepares a Log Balance-Sheet Report as a means to record the flow of logs in to and within the mill;
 - The mill submits copies of the Log Transport Documents corresponding to each batch of logs received by the mill to the district forestry official;
 - The official verifies the information in the reports by comparing with the physical products. This may be done on the basis of a sample if there are over 100 items;
 - Subject to a positive outcome of the verification, the official terminates the validity of the Log Transport Documents;
 - The official files copies of the Log Transport Documents and prepares a Summary List of the Log Transport Documents, following the format provided by the Ministry of Forestry;
 - Copies of the Log Transport Documents which validity that have been terminated by an official are handed over to the company for filing;
 - A summary of the Log Transport Documents is submitted to the district forestry office at the end of each month;
 - The mill prepares raw material and product tally sheets by production line as a means to control the input of logs and output of timber products and to calculate the recovery rate;
 - The mill prepares a Processed Timber Balance-Sheet Report as a means to report on flows of timber product within and from the mill, as well as stocks;
 - The company or mill sends sales reports of the mill to the district forestry office on a regular basis.
- (c) Data Reconciliation:

The company checks the Log Balance-Sheet Report comparing inflows, outflows and storage of logs based on Log Transport Documents.

The Production Tally Sheet is used to reconcile input and output volume of production lines and the recovery rate is compared with the published average rate.

The company checks the Processed Products Balance-Sheet Report comparing inflows, outflows and storage of products based on Timber Product Transport Documents.

The district forestry official checks the reconciliation carried out by the company.

Secondary Industry

(a) Main activities:

- Preparation of Processed Timber (semi-processed products) and Processed Products Balance-Sheet Reports by the factory;
- Preparation of invoices by the factory, which also serve as transport documents for processed timber products;
- Preparation of Processed Timber Balance-Sheet Report by the factory;
- Preparation of Sales Report by the company or factory.

(b) Procedures:

- The factory files the Processed Timber Transport Documents (for incoming material) and prepares a summary of these documents, which is submitted to the district forestry official;
- The factory uses the Processed Timber and Processed Products Tally Sheet by production lines as a means to report on flows of materials into the factory, output of products and to calculate the raw material recovery rate;
- The factory prepares a Processed Timber Balance-Sheet Report as a means to check flows of materials into the mill, output of timber products and stocks held the company or factory prepares invoices for processed products, which else serves as the transport document, and files copies of the invoices. A timber products list is annexed to each invoice;
- The company or factory sends Sales Reports to the district forestry office.

(c) Data Reconciliation:

The factory checks the Processed Timber Balance-Sheet Report comparing inflows, outflows and storage of materials based on Processed Timber Transport Documents and Processed Timber Tally Sheet.

The Production Tally Sheet is used to check input and output volume of production lines and the recovery rate is evaluated.

The company checks the Processed Products Balance-Sheet Report, comparing inflows, outflows and storage of products based on invoices.

4. Legality verification using Supplier's Declaration of Conformity (SDoC) and internal checks

Supplier's declaration of conformity (ISO 17050) is a "declaration" as defined in ISO/IEC 17000, i.e. first-party attestation; issue of a statement, based on decision following review, that fulfillment of specified requirement has been demonstrated.

SDoC can be used by operators in privately-owned forests, household industries and registered timber depots to express the legality of their timber. SDoC is declared by the designated operators. The company that receives the SDoC shall undertake and document internal checks on the validity of the information declared in the SDoC. This shall be verified by Conformity Assessment Bodies (CABs) when conducting audits of the receiving company through document review and random field checks. In addition, the Ministry of Forestry can carry out random inspections, which may be contracted to competent third parties. In indications of fraud and irregularities, the government can conduct special inspections of the operator which uses SDoCs.

All timber products covered by a V-Legal Document or FLEGT licence must come from a SVLK certified supply chain. Timber and timber products covered by SDoC cannot directly access international markets. Such access is only possible through a certified SVLK operator.

SDoC list among others species, volume, issuer (owner of the timber), recipient, transport document, proof of origin, and expiration date. The SDoC is attached to the transport document based on timber administration regulations. Detailed procedures for SDoC issuance and related checks are provided in the TLAS guidelines.

Supplier's declaration of conformity is also used for imported timber. Only registered importers and processing importers can import timber and timber products into Indonesia. These operators are required to apply a due diligence system that checks legality at the place of harvest of the imported timber. Operators then fill in a SDoC that lists among others species, volume, issuer, recipient, transport document, proof of legality, shipping information and the place of harvest. The SDoC is attached to the notification of import (PIB) and the transport document based on timber administration regulations.

Conformity Assessment Bodies (CABs) when conducting audits of the importer carry out document review and random field checks of the due diligence system applied and the SDoCs issued. In addition, the government shall carry out random inspections, which may be contracted to competent third parties. In indications of fraud and irregularities, the government shall conduct special inspections of the importer. Detailed procedures for the due diligence system, SDoC issuance and related checks are provided in the TLAS guidelines and the related import.