

Anything related to SVLK activities: updated progress and its challenges

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The aim of Component 3 under EC-Indonesia FLEGT SP is to support Ministry of Forestry and both provincial forestry offices in Jambi and West Kalimantan in relation to improvement of legality of timber trade and industry.

However, since 2007 the project activities under this component have been mostly supporting Ministry of Forestry in relation to both timber traceability (PUHH Online) and timber legality assurance system, called SVLK.

Under this news, we would like to share with the readers our outputs from those activities such as capacity building and field test of SVLK. We would also provide comments and challenges that would be faced by the Ministry in relation to implementation of SVLK in the fields.

What is SVLK?



SVLK is an Indonesian timber assurance legality system developed by multi-stakeholders. Since 1 September 2009 in which Ministerial Decree No: P.38/Menhut-II/2009 regarding to Timber Legality Assurance System (SVLK) and P.6/VI-Set/2009 were issued, Government of Indonesia through Ministry of Forestry has been putting large efforts to disseminate and build capacity of forest officers for implementation of SVLK in the fields.

Dissemination of SVLK has been done in several big cities/provinces (such as DKI Jakarta, Surabaya, Yogyakarta, Medan, Samarinda, Denpasar, and Makassar). The dissemination is not only to the owner of concessions or industries, but also to decision makers.

The system is built in order to answer the demand of legal timber both in the international and domestic markets. WWF Germany (2008) estimated that about 4.2 million m³ of illegal woods (RWE) from Indonesia entered to the European Union. China is the second largest country from Asia exporting large of quantities of the wood-based products into the European Union.

Pulp imports from Indonesia are restricted to a few key customer countries in the EU. 40% of the EU pulp imports from Indonesia go to Italy, a further 36% to France and 16% to the Netherlands (WWF Germany, 2008).



Table 1. Imports of illegal timbers from Indonesia and China into the EU

Country	Estimated Illegal quantity of wood	Imported Products	Customers in the EU
Indonesia	4.2 million m3 (RWE)	38% furniture and other finished wood products	The Netherlands (20%)
		17% pulp	Belgium (15%)
		16% parquet	Italy (14%)
		10% plywood	Germany (13%)
		38% furniture and other finished wood products	France (13%)
China	3.7 million m3 (RWE)	52% furniture and other finished wood products	Great Britain (30%)
		19% plywood	Germany (14%)
		13% paper	Spain (8%)
			France (8%)
			The Netherlands (7%)
Italy (7%)			

Adapted Source: Illegal Wood for the European Market (WWF Germany, July 2008)

Does SVLK system meet with the EU expectation on timber legality? Based on Minutes of Meeting of EU – Indonesia VPA Expert Meeting on 10 September 2009, the SVLK system might have to be improved, particularly on the licensing authority for exporting timbers to the EU market. According to SVLK system, the FLEGT licensing issue has not been yet addressed. The Indonesian Government claims that this is because SVLK is designed not only for the EU market but also for other International and domestic markets.



In the SVLK regulation, the licensing authority to endorse the forest products for export can be done through the LP&VI (independent and assessment agency) as the third party verification. In addition, self endorsement for timber industries to export the products is possible in Indonesia. Timber industries that hold already timber legality certificate (TL-SVLK certificate) and their raw materials also already certified, and then those industries are able to self-endorse their end-products for export.

So, when the industry holds a SVLK certificate and the industry wants to export their products to the European market, a FLEGT license could be issued as soon as the LP&VI declares that the industry is certified SVLK.

SVLK Certification

SVLK has two kind of certificates, namely PHL (for Sustainable Forest Management) and VLK (Verification for timber legality). The PHL certificate focuses on performance of the concessions. If concessionaire already has a PHL certification, then the concessionaire is

not necessary to have timber legality (VLK) certification. On the other hand, if the concessionaire fails to meet PHL certification, then the concessionaire could apply for the VLK certification. In addition, all wood industries (up and down stream industries) should have a VLK certification. It may hurt small and medium industries, especially for home industries.



Both certifications would be granted if the companies have been assessed by independent assessor and verifiers (LP&VI). However, those assessor and verifiers have to be accredited by National Accreditation Committee (KAN).

The final result of the assessment done by LP&VI is reported directly to the company. If the company accepts with the result, the certificate is granted with the criteria as follows:

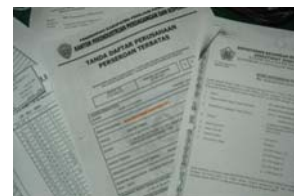
- **"Bad"** or **"Good"** for PHL Certification
- **"Compliance"** or **"not compliance"** for TL Certification

Timber Legality Verification Certificate (VLK) and PHL Certificate are effective for 3 (three) years and surveillance will be conducted every year and the first surveillance is conducted no later than 12 months after the first audit is done.

Some critics for Guidelines on VLK certification are raised. For example, social and environment aspects were not well addressed. It seems that those both aspects were only addressed inside Environmental Impact Assessment Report. It is expected that revision of the guidelines should address those issues.

Non Governmental Organizations (NGOs) and Civil Society Organizations (CSOs) classified as Independent Monitoring Groups are able to monitor the processes of certifications. If NGOs or CSOs doubt with the result of certification, the NGOs or CSOs could complain to the LP&VI within 20 days. The Group also is possible to monitor the company although the certification has been granted. If the Group found suspicion with the company or industry related to timber legality, then the LP&VI could do direct auditing to those company and industry (based on data and facts provided by the Group).

If the LP&VI could not settle the objection, the NGOs or CSOs would request National Accreditation Commission (KAN) to clear up the complaint based on KAN's conflict resolution procedure. The KAN would give Corrective Action Request (CAR) to the company (for PHL certification scheme). If the company fails to fulfill the CAR, the certification would be frozen until the validation date of the certification is expired.





Up to now, the field guidelines for auditors to audit forest concessions/industries have been issued. Based on the guidelines, all timber products resulting from the certified industries would be labeled based on the originality of the timbers as follows:

- a. If 100% raw materials (log) are from certified forests (PHL certificate), the product from the industry is labeled with "green" color.
- b. If raw materials (logs) are from mixed certified sources (from PHL certificate and VLK certificate), the product from the industry is labeled with "blue" color.
- c. If 100% raw materials (log) are from verified forests (VLK certificate), the product from the industry is labeled with "yellow" color.
- d. If raw materials (logs) are from mixed certified sources (from PHL certificate and VLK certificate) and non certified sources (but still comply with the timber administration regulation on Ministry of Forestry Decree P.55/Menhut-II/2006 and P.51/Menhut-II/2006), the product from the industry is labeled with "brown" color.
- e. If 100% raw materials (logs) are from non certified sources (but still comply with the timber administration regulation on Ministry of Forestry Decree P.55/Menhut-II/2006 and P.51/Menhut-II/2006), the product from the industry is labeled with "red" color.

The regulations related to SVLK can be seen below.

Table 2. SVLK Regulations and Policies

No	Regulation	Detail
1	P.38/Menhut-II/2009	Institutional Arrangements of SVLK. It includes the conditional requirements for the issuance of SVLK certificates, national accreditation body, certification/auditing body, and independent monitoring.
2	P.6/VI-Set/2009	Principle, Criteria, Indicator, and Verifier for SVLK (Sustainable Forest Management/PHL Certification and Timber Legality Verification/VLK)
3	P.02/VI-BPPHH/2010	Field Guidelines for auditing processes in the fields
4	ISO 17021	International Certification Standard
5	ISO Guide 65	International Verification Standard
6	ISO 9000	International Auditing Standard
7	DPLS 13 (Version .0)	Additional requirement for sustainable forest management certification procedure
8	DPLS 14 (Final Version)	Additional requirement for timber verification procedure

Capacity Building and Testing SVLK



Capacity building has been started. Introduction training of SVLK for auditors has been conducted. Training of Trainers for Field Officers in the field partly has been carried out. The field officers are expected to become field supervisors for timber concessionaires and industries in implementing SVLK.

Up to February 2010, there were already at least five SVLK trainings that had been carried out as follows:

- Training for KAN Assessors for Auditing company
- Training for Auditors of SVLK,
- Training for Trainers of SVLK,
- Training for Facilitators of SVLK
- Training for New Auditors of SVLK.

Those trainings (except training for KAN Assessors) were hosted by Training Center of Ministry of Forestry (*Pusdiklat*) and supported financially by EC-Indonesia FLEGT SP and MFP/DfiD.

Although some training had been done, it still remains debatable regarding the proper implementation of SVLK in the field. Some people argued that those trainings are not enough. There are a lot of concessions and industries that need to be certified. Others think that number of trainings has to be increased and replicated at local levels. According to Ministry of Forestry, the transition period of SVLK implementation would be only for one year. It means that per 1 September 2010 the certification of SVLK for concessions and industries has to be issued. Would it be ready to be issued by then?



Piloting SVLK has been planned since October 2009 to test verifiers of SVLK in the fields. However, the first trial was done in December 2009 in Jambi at APP (Asia Pulp Paper/Sinar Mas Group). The exercise was done to test verifiers of Annex 2 (for PT. Wira Karya Sakti/Forest Plantation) and Annex 4 (for PT. Lontar Papyrus Pulp & Paper Industry). The exercise was jointly done with auditors from SGS (Société Générale de Surveillance) who were doing regular auditing (surveillance) for APP. Because the auditing process was only taken for two days in the fields, as a result, the processes using SVLK did not cover assessment for all verifiers in the SVLK standard.

The second field test was done at PT. Balikpapan Forest Industries in East Kalimantan. Auditors were from PT Sucofindo, PT. Alma Sentra, PT. Sarbi, and PT. Ayamaru Bakti Pertiwi. Three auditors for the natural forest concession (Annex 2), 2 auditors for the

industry (Annex 4), and 4 CSOs (The Nature Conservancy, Telapak, OCSP, and LBH Balikpapan) from independent monitoring group were involved in order to find out the applicability of the SVLK assessment in the fields. EC – Indonesia FLEGT SP and MFP/DfiD were as observers during the field test.

The third field test was done at PT. Anugrah Jati Utama. Most of raw materials are Teak (*Tectona grandis*). The auditors were from PT. Sucofindo. The auditors found that administration for timber processing products from Perum Perhutani (State Owned Company) at the Industry is separated. In other words, timber administration owned by Industry is different than those owned by Perum. However, the timbers (owned by the Perum) are processed at the same Industry. The industry does not keep such administration. The administration is directly kept and managed by the Perum. The timber administration is not supposed to be separated. This system can cause difficulty to verify the actual capacity of the industry.



Unfortunately, up to now, the field tests of SVLK have been done only in Natural and Plantation Forest Concession (Annex 2) and Industry (Annex 4). On the other hand, field tests for Annex 1 (PHL certification), Annex 3 (Community State Plantation, Community Forestry), Annex 5 (Private Forest), and Annex 6 (Forest Conversion) have not been done.

There are some arguments regarding the unready implementation of SVLK in the field as follows:

- a. Not all Guidelines (field instructions) for SVLK have been tested in the fields. It means that inputs for improvement are still open. For instance, the guideline to verify timber legality for private forest, community forestry, and forest conversion has not been tested. Difficulties could be found during the real implementation.
- b. Up to 2008 number of government officials to verify forest products in the field is about 9,062 personnel, whereas number of technical staff owned by company to qualify timbers is about 9,401 staff. Both officers and staff should understand well about SVLK. It seems that it requires a lot of trainings. Would it be enough to complete within the time frame for the next seven months?
- c. Up to 2008, there are 308 natural forest concessions with the total area of 26.16 million hectares, whereas concessions for forest plantations are owned by 165 companies with the total area of 7.15 million ha. In addition, there are 212 primary forest industries (with the capacity above 6,000 m³ per year). There are 950 of furniture industries around Indonesia with the capacity of 3.14 million cubic meters per year (see table 3 below). How many training would be provided by the Government for such companies and industries? How many auditors would be ready to assess those companies and industries?

- d. Up to now, the auditing companies accredited by national accreditation body (KAN) are 15 companies. However, only 1 company (BRIK) is accredited for timber legality verification (VLK certificate). It is very doubted that such company could do verification for the timber industries that are more than 1000 industries across the country (see Table 3 below). It is expected that other auditing companies should propose to the KAN to be accredited as auditing companies for VLK certification.

Tabel 3. Forest Information by Year 2008

No	Type of Concession /Industry	Annual Capacity Allowed	Real Production (m3)	Number of Companies
1	Natural Forest	9.1 million m3	4.6 million	308
2	Natural Forest Conversion		2.76 million	n/a
3	State owned Timber Plantation		96,954	1
4	Timber Plantation*	n/a	24.5 million	165
5	Furniture & Wood Working Industries	3.41 million m3	2.2 million	950
6	Pulp	6.7 million tons	6.2 million tons	14
7	Paper	10.39 million tons	8.6 million tons	79

Note: * includes Private Forest (2 million m3) and Gardening Crops (184,354 m3)

Source:

- Forestry Statistic, Directorate of Forest Production, Ministry of Forestry (2008)
- Report of Industry Growth by 2008, Ministry of Industry (2008)

Conclusion

To sum up, Ministry of Forestry has tried very hard to speed up the implementation of SVLK in the fields. It could be seen that regulations and policies for SVLK have been set up and released within less than one year (the SVLK regulation was issued in July 2009 and its field guidelines were issued in February 2010). Capacity buildings and field tests have been carried out. However, those efforts are not enough to cover certification or verification for timber products from industries. The numbers of auditing companies that have been accredited are still limited. Dissemination of the policies at regional levels (provincial and district levels) is only done at big cities. Based on these facts, it seems that there is a long way to get forest products that have been certified or verified from SVLK scheme.

Reference:

WWF Germany, 2008. Illegal Wood for the European market: an analysis of the EU import and export illegal wood and related products. WWF-Germany, Frankfurt am Main.

(http://assets.panda.org/downloads/illegal_wood_for_the_european_market_july_2008.pdf)