

Indonesia's timber legality and sustainability verification system: What can Australia learn?

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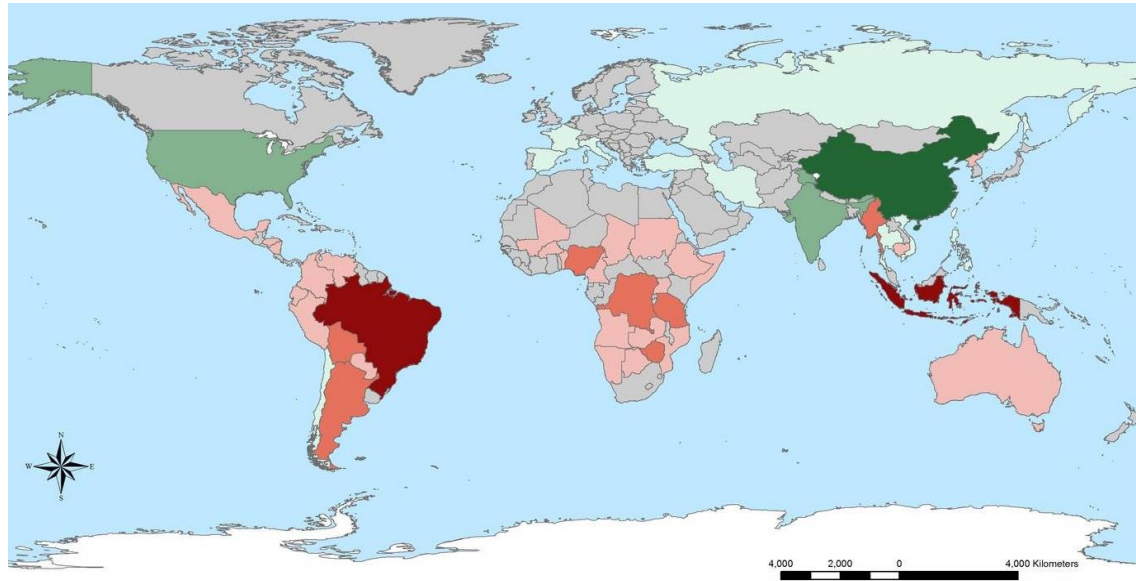
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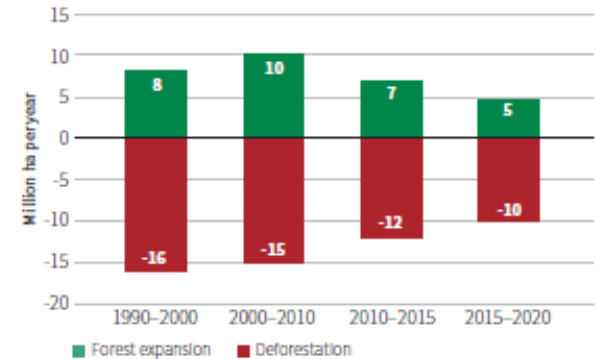
Australian
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University



Annual net and rate of forest gain and loss, 1990-2020



Annual rate of forest expansion and deforestation, 1990-2020



Source: FAO (2015, 2020)



International timber governance regime

State governance



ITTO
INTERNATIONAL TROPICAL
TIMBER ORGANIZATION



Timeline of actions to fight illegal logging

- 2001** Bali Action Plan
- 2003** EU FLEGT Action Plan
- 2006** Green Purchasing Law (Japan)
- 2008** Lacey Act Amendment (US)
- 2009** China-EU Bilateral Coordination Mechanism
- 2009** New Zealand policy to address illegal logging and associated trade
- 2010** EU Timber Regulation adopted
- 2012** Illegal Logging Prohibition Act (Australia)
- 2012** Act on the Sustainable Use of Timbers (South Korea)
- 2013** Roundwood Act (Russia)
- 2013** EU Timber Regulation enters into application

Source: www.flegt.org/flegt-global

Non-state governance



Australia's wood import regulations



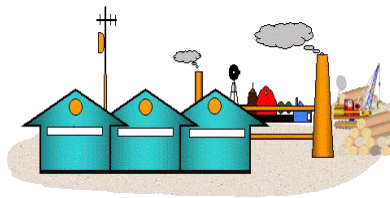
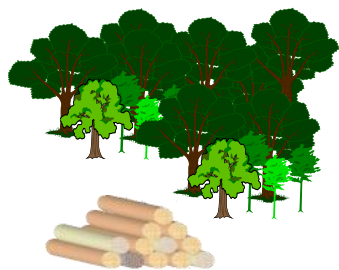
COUNTRY SPECIFIC GUIDELINES FOR INDONESIA

To import legal timber from Indonesia:

- Ask whether your supplier(s) holds a **SVLK Timber Legality Certificate**.
- If yes, make sure you are provided with a **V-Legal Document** for every shipment from your supplier(s).



Timber Legality and Sustainability Assurance System (Sistem Verifikasi Legalitas dan Kelestarian – SVLK)



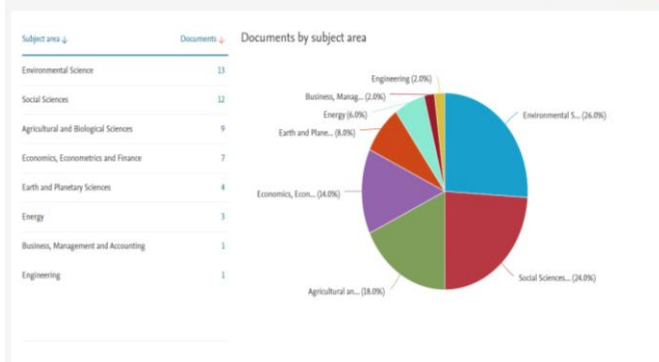
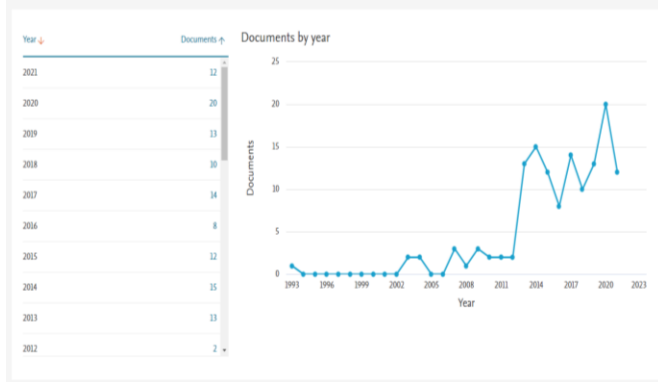
**Sustainable and Legal in
Harvesting**

**Legal in
Transporting**

**Legal in
Processing**

**Legal in
Trading**





State of knowledge of timber legality

- **Robust policy design but dynamic regulations**
 - Involvement of state and non-state actors
 - Less implemented for small-scale forest operators
 - Less attention to community rights and forest tenure
- **Lack of market incentives**
 - The absence of a price premium
 - Export to the EU ~ 5%
- **Weakness of the implementation of SVLK**
 - Audit process only focused on document checklist
 - Fragmented timber tracking system
 - Limited number of accredited assessment bodies
 - Limited independent monitoring
- **Corrupt practices and illegal activities still continue**

Few studies on how SVLK is being implemented in Indonesian wood value chains

Research questions

1

What are the structures of the case study wood-value chains who are the chain actors, and what their roles in the chains?

2

What is the architecture and implementation of SVLK along case study value chains?
- Where a comparison is possible, how do the outcomes of SVLK compare to those of voluntary forest certification?

3

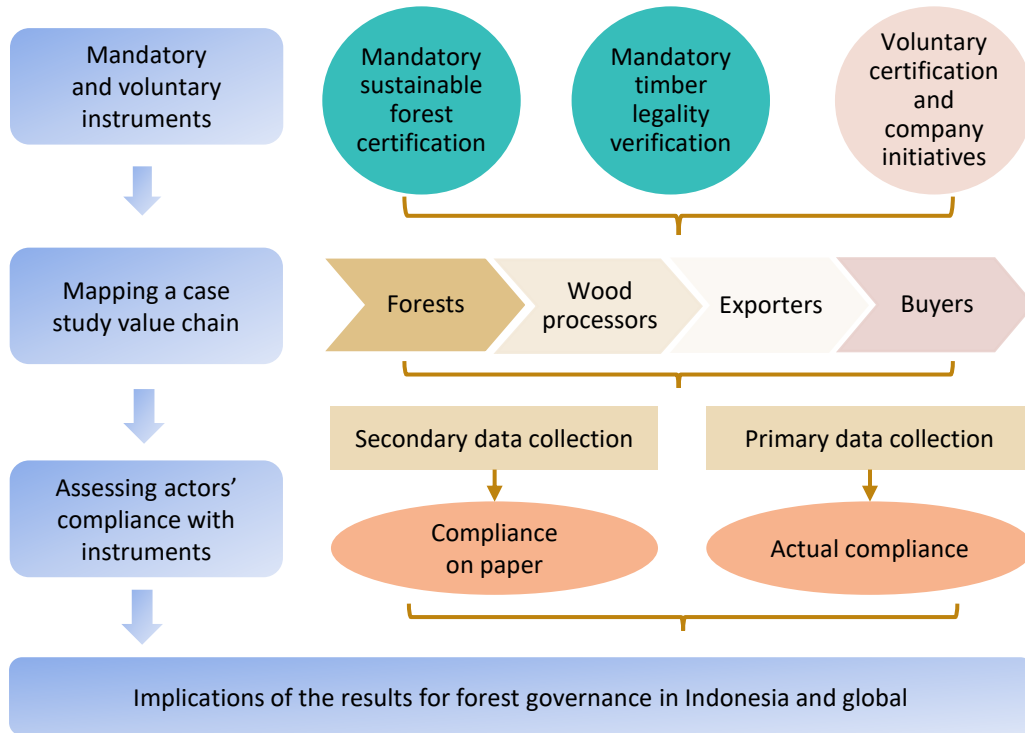
What is the level of actors' compliance with SVLK, and what determines their compliance?

4

What are the implications of the results for forest governance in Indonesia, and more generally?



Research frameworks



• Theoretical framework

- **Smart regulation** (Gunningham *et al.*, 1998; Gunningham and Sinclair in Drahos, 2017 – Regulatory Theory)
- **Holistic compliance model** (Parker and Nielsen, 2011; Parker and Nielsen in Drahos, 2017 – Regulatory Theory)
- **Continuum of legal, legalised and illegal timber** (Richards *et al.*, 2013)
- **Experimentalist transnational timber legality regime** (Overdevest and Zeitlin, 2014, 2020)
- **Interactions between public and private governance** (Cashore *et al.*, 2021; van de Ven *et al.*, 2021)

• Methodological approach

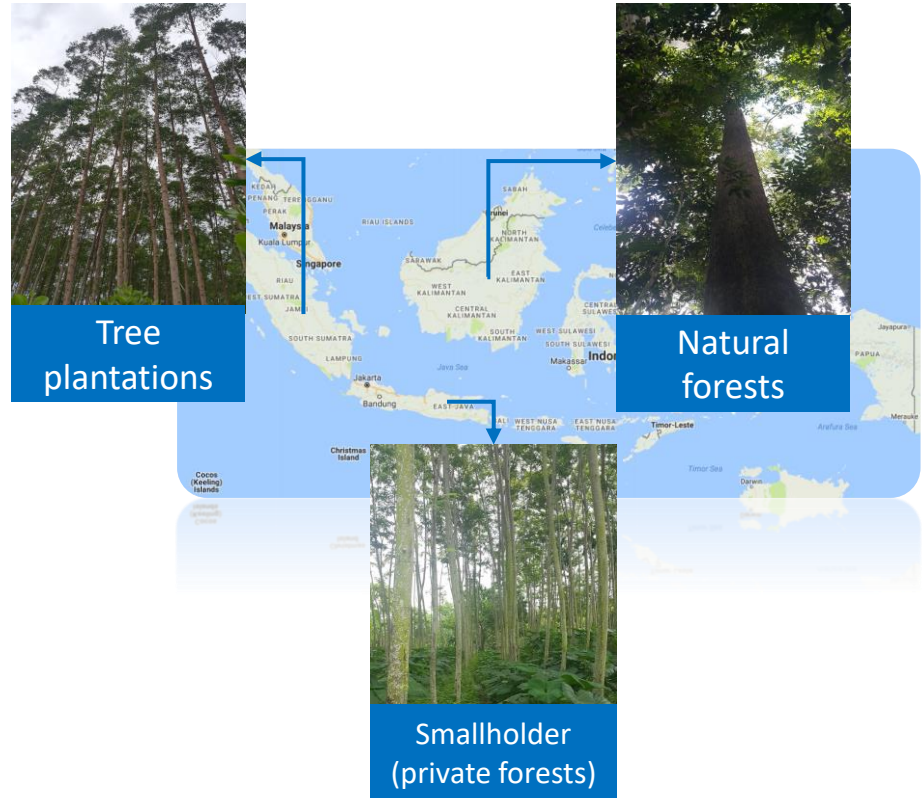
- **Value chain mapping** (Collins *et al.*, 2015)



Research methods and study sites

- Qualitative study
 - Three wood value chains
 - Value chain mapping
 - Field observations
- Literature review and document analysis
- Audit report analysis (n = 196)
- Semi-structured interviews (n = 126)

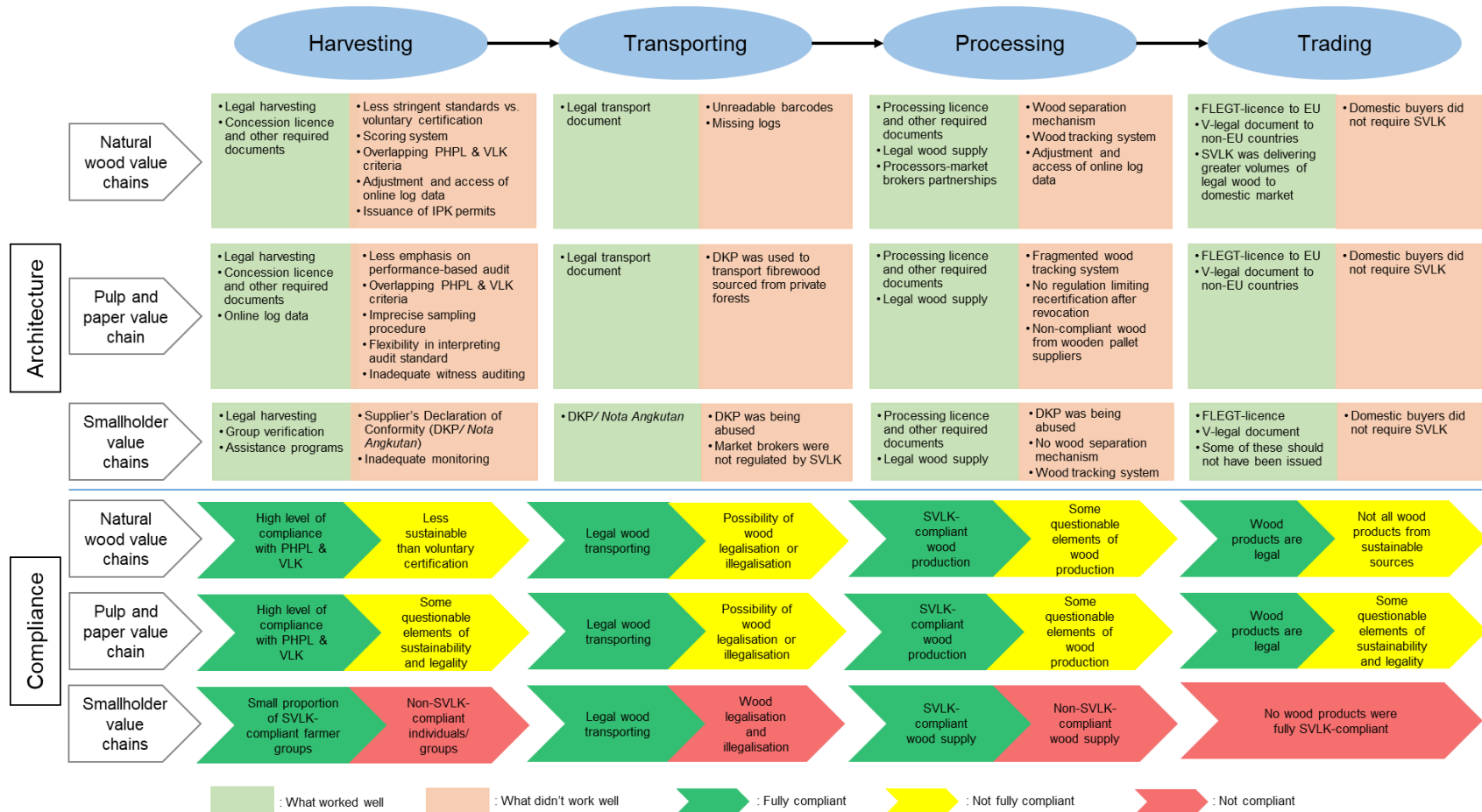
Case studies	Chain actors	Stakeholders
Natural forests	20	20
Tree plantations	20	15
Private forests	35	16



Mapping natural forest-based wood products value chains



Key findings – Architecture and actors' compliance with SVLK



Key findings – Major shortcomings of SVLK

Legality and sustainability standards

- Wood inclusion from legal forest conversions
- Less stringent than voluntary
- Half of sustainability verifiers are document-related
- No incentive for continuous improvement
- Flexible interpretation
- Overlapping verifiers

Wood traceability system

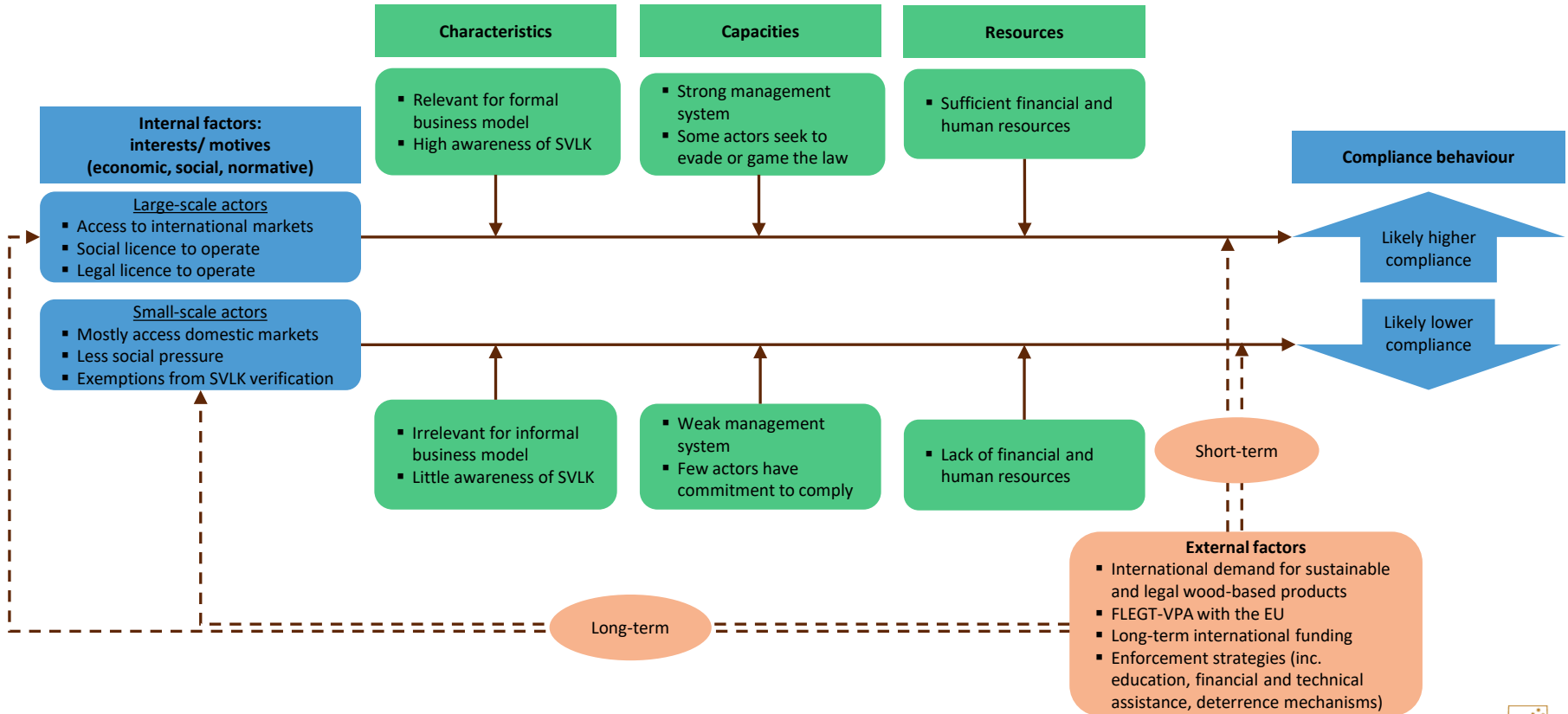
- **Unintegrated online systems**
- Non SVLK-verified operators can access the online log data
- Operators can adjust the online log data
- No separation mechanism for verified/ unverified wood
- **Wood legalisation and illegalisation**

Auditing and monitoring

- **Scoring system allows poor field performance**
- Similar CARs appear every year
- Imprecise procedure allows bias in sample selection
- ‘Conformity Assessment Body (CAB) shopping’ behaviour
- Incomprehensive audit
- **Lack of independent monitoring**
- **Lack of witness auditing**



Key findings – Factors influencing actors' compliance with SVLK (adapting Parker & Neilsen's 2017 model)



Implications of the results



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Forest governance in Indonesia

- Revisit legality and sustainability standards
- Improve wood traceability system
- Improve auditing and monitoring processes
- Strengthen the roles of the state
- Harness the capacities of non-state actors

Global forest governance

- Participate in transnational governance, reinterpret it in the national context, or create their own initiatives
- Facilitate greater convergence between public and private forest governance
- A 'joined-up' transnational timber legality regime between FLEGT VPA countries and the EUTR



**YES! European Parliament
calls for EU law on
deforestation!**

#Together4Forests

SVLK & EU Deforestation Regulation

- Legality requirements for timber same as under EUTR
- FLEGT-licensed timber fully meets the legality criteria under EUDR
- Timber products must be traceable back to harvesting location(s) and time of harvest (strict traceability)
- EUDR geo-location requirement
 - ✓ Latitude and longitude of all plots of land where the relevant commodities and products were produced
 - ✓ Date or time range of production
 - ✓ Operators to provide this geo-location info to EU buyers



Concluding remarks

- International and national efforts to address illegality and promote sustainability have continued to evolve (Kleinschmit *et al.*, 2016).
- These efforts are in line with SDG 16: “the rule of law, accountability, transparency and access to justice; and inclusiveness and participation” (McDermott *et al.*, 2019).
- SVLK needs to keep adaptive and vary with context, learn from local experimentation, and keep open to revision in the light of experience (Overdevest and Zeitlin, 2014).
- Adaptive approach to smarter regulation in the forest sector can continue to improve legality and sustainability governance in Indonesian wood value chains.

