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

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2023 ANZIF Conference



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



250 - 50

No data

Annual rate of forest expansion and deforestation, 1990–2020



Source: FAO (2015, 2020)



### International timber governance regime

### State governance





IN OUR HANDS EARTH SUMMIT '92

#### Timeline of actions to fight illegal logging

2001 Bali Action Plan

2003 EU FLEGT Action Plan

2006 Green Purchasing Law (Japan)

2008 Lacey Act Ammendment (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





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## Australia's wood import regulations



#### 31 May 2023

Skyrocketing hardwood imports and Victoria, WA industry closures should sound alarm bells for Federal Government on sovereign capability

Federal Cabinet must discuss Australia's increasing reliance on overseas timber and wood fibre imports along with our shrinking locally based forest plantation estate – as an issue which reduces our sovereign capability as a nation. The Australian Forest Products Association's (AFPA's) call follows Victoria's decision to bring forward the closure of the state's native forestry industry by the end of 2023, which will only further tighten much needed timber and wood fibre supply. Acting Chief Executive Officer of AFPA Natasa Sikman said today.

#### LATEST MEDIA

ABARES report shows continued decline in Australia's plantation estate

09 October 2023

Australia's largest hardwood plantation estate in Tasmania a stand-out asset class for new investors

06 October 2023

Minister Murray Watt highlights the important climate role Australia's forests and forest sector will play in the bio-circular economy during

### 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)



TITLE-ABS-KEY (timber AND legality)





#### 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  $\sim 5\%$
- 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**

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

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?

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

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

### **Research frameworks**



Implications of the results for forest governance in Indonesia and global

#### 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

		Harvesting		→ Transporting		→ Processing		→ Trading	
	Natural wood value chains	Legal harvesting     Concession licence     and other required     documents	Less stringent standards vs. voluntary certification     Scoring system     Overlapping PHPL & VLK criteria     Adjustment and access of online log data     Issuance of IPK permits	Legal transport     document	Unreadable barcodes     Missing logs	Processing licence and other required documents     Legal wood supply     Processors-market brokers partnerships	Wood separation mechanism     Wood tracking system     Adjustment and access of online log data	FLEGT-licence to EU     V-legal document to non-EU countries     SVLK was delivering greater volumes of legal wood to domestic market	Domestic buyers did not require SVLK
Architecture	Pulp and paper value chain	Legal harvesting     Concession licence     and other required     documents     Online log data	Less emphasis on performance-based audit     Overlapping PHPL & VLK criteria     Imprecise sampling procedure     Flexibility in interpreting audit standard     Inadequate witness auditing	Legal transport     document	DKP was used to transport fibrewood sourced from private forests	Processing licence and other required documents     Legal wood supply	Fragmented wood tracking system     No regulation limiting recertification after revocation     Non-compliant wood from wooden pallet suppliers	FLEGT-licence to EU     V-legal document to non-EU countries	Domestic buyers did not require SVLK
	Smallholder value chains	Legal harvesting     Group verification     Assistance programs	Supplier's Declaration of Conformity (DKP/ Nota Angkutan)     Inadequate monitoring	• DKP/ Nota Angkutan	DKP was being abused     Market brokers were not regulated by SVLK	<ul> <li>Processing licence and other required documents</li> <li>Legal wood supply</li> </ul>	<ul> <li>DKP was being abused</li> <li>No wood separation mechanism</li> <li>Wood tracking system</li> </ul>	FLEGT-licence     V-legal document     Some of these should not have been issued	Domestic buyers did not require SVLK
Compliance	Natural wood value chains	High level of compliance with PHPL & VLK	Less sustainable than voluntary certification	Legal wood transporting	Possibility of wood legalisation or illegalisation	SVLK- compliant wood production	Some questionable elements of wood production	Wood products are legal	Not all wood products from sustainable sources
	Pulp and paper value chain	High level of compliance with PHPL & VLK	Some questionable elements of sustainability and legality	Legal wood transporting	Possibility of wood legalisation or illegalisation	SVLK- compliant wood production	Some questionable elements of wood production	Wood products are legal	Some questionable elements of sustainability and legality
	Smallholder value chains	Small proportion of SVLK- compliant farmer groups	Non-SVLK- compliant individuals/ groups	Legal wood transporting	Wood legalisation and illegalisation	SVLK- compliant wood supply	Non-SVLK- compliant wood supply	No wood pro fully SVLK-	oducts were compliant
		: What worke	ed well : What did	dn't work well	: Fully compliant	: Not ful	y compliant	: Not compliant	

### **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



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#### 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 <u>same</u> as under EUTR
- FLEGT-licensed timber <u>fully meets</u> the legality criteria under EUDR
- Timber products <u>must be traceable</u> 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.

