Indonesia

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Indonesia is a country spread across thousands of islands in Southeast Asia. Indonesia has a tropical climate and is a major producer of timber. The country is facing several environmental issues with deforestation being one of the most prominent. Historically, the main drivers of deforestation have been **palm oil and pulp wood production, logging and mining**. Indonesia's rates of deforestation have slowed significantly in recent years (2016-2021), largely due to reductions in commodity-driven expansion. In 2016, Indonesia became the first country to issue **FLEGT licenses** to export timber products to the European Union under the Voluntary Partnership Agreement (VPA). Although the Government of Indonesia has taken steps to maintain the FLEGT licensing system, **reports** of **illegal logging persist**. Despite an overall decline in deforestation, several key provinces with primary forests and peatlands have seen **increases in forest loss**. In 2019, a **permanent moratorium** was put in place, banning the clearing of primary forests and peatland areas.

Forest Management

Forest Governance

According to Law No. 41/1999, all Indonesian forest lands are controlled by the government and most forest lands are owned by the government. Due to its decentralized system, these areas are typically managed by public administrators and business entities with limited ownership rights. Indonesia's regulatory mechanisms for community-based forest management authorize several community owned forests: Village Forests (Hutan Desas), Community Forests (Hutan Kemasyarakatan), Community Timber Plantations (Hutan Tanaman Rakyat), and Company-Community partnership arrangements (Kemitraan). In 2015 the national government announced its **intentions to distribute 12.7 million ha** of forest to local people.

Indonesia is a decentralized democratic republic, in which district governments and municipalities provide most governmental services. However, the ultimate authority over the management of forests lies at the national level. A patchwork regime of laws and regulations continues to create confusion between operators and authorities, especially about land tenure issues and permitting procedures for concessions. Despite the conflict and overlap of authority amongst the different layers of government, there are several national policies that form the basis of Indonesia's forest governance regime.

The following agencies/ministries oversee regulation and management of forest lands and products in Indonesia:

- **Ministry of Environment and Forestry (MoEF):** Responsible for managing and monitoring Indonesia's forests to ensure sustainable practices are in place. MoEF develops legislation on forestry/wildlife resources and works to increase environmentalism through national awareness, education, and outreach.
- **Ministry of Agrarian Affairs and Spatial Planning/National Land Agency (ATR/BPN):** Organizes government affairs related to agrarian and spatial planning.

Transparency

Freedom of Information Act of Indonesia (Law No. 14/2008) (2008): This Act makes it mandatory for every public institution to develop regulations outlining how the public can access different pieces of information. The categories of are: (1) information available and actively disseminated on a regular basis; (2) information that should be made public immediately; (3) information that is always available and provided upon request, and (4) restricted or confidential information. However, concession maps are not public under the FOIA of Indonesia.

For information regarding transparency and risk scores in Indonesia, head to these links:

- Transparency International's **Corruption Perception Index**
- The World Bank's **Worldwide Governance Indicator Data**

Laws and Regulations

Forest Laws

- **Law No. 41/1999 on Forestry (1999)**: Regulates the management of forests in Indonesia and includes some conservation-oriented policies. It divides forests into three categories: Conservation Forests, Protection Forests and Production Forests. It also empowers the Ministry of Forestry to determine and manage Indonesia's National Forest Estate (Kawasan Hutan).
- **Law No. 18/2013 on the Prevention and Eradication of Forest Destruction (2013)**: Strengthens law enforcement by providing additional legal certainty and defining penalties for those engaged in forest destruction. The law defines which activities are banned for individuals and organized groups who log in forests, organizations involved in the illegal timber trade, and officials engaged in falsifying permits.
- **Law No. 6/2014 on Villages (2014)**: Expands the authority of villages to manage their own assets and natural resources, revenue and administration. It specifically reallocates a specific portion of the State budget to village administrations, providing all of Indonesia's villages with annual discretionary funding for making local improvements that support poverty alleviation, health, education and infrastructure development.
- **Law No. 6/2023 on the Stipulation of the Government Regulation in Lieu of Law No. 2/2022 on Job Creation (2023)**: This law amended several provisions under Law No. 41/1999 and Law No. 18/2013, including its criminal provision. The Law also prioritizes the use of administrative sanctions to address forest destructive activities, especially for small-scale activities conducted by the locals living in or surrounding the forest area. This Act contains similar provisions with **Law No. 11/2020 on Job Creation**, which was previously repealed by the Constitutional Court.
- **Presidential Instruction No. 5/2019 concerning concerning Termination of the Granting of New Permits and Improving Governance of Primary Natural Forests and Peatlands (2019)**: Makes permanent the business license moratorium on primary forest and peatlands, which was initiated in 2011. This presidential instruction suspends the issuance of new harvesting licenses in primary forest and peatland areas and forms part of the Government's implementation plan for Indonesia's policy to reduce emissions from deforestation and degradation (REDD+). It excludes licenses that were obtained before May 2011 and licenses used for geothermal/oil energy mining. It also does not protect secondary

forests.

- **Government Regulation No. 23/2021 on Forest Maintenance (2021)**: Provides an elaboration of the new regulatory framework as it pertains to classification of state-controlled forest lands and the harvesting, processing, and marketing of forest products. The national government is given far-reaching powers to control timber extraction in Production Forests, and it gives the Minister of Forestry the power to grant all commercial timber utilization permits. The Ministry is the lead authority for approving any processing mill permits, regulating trade, transport, and distribution of forest products. Export of forest products and timber is managed by the Ministry of Industry and Trade.
- **MoEF Regulation No. 8/2021 on the Governance and the Making of Forest Management Plan, as well as Forest Use on Protected Forest and Production Forest (2021)**: Regulates the procedures to record an inventory of tree standing stock. Ensures that natural forest concession holders prepare long term business plans (RKU) and an annual working plan (RKT). The inventory, RKU, and RKT are mandatory and must be submitted before harvesting can be initiated.

Processing/Manufacturing Laws

- **Law No. 32/2009 on Environmental Protection and Management (2009)**: Issuing forest management licenses is conditional on the completion of an environmental impact assessment (AMDAL) required for all plantation forests, pulp and paper industries and other woodworking industries. This law outlines all the requirements for an AMDAL.
- **MoEF Regulation No. 8/2021 on the Governance and the Making of Forest Management Plan, as well as Forest Use on Protected Forest and Production Forest (2021)**: Aims to ensure that all timber processing companies are subject to stated conditions within the laws and regulations, including the maintenance of records to demonstrate that processing quotas have been respected. Stipulates the obligation of primary industries to report log inputs and outputs using the MoEF preferred format. The online database system, **RPBBI Database of Timber Industry**, records the origins of raw timber as input materials for the industry. Dictates the measurement and testing of forest products to protect state rights, the quality of forest products from the ecological and economical point of view and improve forest products competitiveness and sustainable management of forests. Measurement and testing shall be carried out by officers to determine the type, volume, and weight of all forest products from state or private forests. Provides procedures for the measurement and evaluation of forest products.

Transport Laws

- **Law No. 10/1995 on Customs Law (1995)** and **Law No. 17/2006 on the revision of Customs Law No. 10/1995 (2006)**: These laws regulate for failure to comply with export procedures and outline legal penalties. For example, exporting goods without the required legal documents carries a maximum sentence of 10 years imprisonment and fine of up to Rupiah 5 billion.
- **Government Regulation No. 23/2021 on Forest Maintenance (2021)**: Mandates that the transport of forest products originating from the national forest estate be accompanied by required documents that specify the legality of the product in question (Section 119).
- **MoEF Regulation No. 8/2021 on the Governance and the Making of Forest Management Plan, as well as Forest Use on Protected Forest and Production Forest**

(2021): Describes the traceability requirement of timber harvested from natural and plantation forests. The transport of natural forest logs must be accompanied with a document called Surat Keterangan Sahnya Hasil Hutan (SKSHH). Transport documents are usually valid for one-use only. This regulation specifies the valid transport documents for forest products harvested from forest areas with recognized rights. The "Transport License" (Nota Angkutan) serves to verify ownership, authorization and legality of the forest products being transported in accordance with the type of forest product being transported. This document also applies as SDoC or proof of legality for timber sourced from private forests.

- **Ministry of Trade Regulation No. 92/2020 concerning Inter-Island Trade (2020)**: Mandates that all companies transporting wood between islands must have manifest domestic documents, providing information on identities of the sender/receiver, types and number of goods, origin and destination, transport vehicles, and description of goods/HS codes.

Tax Laws

- **Government Regulation No. 12/2014 on Types and Tariff of State's Non-Tax revenues in the Ministry of Forestry (2014)**: Imposes different charges on each timber species based on the timber's commercial class. The regulation differentiates the levies for natural forests in three harvesting areas:
  - Sumatra and Sulawesi
  - Kalimantan and Maluku
  - Papua and Nusa Tenggara

Trade Laws

- **Ministry of Trade Regulation No. 23/2023 on the Export Policy and Governance (2023)**: Provides rules on the export of products of forestry industries. Only producers who have obtained V-Legal (FLEGT license) can export timber products. Procedures for obtaining export clearance are provided for in the text. Establishes technical criteria for determining forestry-industry products which can be exported.
- **Timber Legality Verification System (Sistem Verifikasi Legalitas dan Kelestarian) (SVLK)**: The SVLK is a timber legality verification system. It has various components, and provides the definition of timber legality, control of supply chain, verification system and independent monitoring systems. The SVLK is authorized under the following regulations:
  - **MoEF Regulation No. 8/2021 on the Governance and the Making of Forest Management Plan, as well as Forest Use on Protected Forest and Production Forest (2021)**
  - **MoEF Decree No. SK.9895/MenLHK-PHL/BPPHH/HPL.3/12/2022 concerning standards and guidelines for implementing the legality and sustainability verification system for the Minister of Environment and Forestry (2022)**
  - The SVLK implementing regulations have been revised several times to strengthen the process and close loopholes. Recent regulations have been designed to ease the process for smallholders and small-and-medium enterprises to obtain SVK certification. These regulations included provisions on group certification schemes from collectives of the holder of HTR (community plantation), HKm (community forest), HD (village forest), primary forests with lower production capacity, small-scale

industries, and private forest owners. All updated regulations pertaining to timber legality can be found on MoEF legality information system, **SILK**.

Criminal Laws

- **Law No. 8/2010 on Prevention of the Crime of Money Laundering (2010)**: Authorized more institutions to conduct money-laundering investigations and covers money-laundering related to forestry and environmental sector crimes.

Bilateral Agreements

- **Indonesia-European Union (EU) Voluntary Partnership Agreement (VPA)**: In 2014, Indonesia and the EU ratified the VPA to help prevent illegal logging in Indonesia. Since 2013, Indonesia has required a V-Legal Document to accompany timber products from the point of harvest to their destination after export to assure the legality of the goods. In late 2016, Indonesia **began shipping FLEGT-licensed timber**.

CITES

The **Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)** is an international agreement among governments whose purpose is to ensure that the international trade of wild animals and plant species does not threaten the survival of these species. It is up to each country to draft their own domestic legislation to comply with its CITES obligations. Indonesia signed onto the Convention in 1978.

In 2022, the MoEF issued the **MoEF Regulation No. 20 of 2022 on the Distribution of Timber listed on the Appendix of Convention on International Trade in Endangered Species of Wild Fauna and Flora**. Some of the Appendix II timber species that are commercially traded in Indonesia are Ramin (Gonystylyus bancanus) and Sonokeling/rosewood (Dalbergia latifolia).

Species under the protection of CITES are listed under three Appendices based on how threatened they are by international trade. The species listed in Appendix I are the most endangered and international trade of these species is prohibited unless the purpose of import is noncommercial. The species listed in Appendix II are tightly controlled in international trade and may be authorized with an export permit or re-export certificate. Appendix III lists species at the request of a Party that needs other countries' cooperation to regulate the trade in the species. International trade in Appendix III is allowed with appropriate permits or certificates.

If you don't know if the species you are interested in sourcing from this country is CITES listed, please check this **link**. If the species is listed, please use this **database** to identify the National CITES Authority. In Indonesia, the CITES managing authority is the Ministry of Environment and Forestry (MoEF).

Forest Resources

Resources Overview

In 2001, Indonesia had **93.8 Mha of primary forest**, extending over 50% of its land area.

According to Law No. 41/1999, Indonesia divides its forest resources into two categories (Article 5):

- **State forests**: Consists of forest located on lands in which no title exists.
  - In cases in which the State forest is located in the territory of a community (upholding customary acts), the forest is known as customs-related forest.
- **Titled forests**: Consists of forests located on lands that are titled.

Forests are further divided by their primary functions (Article 1):

- **Conservation forests**: Comprise of nature reserve forest areas, nature conservation forest areas and hunting parks.
- **Protection forests**: Comprise of forest area intended for protective purposes, including the protection of water systems, flood prevention, erosion control, maintenance of soil fertility and the prevention of sea water intrusion.
- **Production forests**: Comprise of forest area whose main functions are to produce forest products.

Contacts

Below are incomplete lists of government ministries, industry associations, civil society groups and research institutes involved with forestry, trade and efforts to combat illegal logging and associated trade.

Industry Associations

- **Indonesian Sawmill and Woodworking Association (ISWA)**
- **Indonesian Wood Panel Association (APKINDO)**
- **Indonesian Pulp and Paper Association (APKI)**
- **Indonesian Furniture and Crafts Industry Association (ASMINDO)**
- **Indonesian Forest Entrepreneurs Association (APHI)**

Civil Society Organizations

- **Independent Forest Monitoring Network - Indonesia (JPIK)**
- **The Rainforest Alliance (Indonesia)**
- **Forest Watch Indonesia (FWI)**
- **Kaoem Telapak Indonesia**
- **Indonesian Center for Environmental Law**

- **Indonesian Institute for Forest and Environment (RMI)**
- **World Wide Fund for Nature (WWF) Indonesia**

Government Ministries

- **Ministry of Environment and Forestry (MoEF)**
- **Ministry of Agrarian Affairs and Spatial Planning/National Land Agency (ATR/BPN)**
- **National Geospatial Agency (Badan Informasi Geospasial – BIG)**
- **Ministry of Trade (Kementerian Perdagangan)**
- **Corruption Eradication Commission (KPK)**

Research Institutes

- **Center for International Forestry Research (CIFOR)**
- Indonesian Institute of Sciences (LIPI)
- **Faculty of Forestry at Universitas Gadjah Mada (UGM)**
- **Faculty of Forestry at Bogor Agricultural University (IPB)**
- **Faculty of Forestry at University of North Sumatra (USU)**

References and Resources

For more information regarding forest legality in Indonesia, head to these links from our partners:

- **Preferred by Nature – Timber Sourcing Hub: Indonesia**
- **Chatham House - Forest Governance and Legality: Indonesia**
- **Forest Trends – Illegal Deforestation and Associated Trade (IDAT) Risk: Indonesia**
- **WWF Wood Risk Tool**
- **Global Forest Watch (GFW) Country Profiles**
- **Timber Trade Portal: Indonesia**