



Policy Paper

“Sustainable Funding for Independent Monitors in Indonesia”¹

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Abstract

Independent Monitors play key roles in implementing Indonesia’s Timber Legality Assurance System (“**TLAS**”) and Forest Law Enforcement, Governance and Trade-Voluntary Partnership Agreements (“**FLEGT-VPA**”) commitment between Indonesia Government and European Union. They play crucial roles in maintaining TLAS credibility implementation and uphold **TLAS** and pave the way for civil society to actively contribute to forest governance improvement. Their roles, rights and obligations have been regulated under Minister of Environment and Forestry Regulation No. 21/2020 concerning **TLAS**². They have brought about market recognition of **TLAS** implementation as a reliable system to ensure Indonesia’s legal timber distribution and trade.

The continuity of effective monitoring able to contribute to system strengthening should be supported with ease of access for independent monitors as provided under Article 33, i.e., (a) accessing data and information; (b) being protected during the monitoring activity; and (c) gaining access to the monitoring location.

In addition to the rights above, the Minister Regulation also governs the sources of funding for independent monitors to perform their roles and functions. In this regard, the Government may facilitate fundraising to assist TLAS monitoring activities. The fundraising is sourced from independent funds, ministries, local governments, trust fund, and other non-binding legal funding (Sustainable Production Forest Management (“**PHPL**”) Director General Regulation No. 62/2020³).

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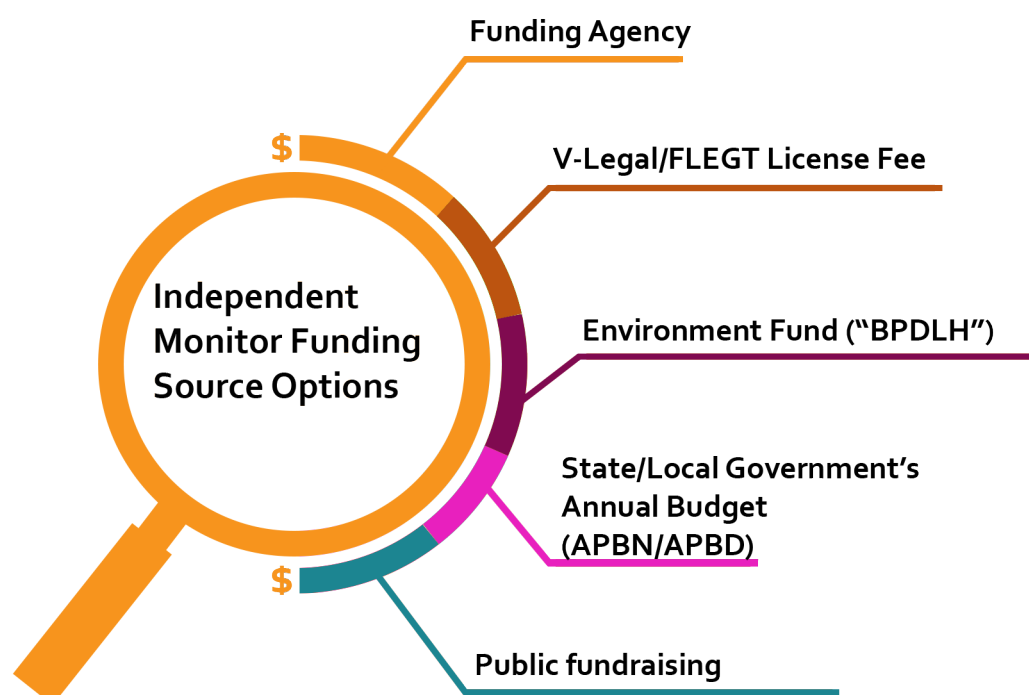
² Minister of Environment and Forestry Regulation No. 21/2020 on Evaluation of Performance of Sustainable Production Forest and Timber Legality Assurance in Holders of Concession, Rights to Management, Private Forest, or Forest Timber Use Legality.

³ Sustainable Production Forest Management (PHPL) Director General Regulation No. 62/2020 on Standard and/or Procedures of Evaluation of Performance of Sustainable Production Forest and Timber Legality Assurance, Feasibility Test and Issuance of Supplier Conformity Declaration, and V-Legal/FLEGT License Publication.

To date, resources involved in monitoring works are made available independently. Independent Monitors still rely on donors support through cooperation commitment. As a short-term strategy, it is important to maintain funding support from donors. However, it should be understood that fundraising using such approach is yet to be able to guarantee the continuity of funding for independent monitors.

Achievement and Challenge to Independent Monitors

The role of independent monitoring by civil society organisations aimed to balance or complement the Government's supervisory and evaluation roles to provide appropriate feedback for Indonesia's forest system and governance improvement. Transparency, participation opportunities, authority distribution, and access to resources are necessary to build independent monitors' capacity to provide quality feedback and improve their contribution to forest policy improvement.



Funding is urgent to independent monitors, making it necessary to have funding source alternatives through mid- and long-term strategies that are expected to guarantee the continuity. In addition to donors, potential funding sources to explore and realise include: (a) V-Legal/FLEGT licence fee; (b) fund management agencies, e.g., Environment Fund ("**BPDH**"); (c) State/Local Government's Annual Budget (APBN/APBD); and (d) public fundraising. Therefore, this paper focuses on outlining the necessity of funding and its sources for independent monitors who are an inseparable part to TLAS process in Indonesia.

Independent monitoring actions, using the example of Forestry Independent Monitoring Network's (**JPIK**), has contributed significantly to improving the credibility of the assessment system, verification in the judicial process to increasing market recognition. Some of JPIK's monitoring output that have a wide impact include:

- law enforcement (disclosure of illegal logging and timber trade cases; revocation of certification body's accreditation; and disclosure of forestry criminal acts and forest encroachment activities);

- b) system improvement through information access test for information transparency⁴; TLAS standard strengthening (access to data and information, independent monitors' security and funding continuity); regulation improvement; and
- c) capacity building for independent monitors through training as one of Forestry Independent Monitoring Network's (JPIK) mandates.

In IFM Fund's Policy Brief (2019)⁵, independent monitors are still facing several challenges in implementing effective monitoring. They still have limited access to data and information. However, sufficient data and information is fundamental to have before planning until verification of the suitability flow in TLAS system.

One of the examples is providing access to timber distribution information Ministry of Environment and Forestry's ("**MoEF**") information system, including relevant information on TLAS implementation under Ministry of Trade, Ministry of Industry, Ministry of Finance (which in this case is Customs and Excise Directorate General) and local governments.

Security and safety assurance during monitoring is another crucial thing to realise to optimise independent monitors' roles. In a 2019 monitoring activity in Central Kalimantan, the monitors' access was still denied and they were threatened and prevented by the company officers from entering the management unit concession which is the monitoring target area. Therefore, monitoring activities should be stopped despite the cost that the monitors have independently spent since the monitoring activity plan⁶.

Challenges for Independent Monitor in monitoring



⁴ FWI as JPIK national secretariat carried out access test through Public Information Disclosure on the status of forest use documents (Annual Work Plan/RKT, Business Work Plan/RBU, Plans for the Fulfillment of Industrial Raw Material/RPBBI, Permission for the Utilization of Wood/IPK) as transparent information to publics.

⁵ IFM Fund. 2019. Policy Brief "*Penguatan Peran Pemantau Independen akan berdampak Positif terhadap Kredibilitas dan Akuntabilitas Sistem Verifikasi Legalitas Kayu (SVLK)*"

⁶ JPIK. 2019. Newsletter JPIK Edition 15 the Monitor

Monitoring continuity is closely related to the freedom to manage resources, particularly funding. In order for independent monitors' role and authority to be more secure in their operation or implementation, various necessary resources should be allocatable or accessible to monitor organisations. Taking into account the urgency of funding needs for independent monitors, it is important to confirm the alternatives of mid- and long-term continuous sources of funding.

Respecting the independent monitors' rights, such as access to data and information, guarantee for security and safety during monitoring activity, and continuous funding support, is a precondition to meet to allow independent monitors optimally play their roles. These rights should be respected through stakeholders' commitment to improvement of the existing regulations, particularly those concerning independent monitors.

Estimated Needs for Funding for Independent Monitoring

Estimated needs for funding for independent monitors serves as the basis for planning resource raising and management, expanding the range (scope) of monitoring activity in Indonesia.

Based on IFM Fund assessment, it is estimated that annual grants to support monitoring activities is IDR9.5 billion (USD700 thousand⁷). This estimation is based on the number of business units targeted to be monitored, which is 5% of the total number of business units across 17 priority provinces⁸. In addition, learning from JPIK's experience in the past ten years, monitoring activities can include 1-3 site visits.

For monitoring activities, 50% of the total fund required is allocated to independent monitors every year. Capacity building for independent monitors include training, workshops and consolidation



meetings, for which 30% of the budget will be allocated. Promotion and operations will have 20% of the total budget. Therefore, the estimated needs for annual funding for independent monitors to optimise their roles in TLAS implementation is approximately US\$1.4 million.

⁷ IFM Fund. 2019. *"Tata Kelola Hutan, Pemantauan dan Mobilisasi Sumber Daya"*.

⁸ The prioritised provinces to monitor: Papua, West Papua, Maluku, North Maluku, Central Sulawesi, South Sulawesi, East Kalimantan, West Kalimantan, Central Kalimantan, North Kalimantan, East Java, Central Java, South Sumatra, Jambi, Riau, North Sumatra, and Aceh.



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of funding. In addition to support from donors, as part of short-term funding strategies, the following are potential sources of funding to be explored by independent monitors in the context of mid- and long-term strategies.

A. Percentage of V-Legal and FLEGT Licence Costs

Independent monitors are already explicitly regulated under TLAS and PHPL certification systems. Therefore, they should be given funding support to play their roles, which should be provided by the system itself. The amount and mechanism of funding definitely require agreements between the relevant stakeholders. Based on its assessment, IFM Fund recommends 12,5% of V-Legal or FLEGT licence issuance costs.

The role of the Government, which in this case is MoEF, is a key factor to facilitate process and realise this initiative. This includes issuing operational regulation (or circular) as the legal framework to set the mechanism of certification cost allocation from Independent Assessment and Verification Body (LP & VI). On several occasions, Timber Legality Verification Body (LVLK) Forum expressed its commitment to supporting this initiative. However, it is necessary to build a mechanism for allocating funds from certification fees for independent monitors through clear rules, making the funds accountable, credible, and transparent⁹.

Stakeholders should consider if some of the profit from forest certification process could be used for supervising sustainable forest resources utilisation. However, logging, timber processing and distribution require the important roles of independent monitors to perform check and balance for maintaining TLAS credibility.

Mid- and Long-Term Sources of Funding for Independent Monitoring

Based on the experiences of independent monitor organisations, fund raised through collaboration with donors is currently incapable of covering all targets of monitoring location and events to monitor, including to build the monitors' capacity. It is not easy to obtain various forms of support that can be fully managed directly by independent monitors.

Taking into account the urgency of funding needs for independent monitors, it is important to confirm the alternatives of mid- and long-term continuous sources

⁹ Presented by LVLK Forum leader in workshop of 'Memperkuat Peran Pemantau Independen dalam Implementasi SVLK & FLEGT-VPA melalui Pemantauan yang Efektif', 17 September 2020

B. Environment Fund (BPD LH)

Environment Fund (BPD LH) is a fund management agency designed to raise environmental protection fund and having capacity to distribute the fund for environmental restoration and preservation. BPD LH was established based on Government Regulation No. 46/2017 on Environmental Economic Instrument and President Regulation No. 77/2018 on Environmental Fund Management.¹⁰ BPD LH is a mechanism to fund environmental protection and management, that can be used by many stakeholders. Fund distribution by BPD LH includes small grant, investment and capacity building for community and government officials.

As a fund-managing institution, BPD LH works following mandates from the funders and asset/service/project owners related to the sources of funding¹¹. This way, funding opportunity for independent monitors in TLAS implementation, completely depends on the mandate givers, i.e., the MoEF as the project owner and Norwegian Government (for REDD+ programme) as the funder.

The key is finding the relevance of monitoring activities related to timber legality and PHPL that can contribute to REDD+ programme to reduce Greenhouse Gases (GHG). One of the relevant priority programmes for independent monitors' monitoring activity is the Reduced Impact Logging (RIL) programme.

C. Annual State/Local Government Budgets (APBN/APBD)

Another funding alternative for independent monitors is sourced from the Annual State Budget (APBN). MoEF and local governments can propose it in their annual budget submission to the Ministry of National Development Planning (BAPPENAS). If independent monitoring



organisations are unwilling to rely on APBN/APBD funds for their monitoring (investigation) activities to maintain their independence, the fund will be used to build independent monitors' technical capacity through trainings.

Such funding support cannot necessarily be understood that MoEF or local governments would directly fund independent monitors' organisations. Instead, it can be distributed through cooperation with independent monitors in delivering trainings. Another support from MoEF and local governments is involvement or participation of independent monitors in training or capacity building activities which are carried out in TLAS context.

D. Crowdfunding

Raising funds through crowdfunding is a challenge for independent monitoring organisations. While it is for the long-term, this

¹⁰ <https://www.kemenkeu.go.id/publikasi/berita/pemerintah-menyatukan-dan-meningkatkan-dana-lingkungan-hidup-dalam-bpdlh/>

¹¹ Presented by Director of BPD LH in workshop of 'Memperkuat Peran Pemantau Independen dalam Implementasi SVLK & FLEGT-VPA melalui Pemantauan yang Efektif', 17 September 2020



idea is necessary to achieve their independence. In addition to making good working strategies, another important challenge is how to make it easier to achieve monitoring outputs that contribute to the maintained biodiversity sustainability and community livelihoods.

In fact, independent monitors' experiences (particularly upstream monitoring), include not only identification of the conformity of assessment result concerning a forest management unit with TLAS standard, but also spotting any forestry violations and criminal acts outside TLAS scope. These illegal activities clearly have negative impacts on forest resources sustainability and become threats that trigger ecological disasters. Such empirical facts should be packaged and disseminated to raise public concern and eventually their commitment to supporting monitoring works.

Recommendations

To ensure the implementation by independent monitors, various sources of funding should be accessible to their organisations. In addition to maintaining good relations and building trust with donors, sources of funding for medium-long term strategies are required immediately, through the following.

- MoEF facilitates the process to develop understanding and agreement between independent monitors and LP & VI, and issues operational regulations (or circulars) as the legal framework to set the mechanism of V-Legal cost allocation to support independent monitors' activities. To maintain the accountability of these funds' use, budgeting, disbursement, supervision and reporting mechanisms and procedures can be included by the regulations.
- MoEF and local governments include building capacity programmes for independent monitors in the annual budget proposed to the Ministry of National Development Planning (BAPPENAS).
- MoEF and EU Delegation lobby Norway Government to include TLAS issues and independent monitors roles into BPDH investment plan for managing REDD+ funds.



Independent Forest Monitoring Fund

FAO - EU FLEGT PROGRAMME



Food and Agriculture
Organization of the
United Nations



Sweden
Sverige



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