



Sustainable Funding to Address Effective Monitoring Needs¹

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The condition of Indonesia's tropical rainforests today is increasingly alarming, given its currently high deforestation rate. During 2009-2013, 4.5 million ha of forest cover have lost, with forest deforestation rate of 1.13 million ha per year². Deforestation in this country is due to the poor forest governance, creating gaps that allow illegal logging and forest use conversion. Good forest governance requires transparency, accountability, participation, coordination and law enforcement. Comprehensive efforts should be made to realise sustainable forest development through improved forest governance. One of the efforts in timber use and distribution is made through Timber Legality Assurance System (hereinafter referred to "TLAS").

TLAS is meant to become an instrument to eradicate illegal logging and timber distribution, as well as to improve economic growth through legal timber trade at national and international levels. In fact, TLAS implementation has impacts on the improved forest governance. TLAS certificate holders which, in this case, are Sustainable Production Forest Management (PHPL)-certified natural forest concessions have demonstrated better performance in using forest resources than those without TLAS certificate. This is followed by the trend of improved performance based on assessments by certification body³. It shows that TLAS has positive impacts on environmental sustainability, although some of the assessment indicators should be improved to close the gaps in the system implementation.

According to Miniarti et al. (2018),⁴ TLAS policy effectiveness has been concluded to have successfully supported the improvement of forest governance in forest timber product use and distribution. The following five aspects: governance, law enforcement, accountability, participation and transparency, have seen a significant improvement since TLAS started to take effect. As for its coordination aspect, it has been seen less than effective, so that more efforts should be made to reach TLAS goals to support forest governance.

In 13 years of implementation, TLAS is still progressing to improve its implementation. The implementation of transparency and independent monitors' access to data should constantly be improved, while follow-up efforts should be immediately formulated to guarantee full participation and access to sustainable funding to support independent monitors' role. Credibility of auditor's assessment and grievance resolution by certification bodies should be improved to allow this system's better implementation. Appropriate law enforcement with deterrent effect is still being highlighted, particularly when reporting is considered to fall outside the assessment scope but remains concerned with TLAS implementation.

¹ This policy paper is prepared by Dhio T. Ferdyan, Christian Purba, and Kusumamah H. Syaidah

² Forest Watch Indonesia. 2014. *Potret Keadaan Hutan Indonesia Periode 2009-2013*

³ Jaringan Pemantau Independen Kehutanan. 2019. *PHPL: Dari Legalitas Menuju Keberlanjutan*

⁴ Miniarti et al. *Keberhasilan SVLK dalam Mendukung Perbaikan Tata Kelola Kehutanan. Jurnal Analisis Kebijakan Kehutanan Vol. 15 No. 1, May 2018: 55-66.*

Amidst challenges faced by independent monitors, particularly during the COVID-19 pandemic situation, IFM Fund still continues to support their activities concerning capacity building and monitoring, as an effort to monitor and evaluate the system. In 2020-2021, IFM Fund partners

conduct monitoring towards the following concessions: natural forest and plantation forest, community forest, downstream industry, Forest Management Unit (FMU) and protection and conservation areas. Findings from independent monitors are summarised as follow.

Weak forest protection leading to deforestation and having impact on community livelihood

Genesis Bengkulu monitoring in PT Bentara Agra Timber (PT BAT) concession in Mukomuko District indicates that the area cannot escape deforestation. Common changes in concessions include natural forest conversion into oil palm and farms. Encroachment becomes rampant because of poor protection and forest security, leading to conversion from production forest into oil palm plantations.

Despite without promising potential of timber, it turns out that PT BAT managed to obtain PHPL certificate in early 2020 instead of closing down the concession. Considering such condition, Bengkulu Province Forestry Office has sent a recommendation letter in 2016 to revoke the company concession. However, Ministry of Forestry insisted on granting the company an operational permit. Situated adjacent to Kerinci Seblat National Park (KSNP) which is a conservation area with biodiversity potentials, PT BAT business concession should have been considered for revocation.⁵

Not only do the poor forest protection and security lead to ecosystem degradation, they also have impacts on community livelihoods. A monitoring by AMAN Tano Batak community in PT Toba Pulp Lestari (PT TPL) concession in North Sumatera suggests that the company has a long track record of dispute. Recently, pressures are getting stronger to demand revocation of its concession because of a strong allegation that the company committed violence against Natumingka indigenous peoples.⁶

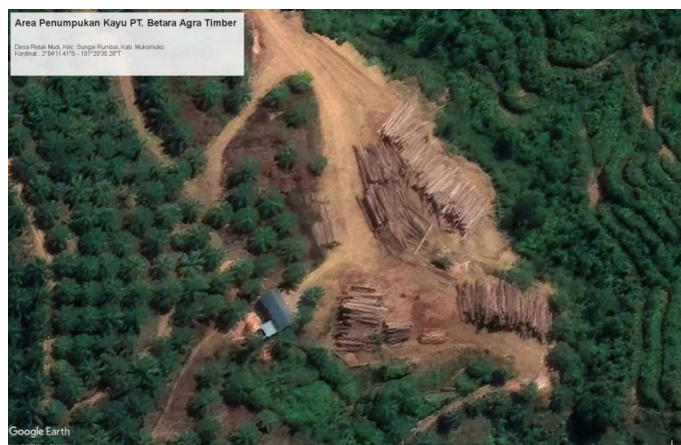


Figure 1. Stacked logs in PT BAT concession surrounded by oil palms (satellite image acquired on 16 December 2020)

AMAN Tano Batak finding indicates that Lake Toba water catchment adjacent to PT TPL suffers from drought. This phenomenon occurs in one of the water catchments in Huta Matio. Decreased water volume occurs in this area because the area has mostly been converted into plantation forest. Water catchments previously used as source of water to irrigate rice fields, can no longer support community's agricultural activities.

Conservation and protection areas still facing illegal logging

Kerinci Seblat National Park (KSNP) as one of the conservation areas and the biggest national park in Sumatera is yet to be able to escape illegal logging activities. Based on monitoring by Perkumpulan Alam Hijau and Independent Forest Monitoring Network (JPIK) Jambi, illegal logging activities are committed openly and continuously in KSNP area. The monitors found six highlighted spots in the area, where log piles were stacked from logging activities and transported to sawmills around Merangin District.

At least 20 illegal timber trucks from KSNP area pass through Kerinci Bangko route every month. Even spatial analysis indicates significant changes in the form of deforestation during the period from September 2020 to March 2021. These illegal logging activities occurs not only in Merangin, but also in Solok District, West Sumatera.⁷ Using almost the same methods, timbers in the conservation area are cut down, sawn, and distributed to several wood processing facilities from Sumatera to Java. Law enforcement and coordination between stakeholders are required to take out threats from illegal loggers in the national park area.

⁵ Genesis Bengkulu. 2021. Factsheet: *Kayu-Kayu Tidak Beridentitas Milik PT. Bentara Agra Timber*.

⁶ <https://www.mongabay.co.id/2021/05/21/mempertahankan-lahan-dari-pt-tpl-belasan-warga-adat-natumingka-luka-luka/>

⁷ <https://tnkerinciseblat.or.id/2021/06/07/balai-besar-tnks-bersama-sama-dengan-tim-gakkum-wilayah-sumatera-dan-polda-sumbar-hentikan-aktifitas-pengrusakan-tnks-di-kabupaten-solok-selatan/>



Figure 2. A location of sawmill and stack of processed timber in GSK Biosphere Reserve's core zone

The condition is not much different in Bengkalis District, Riau. Based on monitoring by Jikalahari, several alleged criminal acts against forest were found in the Giam Siak Kecil (GSK) Biosphere Reserve, taking the form of illegal logging and forest encroachment. Declared by UNESCO in 2009, this biosphere reserve was originally intended for biodiversity conservation, sustainable development and logistic support. However, processed log piles and sawmills are found within its core zone, while it should be used as conservation and protection areas to sustain the biodiversity. Canal construction is also found in this core zone. This two-kilometre-long canal is assumed to be used to transport illegal timbers. In addition, oil palm plantations are found in its buffer zone, which is supposed to be allocated for conservation.⁸

Further identification has found actors involved in the series of illegal activities. This takes into account the funding investor, modus operandi and timber trade route; the information of which is gained from community during monitoring in Giam Siak Kecil Biosphere Reserve. This points out the alleged crime act of forest destruction where trees are intentionally and illegally cut down without permit. Law enforcement as a follow-up is required to arrest the actors and prevent against repeated forest destruction activities in the same area.

Lack of understanding and awareness on legal timber distribution system

As a system that assures that distribution of timbers and their derivative products are sourced from legal and sustainable raw materials, it turns out that TLAS is not fully understood by stakeholders, particularly small-and-medium industry businesspeople, and apparatus in relevant district authorities. That is, at least, what Perkumpulan Absolute Indonesia has found during monitoring in Sukabumi District, West Java.

None of the 20 Community Forest managements interviewed understands timber governance. They even did not know or just heard of TLAS and/or Supplier's Declaration of Conformity (SDoC). Similarly, out of 46 small-and-medium industry businesspersons interviewed, 36 said they did not know anything about

policies such as TLAS and/or SDoC, while seven of them said they once heard of TLAS but had no idea what its purposes and objectives are, and the remaining three said they knew and once implemented TLAS out of buyer's requirement.⁹

Based on this finding, small-and-medium timber industry businesspersons and community forest actors still lack the knowledge on TLAS and/or SDoC implementation due to lack of information dissemination by the Government (relevant offices). As a matter of fact, knowledge on this mechanism can benefit small-and-medium timber industry and community forest, particularly when obtaining assurance of timber origin and gaining wider access to market.

⁸ Jikalahari. 2021. Factsheet: *Dugaan Tindak Pidana Lingkungan Hidup dan Kehutanan. Illegal Logging di Areal Hutan Alam Cagar Bi-osfer Giam Siak Kecil*

⁹ Absolute Indonesia. 2021. Factsheet. *Hutan Rakyat dan IKM di Jawa Barat: Strategis untuk Dikembangkan, Namun Belum Jadi Perhatian Serius Pemerintah.*

Given the limited resources, particularly funding resources, independent monitors are still able to carry out simultaneous monitoring activities over almost all forest uses and managements. Along with its partners, IFM Fund has monitored seven locations in Sumatera, Java and Nusa Tenggara in 2020-2021. Another independent monitor organisation, JPIK, has monitored 12 different locations in eight provinces within the same period.¹⁰ With larger monitoring scope and outreach, independent monitors will contribute to the maintained credibility of TLAS and be influential in safeguarding Indonesia's forest sustainability.

Given this condition, participation of independent monitors as part of civil society who actively monitor should be fully supported by the Government in the form of monitoring accessibility and sustainability. The former is necessary for monitors to contribute to the prevention of forest destruction. It is also required to allow them to become the agents of change and source of information for stakeholders to campaign on good forest governance through, among others, TLAS policy.

Independent monitors need to expand their scopes and increase their monitoring quantity to reach out remote areas that the Government does not, which will definitely affect the funding. Based on IFM Fund study (2019), it is known that at least IDR 9.5 billion will be needed to allow monitors to expand their monitoring scope in priority provinces.¹¹ Other than for monitoring and consolidation, funding support is also required to build the capacity of independent monitors and community groups directly concerned with FMUs. All of these activities require assured fundings to keep monitoring process and system evaluation running.

To maintain the continuity of efforts to improve forest governance, the following series of follow-up activities are required through monitoring optimisation and effective system evaluation.

- **Strengthened legality assurance system, preservation and sustainability**

The Government, in this case the Ministry of Environment and Forestry, should immediately improve standards and assessment guide through multi-stakeholder engagement, particularly in aspects related to overlap, deforestation and conflict. MoEF should also review implementing regulation of SDoC use for small-and-medium timber businesspeople and community forest.

- **Strengthened legal framework of sustainable funding**

V-Legal document issuance is one of the sources of fund, to which independent monitors should gain access. This can be followed up through:

- a. Facilitation of meetings between independent monitors and Certification and Independent Verification Bodies (LP&VI) to develop understanding and agreement concerning the urgency of sustainable funding through V-Legal document issuance.
- b. Issuance of legal framework by Ministry of Environment and Forestry in the form of operational regulations and/or circulars as a legal justification that rules the mechanism of V-Legal document allocation to support monitoring activities. To maintain the accountability of use of fund, the legal framework should have mechanisms and procedures for budgeting, disbursement, and supervision and reporting.

- **Support of capacity building for independent monitors and monitoring fund-managing organisations**

Ministry of Environment and Forestry needs to allocate a regular budget through State Annual Budget (APBN) and other budgets that allow building of monitoring capacity, including capacity building for fund-managing organisations such as IFM Fund to facilitate independent monitoring.

- **Expansion of monitoring methods to response the present dynamics**

COVID-19 pandemics have brought about new challenges to keep forests in their ideal condition. Physical movement restriction has reduced the presence of law enforcers down the field, so that independent monitors will need to develop a virtual monitoring concept where use of technology and network will be optimised. Apart from that, in the wider scope of jurisdiction-based monitoring (scale up the scope of monitoring) could serve as a new breakthrough.

¹⁰ JPIK. 2020. *Menguji Pelaksanaan SVLK di 8 Provinsi*

¹¹ IFM Fund. 2019. *Tata Kelola Hutan, Pemantauan Independen dan Mobilisasi Sumber Daya*. Note: This study lists provinces of monitoring priority, whose forestry activities are high. The monitoring intensity samples 5% of the number of management units in these provinces.