

SUMMARY

"Forest Governance, Independent Monitoring and Resource Mobilization"¹

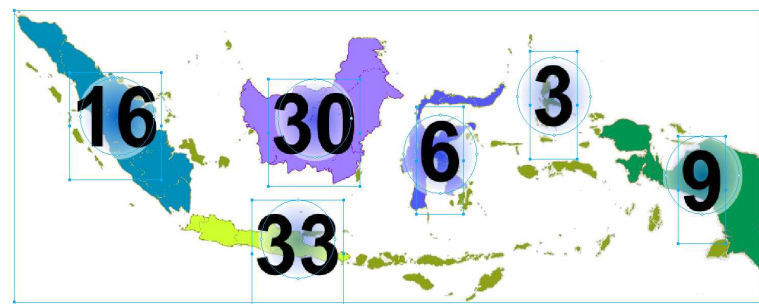
Background

Civil Society Organizations' (CSOs) role through independent monitors is to complete control or supervision and evaluation for the Government of Indonesia (GoI) and provide effective feedback for forest governance improvement in Indonesia. Information transparency, participation, distribution of authorities and access to resources need to be expanded to improve the capacity of independent monitors on providing high-quality feedback and increase their contribution to forest governance.

Specifically, in timber legality and sustainable forest management agenda, independent monitoring on implementation of PHPL and VLK certification system, law enforcement towards illegal logging, policies improvement and implementation, must be seen in perspective of CSOs' contribution for common goals towards environmental protection and increasing the benefit for the communities. The position of independent monitors in the system is as stated in the Environment Minister Regulation P.95/Menhut-II/2014 jo P.30/MenLHK/Setjen/PHPL.3/2016 on Performance Assessment of Sustainable Production Forest Management and Timber Legality Verification on Permit Holder, Forest Management Right or Right Forest.

Independent monitors activities, for example the Independent Forest Monitoring Network (JPIK), since 2011 or have contributed for nine years towards the improvement of assessment system credibility and verification of justice process to improve market recognition. Monitoring results became evidence in court on illegal timber logging and trading processes, forestry crime cases (IPK PT Prasetya

Mitra Muda), and forest encroachment in Sebangau National Park. Those cases related to enforcement of requirements in SVLK system through revoked the certification by Certification Body.



Distribution of monitoring locations based on geographical areas between 2011-2018

Results of monitoring also affecting system improvement through promoting access to information, strengthening standard of timber legality, and improvement of guarantee of investigators' security. A further contribution is changing on Trading Minister Regulation 84/2016 to 38/2017 that improved the trust of importers countries towards Indonesia's timber legality.

Performance and contributions of independent monitors in the only model in the world, PHPL, and VLK certification system, have resulted in recognition from many parties on SVLK credibility at the international level. Specifically, with the European Union, Indonesia is the first country that implements the EU FLEGT License since November 2016. It is easier for market actors to trade Indonesian legal timber. This forest governance improvement has resulted in expansion and increased export of V-Legal and/or FLEGT License Document timber products to 166 countries including 27 European Union members.

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Challenges on Independent Monitoring Sustainability

However, despite the progress, challenges on resource mobilization to improve strategic roles and sustainability of independent monitors still remains. Existing challenges related to three things. The first is the scale of forestry sector in Indonesia especially on timber legality agenda and sustainable forest management. Secondly, condition of financial resources of the independent monitoring organizations as most of the Civil Society Organizations (CSOs) still depends on the funding from donor agencies (donor-dependent). Thirdly, funding from State and Regional Budget for independent monitoring as regulated in Article 27 Forestry and Minister Regulation No. 30 Year 2016 yet to be implemented and operationalized.

The scale of PHPL and VLK certification system related to the number of business units as recorded in the RPBB Information System Year 2018 is 1,262 units. It is related to the timber productions from natural forests around 5 million m³/ year, plantation forest 26.67 million m³/ year, and other forests 3.93 million m³/ year. Those timber production including processing and resulted in sawn timber 1.18 million m³/ year, pulp 5.42 million tons/ year, veneer 0.9 million m³/ year, and plywood 3.2 million m³. Compared to those numbers, coverage of independent monitors is very limited. From 2011 to 2018, for 9 years JPIK monitored only 0.7% out of total timber legality verification implementation, only 85 out of 1,261 business units.

Low monitoring coverage related to the funding that only sourced from donor agencies and fundraising skills that needed to be improved. During 9 years, JPIK raised around IDR 3 billion per year grants. In general, those grants used 50% for monitoring activities, 30% for investigators training, and 20% for organizational purposes. JPIK, with networks in 27 areas and 457 members, is the biggest monitoring organization in Indonesia. Other organizations such as Eyes of the Forest (EoF), Auriga, and Sumatera Independent Monitoring Alliance (APIKS).

Though the regulation exists, funding sourced from State Budget (APBN) and Local Budget (APBD) yet to be operationalized for its distribution to the investigators' organizations. Aside from Ministry of Environment and Forestry Regulation No. 30

Year 2016, other regulations that can be seen as opportunities are: 1) grants based on Internal Affairs Ministry Regulation Number 123 Year 2018 on The Fourth Revision of Internal Affairs Ministry Regulation Number 32 Year 2011 on Guidance of Grants and Social Supports Sourced from Local Budget; and 2) tender of government goods and services procurement as regulated through President Regulation No. 16/2018 on Procurement of Goods and Services that open opportunities for Non Government Organization to access self-managed projects.

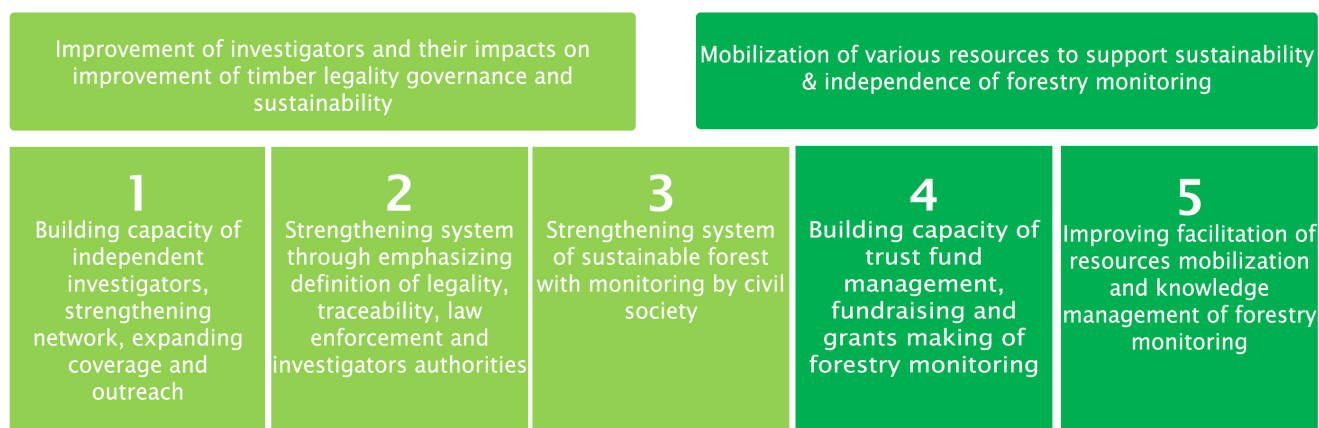
Furthermore, considering that independent monitors roles in the PHPL and VLK certification system, there must be distribution of resources from the system to ensure sustainability of independent monitoring activities. Operational regulations needed to be established as an example to distribute certain percentage of V-Legal and/or FLEGT License issuance fees to fund independent monitoring.

Independent Monitoring Program and Resource Mobilization

The aforementioned challenges bring up ideas to formulate programs to improve coverage of independent monitoring activities, as well as programs to improve capacity on resource mobilization. IFM Fund supported by the FAO-EU FLEGT Programme through activity "Plan of Resources Mobilization for Independent Monitoring" formulates program outlined in a document titled "Forest Governance, Independent Monitoring and Resource Mobilization".

This document is expected to be used by the Government of Indonesia, specifically the Ministry of Environment and Forestry to improve and change law and regulations, especially related to the distribution of resources for independent monitoring. International collaboration programs or agencies also can consider providing support for sustainability of independent monitoring that oriented to the sustainability of forest governance in Indonesia.

Independent monitors as a part of forest governance in Indonesia package their ideas into: **"Forestry Governance in Indonesia Moving Forward from Timber Legality to Forest Sustainability"**. This



Ideas to improve forest governance in Indonesia

idea consists of 2 (two) programs that divided into 3 (three) and 2 (two) program components.

The First Program aims to strengthen independent monitoring and increase its contribution to forest governance improvement through timber legality and sustainable forest management agendas. This program consists of 3 (three) components as follows:

- 1) Improving capacity of the independent monitors, strengthening the network, expanding coverage and geographical scope.
 - 1.1) Training investigators with expanding coverage of competence and working standard of forestry monitoring.
 - 1.2) Strengthening investigators network through improving the scope of total concession or other objects that being monitored and expanding geographical coverages.
 - 1.3) Managing data and information systems in the investigators' network to increase members' activities.
 - 1.4) Sharing knowledge on forest monitoring with other countries, especially the Southeast Asian network.
- 2) Strengthening the system by emphasizing the definition of legality, traceability, law enforcement, and investigators' authorities.
 - 2.1) Strengthening legality indicators of forest products through a review of regulations that generate risks on legality.

2.2) Improving system and cohesiveness between instruments of timber governance and timber product traceability.

2.3) Improving monitoring and law enforcement, especially on the knot with high risks on timber legality and legality verification.

2.4) Improving regulations to increase authorities of independent monitors as a part of the system to gain information and State Budget (APBN) funding.

2.5) Encouraging the European Union to improve handling on EUTR violation cases.

3) Improving sustainable forest management by strengthening the position of independent monitors in the system.

3.1) Supporting improvement of the PHPL assessment system that is more credible and open, with independent monitors as a part of the system.

3.2) Monitoring sustainable forest management voluntary certification system, including on the state responsibility in creating preconditions.

3.3) Monitoring Social Forestry Program and Customary Forest to fulfill principles of justice and sustainability on forest resources utilization.

The Second Program aims to mobilize resources from various sources to ensure implementation of the **First Program**, and to ensure sustainability and independency of investigators organizations. The Independent Forest Monitoring Fund (IFM

Fund) is responsible to implement 2 (two) program components as follow:

- 1) Improving the capacity of trust fund management, fundraising, and grants making for independent forestry monitoring.
 - 1.1) Increasing fundraising from various resources.
 - 1.2) Access and use State Budget allocation from the MoEF for independent monitoring through grants and government's tender of goods and services procurement.
 - 1.3) Developing a function of grant management through formulating strategic directions and strategic geography, mechanism of distribution and grants supervision.
- 2) Improving the facilitation of resources mobilization and knowledge management in forestry monitoring organizations.
 - 2.1) Reviewing the development of strategies and ways on how development aid works and its implication to funding for CSOs, especially environmental CSOs.
 - 2.2) Facilitating strategy development and building capacity on resource mobilization for the monitoring organizations.
 - 2.3) Knowledge management from modus, cases, and information on monitoring results through forest governance perspective and monitoring strategies by CSOs.

Estimation of Resources Needs for Independent Monitoring

Estimation of resources needs is being calculated as a basis to plan fundraising and resources management to upscale coverage of independent

forestry monitoring. This estimation developed realistically, considering availability and characteristic of funding sources, funding support opportunities, and portfolio or fundraising empirical experience.

Calculation of funding needs per year based on the total of business units, a target of business units that will be monitored 5% from total of business unit, average cost of monitoring based on three times of field investigations, and monitoring locations in 17 provinces. Those provinces are Papua, West Papua, Maluku, North Maluku, Central Sulawesi, South Sulawesi, East Kalimantan, West Kalimantan, Central Kalimantan, North Kalimantan, East Java, Central Java, South Sumatera, Jambi, Riau, North Sumatera, and Aceh.

Calculation of grants needed per year for monitoring is as follow:

$$(357 + 905) \times 5\% \times 150,000,000 = \mathbf{9,465,000,000,-}$$

(rounded up to = **9,5 Billion**)

Fulfillment of those funding needs is projected with priorities of funding sources as follow:

- 1) IFM Fund through fundraising from various sources. The target of collected funds that will be distributed for monitoring organizations is IDR 6.5 billion per year. It will be inline with IFM Fund capacity building as a trust fund to ensure the accountability of grants management.
- 2) Grants from donor agencies to be accessed by each monitoring organization. For example, based on the JPIK portfolio, fundraising target can be increased from IDR 3 Billion per year to IDR 4 Billion per year.
- 3) Certain portions or percentages from the V-Legal issuance fee, with estimation one per eight or 12.5 % of total fee accepted per year, IDR 24 Billion. Therefore, potential resources for independent monitors is IDR 3 Billion per year.

Independent Forest Monitoring Fund (IFM Fund)

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