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## Background to the research

This country note presents Chatham House's assessment of the likelihood of illegality in the supply chains of the main wood-based products exported by Indonesia. It was prepared to inform our analysis of illegal trade at the international level which has been published as part of the report '[Establishing fair and sustainable forest economies: lessons learned from tackling illegal logging](#)'. This is the most recent in a series of reports on governance and legality in the forest sector in the forest sector, an issue that Chatham House has been monitoring since 2008.

The country note has been published as a background document to explain how the international estimates of illegal trade were made. Thus, it is not intended to provide a comprehensive review of all the available data and information on forest sector legality for Indonesia. International and national experts in Indonesia forest sector provided feedback on preliminary versions of the country note.

## Overview of exports

Indonesia and the EU signed a Voluntary Partnership Agreement in 2013, and Forest Law Enforcement, Governance and Trade (FLEGT) licensing for exports of wood-based products began in 2016.<sup>1</sup> Licensing is based on Indonesia's timber legality assurance system (Sistem Verifikasi Legalitas Kayu, SVLK).<sup>2</sup>

Indonesia's exports of veneered panels, sawnwood, mouldings and joinery derive primarily from natural forest, although the proportion coming (at least partly) from plantations has increased. The volumes exported tended to decline over the period of this assessment (2000–2018), particularly its early years. Tropical plywood accounts for the majority of these exports by weight, of which Japan is the main importer.

Most of the wooden furniture that Indonesia exports derives from plantations, a number of which are community managed.

Pulp and paper now mainly derive from plantations and exports of these increased over the period 2000–2018. Most of the pulp is exported to China.

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<sup>1</sup> EU-FLEGT Facility (2021), 'Indonesia: All about the Indonesia-EU Voluntary Partnership Agreement', <https://www.euflegt.efi.int/es/indonesia> (accessed 16 Sept. 2021).

<sup>2</sup> Sistem Informasi Legalitas Kayu (SILK) (2021), 'About Us' section, <https://silk.menlhk.go.id/index.php/about> (accessed 16 Sept. 2021).

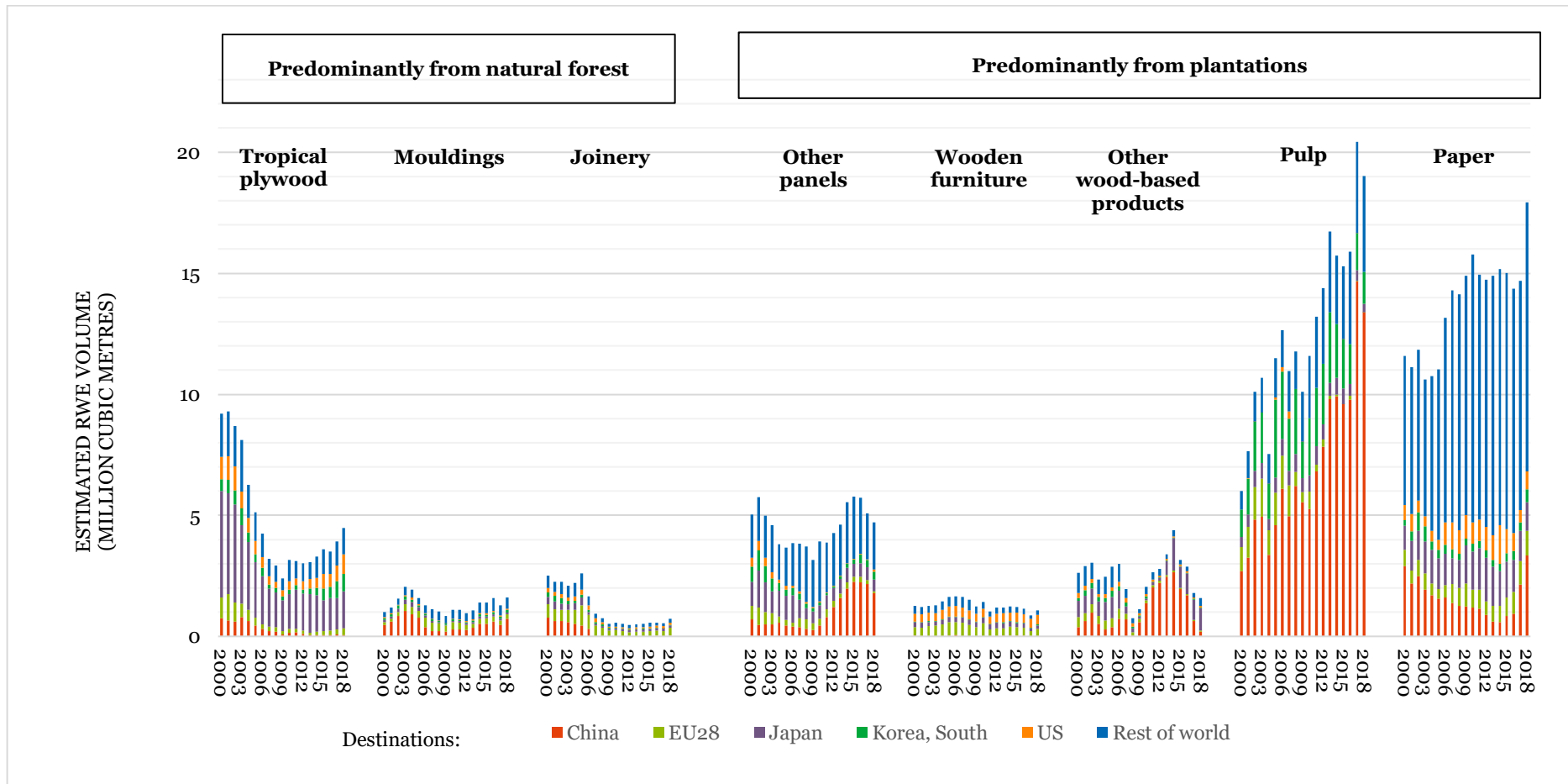


Figure 1: Indonesia's exports of wood-based products<sup>3</sup>

Source: Badan Pusat Statistik (including <https://www.bps.go.id/publication/2020/07/06/470ac11bo2986223e424d273/statistik-perdagangan-luar-negeri-indonesia-ekspor--2019--jilid-ii.html>); World Trade Atlas and UN Comtrade.

<sup>3</sup> Roundwood equivalent volume has been estimated here by using the following factors, m<sup>3</sup> per tonne: 2.5 sawnwood [HS Code 4407], 2.7 mouldings [4409], 2.8 wooden furniture [940161, 940169, 940330, 940340, 940350, 940360], 3.2 plywood and panels [4412], 3.5 joinery [4418] and paper [48], 4.5 wood-based pulp [4701 to 4705 inclusive]. 'Other panels' refers to other plywood and veneered panels [4412 other than 441231], bare core [44219996], particleboard [4410], fibreboard [4411].

## Methodology for estimating illegal logging and trade

The analysis considers five categories of illegal practices common across all countries. These categories are listed below, with examples given of the types of illegal activity that they can include in different countries and regions:

- Customary tenure & resource rights
  - FPIC not obtained from any affected people or communities
  - The rights of any affected people or communities not adequately taken into consideration and addressed in the process of allocating permits or developing management plans; and any loss of rights not adequately compensated
- Award of permits
  - EIAs not conducted in accordance with legal requirements
  - Decision-making process for the award of permits does not follow legally required process; e.g. calls for tenders not published; technical requirements for selection of bids not followed; evidence of corruption in the process
  - Use of proxies where the beneficiary would be ineligible
- Forest management & harvesting
  - Management plans not developed or implemented; e.g. plans do not meet legal requirements; logging in restricted areas; overharvesting of particular species; etc.
  - Health & safety and/or labour laws not complied with; e.g. no provision of safety equipment; employment of illegal immigrants; non-payment of salaries or of minimum legal wage
  - Environmental legislation not complied with; e.g. logging of protected areas or species; non-compliance with requirements for protection of wildlife; pollution of water courses
- Forest sector payments & financing
  - Relevant royalties, fees, taxes and fines not paid
  - Benefit-sharing agreements with local communities not complied with
  - Fraudulent financing / money laundering by concessionaires or in relation to mills
  - Transfer pricing
- Transport & trade
  - Export bans or quotas for certain species or products are breached or exceeded
  - False declarations made; e.g. misdeclarations of species, value, source
  - Non-compliance with CITES

Based on a review of the available data, the likelihood of each of the five categories of illegal practice was assessed for the main exported products.<sup>4</sup> This was classified either as low (<10 per cent), low to medium (10–30 per cent), medium to substantial (30–60 per cent) or substantial (>60 per cent).

These categories of illegal practice include a wider range of issues than are currently included within the SVLK, for example, some aspects of community rights and (prior to 2014) corruption in permit allocation (see further details below). In recognition of this, an additional category of ‘contentious’ has been included, for those supply chains in which these wider issues have been documented.

For the earlier years (2000, 2008 and 2013), the likelihood of illegality was determined based on Chatham House analyses in 2010 and 2015<sup>5</sup>, with updates where additional data have since become

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<sup>4</sup> This analysis focuses on a limited number of products, these were selected according to three criteria: the scale of trade and rate of change in this, trade flows in which high proportions of illegal timber have been documented, and examples of particular types of illegality.

<sup>5</sup> Lawson, S. (2014), Methodology for Import-source Estimates of Illegally Sourced Wood Imports: Thailand, South Korea and India, Chatham House Report, London: Royal Institute of International Affairs, <https://chathamhouse.soutron.net/Portal/Default/en-GB/RecordView/Index/187057>; Hoare, A. (2014), Methodology for Estimating Levels of Illegal Timber- and Paper-sector Imports: Estimates for China, France, Japan, the Netherlands, the UK, the US and Vietnam, Chatham House Report, London: Royal Institute of International Affairs, <https://chathamhouse.soutron.net/Portal/Default/en-GB/RecordView/Index/187059>.

available. The assessment for 2018 builds on this analysis, using available data and information to assess changes in legal compliance in the last five years of the study period. This included recent Chatham House research into governance reforms, analysis of trade data and the results of perception surveys, as well as a review of reports and data from other organizations.

### Overview of trends in illegality

Illegal logging in Indonesia has declined significantly since 2000. This was particularly the case in the early years of this century when the government implemented major enforcement operations. Wood-balance analysis indicated that unlicensed harvesting fell from 80 to 40 per cent during the period 2001–06.<sup>6</sup> Illegal logging associated with natural forest management continued to decline in the following years. However, a growing proportion of timber was derived from forest clearance, the legality of much of which was contested.<sup>7</sup> Since 2011, official data indicate that the volume of wood production from forest clearance has been declining, with a shift to wood from plantations.<sup>8</sup> However, the reliability of the data on plantation production has been questioned; an analysis of these data concluded that there was a gap of at least 30 per cent in the supply of legal wood material for large-scale processors in 2014.<sup>9</sup>

Implementation of the SVLK began in 2009, and this was completed in 2013. Over this period, the quality and availability of forest sector information has improved for relevant government agencies, including the taxes and fees payable by companies from the production and trade of wood-based products, and on fines issued and paid. The latter has been enabled by the establishment of a forest product information system (SIPUHH) which is integrated with both the non-tax state revenue information system (SI-PNBP, managed by the Ministry of Forestry) and the tax payments information system (SIMPONI, managed by the Ministry of Finance).<sup>10</sup> The significant improvements in transparency and information management are likely to have resulted in improved payments of forest- and export-related fees and taxes by companies.<sup>11</sup>

The SVLK continues to be strengthened, both in its design and implementation. In 2016 Indonesia began issuing FLEGT licences for exports to the EU. V-Legal documents, issued by the SVLK system, are issued for exports to regions other than the EU.

A system for monitoring of the SVLK and of VPA implementation is in place. This includes a requirement for periodic evaluation reports, independent monitoring by civil society and public JIC meeting protocols.<sup>12</sup> Through this system a number of issues with the licensing system and its implementation have been raised; some of these have been addressed and others are still under consideration. For example, a regulation was introduced in 2014 that allows for SVLK sustainability

<sup>6</sup> Lawson, S. and MacFaul, L. (2010), *Illegal Logging and Related Trade: Indicators of the Global Response*, Research Paper, London: Royal Institute of International Affairs, [https://www.chathamhouse.org/sites/default/files/public/Research/Energy%2C%20Environment%20and%20Development/0710pr\\_illegallogging.pdf](https://www.chathamhouse.org/sites/default/files/public/Research/Energy%2C%20Environment%20and%20Development/0710pr_illegallogging.pdf)

<sup>7</sup> Hoare, A. and Wellesley, L. (2014), *Illegal Logging and Related Trade: The Response in Indonesia*, Research Paper, London: Royal Institute of International Affairs, [https://www.chathamhouse.org/sites/default/files/field/field\\_document/20141029IllegalLoggingIndonesiaHoareWellesleyFinal.pdf](https://www.chathamhouse.org/sites/default/files/field/field_document/20141029IllegalLoggingIndonesiaHoareWellesleyFinal.pdf)

<sup>8</sup> [http://sipuhh.dephut.net:7777/itts/home\\_default](http://sipuhh.dephut.net:7777/itts/home_default) (accessed 15 Oct. 2021) and <http://rpbbi.menlhk.go.id/> (accessed 15 Oct. 2021).

<sup>9</sup> Forest Trends and the Anti-Forest Mafia Coalition (2015), *Indonesia's Legal Timber Supply Gap and Implications for Capacity Expansion: A Review of The Road Map for the Revitalization of the Forest Industry, Phase 1*, Forest Trends, [https://www.forest-trends.org/wp-content/uploads/imported/for165-indonesia-timber-supply-analysis-letter-15-0217\\_smaller-pdf.pdf](https://www.forest-trends.org/wp-content/uploads/imported/for165-indonesia-timber-supply-analysis-letter-15-0217_smaller-pdf.pdf)

<sup>10</sup> Ministry regulation no 42/2015; administration of forest products originating from plantation forest in forest production; Ministry regulation no.43/2015; administration of forest products originating from natural forest.

<sup>11</sup> Data are not publicly available on revenue collection efficiency, i.e. the ratio of revenues collected as a share of revenues due.

<sup>12</sup> EU-FLEGT Facility (2021), 'Official documents from the Indonesia-EU VPA process', <https://www.euflegt.efi.int/official-documents-vpa-indonesia> (accessed 16 Sept. 2021).

certification to be revoked where there had been corruption in the allocation of permits.<sup>13</sup> Other concerns that have been raised include the rigour of compliance checks by auditors, in particular, those related to compliance with social verifiers<sup>14</sup>, as well as constraints on the work of independent monitors due to a lack of government transparency as well as limited funding.<sup>15</sup>

Tenure and resource rights are yet to be adequately addressed.<sup>16</sup> In 2013, the constitutional court ruled that customary forests should not have been classified as state forest areas.<sup>17</sup> Since then there has been slow progress in resolving claims and reallocating land. It has been estimated that customary forest areas could cover more than 8 million hectares, but as of 2021 just 57,000 hectares had been formally registered.<sup>18</sup> Concerns have been raised as to the level of consultation with affected communities.<sup>19</sup> However, the need for customary forests to be integrated into the SVLK, which is recognized in the VPA,<sup>20</sup> is under discussion. Research has been undertaken to explore how best to enable the verification of legally harvested timber from these forests.<sup>21</sup> Breaches of law by certified companies and cases of forgery in the issuance of legality licences have recently been reported, with

<sup>13</sup> The robustness of the mechanisms for revoking certification in such cases has been questioned, see Rainforest Action Network (2015), *False Assurances*. However, one recent case in which an SVLK licence was revoked indicates that this mechanism can be enforced; Jong H.N. (2020), 'Papua sawmill loses legal timber stamp over allegations of permit forgery', Mongabay Series, 11 December 2020, <https://news.mongabay.com/2020/12/papua-sawmill-legal-timber-certificate-svlk-tulen-jayamas-industries-tanah-merah/>

<sup>14</sup> Rainforest Action Network (2015), *False Assurances*; KPK (2015), *Preventing State Losses in Indonesia's Forestry Sector: An Analysis of Non-tax Forest Revenue Collection and Timber Production Administration*, KPK, <https://acch.kpk.go.id/images/tema/litbang/pengkajian/pdf/Preventing-State-Losses-in-Indonesia-Forestry-Sector-KPK.pdf>

<sup>15</sup> For example, Profundo Research & Advice (2019), *Second Periodic Evaluation FLEGT VPA – Indonesia European Union*, Profundo, <https://www.euflegt.efi.int/documents/10180/463576/Summary+PE+2+FLEGT+VPA.pdf/fd398eab-a3c3-8b85-eee5-9bfd098d3829>; Meridian, A., Minangsari, M., Hasyim, Z., Valentinus, A., Arya Sari, N., Sutiah, U,m and Kosar, M. (2014), *In the Eyes of the Monitor: Independent Monitoring and a Review of the Implementation of the Timber Legality Verification System, 2011-2013*, Indonesia Independent Forest Monitoring Network (JPIK), <https://eia-international.org/wp-content/uploads/SVLK-Monitoring-Report.pdf>; KKI WARSI and WWF-Indonesia (2015), *Monitoring Timber Legality Assurance System (TLAS/SVLK) in two management units in Jambi Province: PT Wirakarya Sakti and PT Lestari Asri Jaya*, Eyes on the Forest, <https://www.eyesontheforest.or.id/reports/warsi-wwf-joint-report-monitoring-svlk-in-pt-wks-and-pt-laj-jambi->; JPIK (2019), 'Critical Note from the Independent Monitors "Improvement of SVLK Must Be Done Continuously To Increase Its Credibility and Accountability"', JPIK, <https://jpiik.or.id/en/critical-note-from-the-independent-monitors-improvement-of-svlk-must-be-done-continuously-to-increase-its-credibility-and-accountability/> (accessed 16 Sept. 2021); JPIK (2020), 'Assessing Compliance of Forest Timber Production Utilization and Trade Permit Holders', FAO-EU FLEGT Programme <https://jpiik.or.id/en/assessing-compliance-of-forest-timber-product-utilization-and-trade-permit-holders/> (accessed 16 Sept. 2021); Hasyim, Z., Laraswati D., Purwanto, R.H., Pratama, A.A., and Maryudi, A. (2020), 'Challenges facing independent monitoring networks in the Indonesian timber legality assurance system', *Forest Policy and Economics*, 111: doi.org/10.1016/j.forpol.2019.102025; A summary of issues that have been raised in relation to the SVLK – as well as how these are being addressed – has been provided in NepCon's analysis of Indonesia's timber sector: NepCon Preferred by Nature 'Indonesia Timber Risk Profile', Preferred by Nature, <https://preferredbynature.org/sourcinghub/timber/timber-indonesia> (accessed 16 Sept. 2021).

<sup>16</sup> Dwisatrio, B., Said, Z., Permatasari, A.P., Maharani, C., Moeliono, M., Wijaya, A., Lestari, A.A., Yuwono, J., and Pham, T.T. (2021), 'The context of REDD+ in Indonesia: Drivers, agents and institutions', CIFOR Occasional Paper, [doi.org/10.17528/cifor/007952](https://doi.org/10.17528/cifor/007952)

<sup>17</sup> Forest Peoples Programme (2013), 'Constitutional Court ruling restores indigenous peoples' rights to their customary forests in Indonesia', Forest Peoples Programme News Article, 16 May 2013, <https://www.forestpeoples.org/en/topics/rights-land-natural-resources/news/2013/05/constitutional-court-ruling-restores-indigenous-pe>

<sup>18</sup> Badan Registrasi Wilayah Adat (BRWA) (2021), 'Status of Recognition of Customary Territories in Indonesia', BRWA, 17 August 2021, <https://brwa.or.id/news/read/477>

<sup>19</sup> Komnas HAM (Indonesian Human Rights Commission) (2016), *National Inquiry On The Right Of Indigenous Peoples On Their Territories in The Forest Zones*, Komnas HAM, <https://www.komnasham.go.id/index.php/publikasi/2016/06/01/1/national-inquiry-on-the-right-of-indigenous-peoples-on-their-territories-in-the-forest-zones.html>; Moniaga, S. (2018), 'Recognition of customary forests yet to help indigenous peoples', The Jakarta Post, 17 July 2019, <https://www.thejakartapost.com/academia/2019/07/17/customary-forests-yet-to-help-indigenous-people.html>; Toumbourou, T. (2015), 'Indonesia's Forests Disappearing at Record Rates', The Asia Foundation, 25 February 2015, <https://asiafoundation.org/2015/02/25/indonesias-forests-disappearing-at-record-rates/>

<sup>20</sup> Amendment to Annex V of the VPA, in Commission Decision (EU) 2015/1158, 8 July 2015, notes that 'Changes in the procedures for utilization and/or administration of timber from Customary Forests, to address implementation of Constitutional Court Decision (MK) No 35/PUU-X/2012, shall be introduced after the adoption of related implementing legislation'. The European Commission, Commission Decision (EU) 2015/1158 of 8 July 2015, Official Journal of the European Union, L 187/30, <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32015D1158&from=EN>

<sup>21</sup> Wicaksono, S.A., and Iswari, P.L. (2021), 'Customary forests and timber management: a way forward in Indonesia', EU REDD Facility Blog, 28 July 2021, <https://www.euredd.efi.int/blog/-/blogs/customary-forests-and-timber-management-a-way-forward-in-indonesia>; Broadhead, J., Steni, B., and Hinrichs, A. (2018), *Implementing SVLK in customary forests*, EU FLEGT REDD Facility and EFI, <https://www.euredd.efi.int/documents/10180/463214/Working+paper+-+Implementing+SVLK+in+customary+forests.pdf/8b9e3034-1b11-c0c9-e4b5-2b68d3ab5891>



civil society highlighting the risk of a legal change that could be interpreted to indicate that independent monitoring of the system is no longer mandatory.<sup>22</sup>

The overall picture of improving levels of legal compliance is reflected in the findings of an expert perception survey undertaken in 2019 as part of research to examine the impact of the VPA on Indonesia's forest sector. Respondents considered that there had been a decline in illegal logging since the period before implementation of the VPA.<sup>23</sup> Participants in an expert perception survey undertaken by Chatham House also considered there to have been a decline in illegal logging, when comparing 2015 to 2020.<sup>24</sup>

## Assessment of illegality by product

### Sawnwood

Indonesia reports small volumes of sawnwood exports. Most of these are of rubberwood, from long-established plantation, and as such are unlikely to be illegal.

The weight of sawnwood that Indonesia reported as exports during the period 2013–2018 was roughly five times less than that reported by other countries as imports from Indonesia. Given that Indonesia prohibited the export of most forms of sawnwood from natural forest in 2003, this difference could indicate illegality. For example, this could entail misdeclaration by exporters to evade Indonesia's export ban on rough sawnwood, or misdeclaration by importers to reduce import tariffs. However, further investigation is needed into this discrepancy.

Much of the total imported from Indonesia (most notably by China) is merbau. The range of that species is largely confined to the island of Papua, where illegal practices have been documented, particularly with respect to tenure rights and the award of concessions.<sup>25</sup>

### Plywood

Much of Indonesia's exports of tropical plywood derives from natural forest in Kalimantan. In the early 2000s, the allocation of permits was at high risk of illegality, and some concessions were probably not managed as prescribed.<sup>26</sup>

In the following decade, implementation of the SVLK and better enforcement have resulted in significant improvements. Several logging permits in those provinces have since been renewed, and there has been improved compliance with requirements for forest management, reflected in an increased area of forests with FSC certification. The overall risks of illegality are currently deemed to be low to medium.

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<sup>22</sup> Acheampong, E., and Maryudi, A. (2020), 'Avoiding legality: Timber producers' strategies and motivations under FLEGT in Ghana and Indonesia', *Forest Policy and Economics*, 111: doi.org/10.1016/j.forpol.2019.102047; Jong, H.N. (2021), 'Monitoring reveals Indonesia's 'legal timber' scheme riddled with violations', Mongabay, September 2021, <https://news-mongabay-com.cdn.ampproject.org/c/s/news.mongabay.com/2021/09/monitoring-reveals-indonesias-legal-timber-scheme-riddled-with-violations/amp/>

<sup>23</sup> The average response for estimated levels of illegal timber for export markets was 44 per cent pre-VPA and 29 per cent post-VPA, and on the domestic market, the respective figures were 51 and 40 per cent. There were 70 respondents to the question about export markets, and 51 to the question about the domestic market. The question was not specific to particular supply chains or products. Cerutti, P.O., Goetghebuer, T., Leszczynska, N., Newbery, J., Breynne, J., Dermawan, A., Mauquoy, C., Tabi, P.P., Tsanga, R., Der Ploeg, L.V., and Wathelet, J-M. (2020), *Collecting Evidence of FLEGT-VPA Impacts for Improved FLEGT Communication*, CIFOR Synthesis Report, <https://www.cifor.org/knowledge/publication/7566>

<sup>24</sup> The average response for levels of illegal logging were 30 per cent on average at the time of the survey (in 2020), and 49 per cent five years earlier. Based on responses from 12 respondents: five NGOs, one private sector and six unknown. The question was for the country as a whole, and not specific to types of forest or particular supply chains.

<sup>25</sup> EIA and Kaoem Telapak (KT) (2021), *Criminal Neglect – Failings in enforcement undermine efforts to stop illegal logging in Indonesia*, EIA, <https://eia-international.org/wp-content/uploads/Criminal-Neglect-2021-SPREADS.pdf>

<sup>26</sup> Barr, C., Dermawan, A., Purnomo, H., and Komarudin, H. (2010), *Financial governance and Indonesia's Reforestation Fund during the Soeharto and post-Soeharto periods, 1989–2009: A political economic analysis of lessons for REDD+*, CIFOR Occasional Paper, doi.org/10.17528/cifor/002886

### Pulp and paper

Illegal practices associated with production of pulpwood have been well documented over the last two decades. They include those that relate to deforestation (including on peatlands<sup>27</sup> and/or with fire), failure to gazette, and illegalities in the allocation of permits and in the financing of mills.<sup>28</sup>

There have been improvements in the management of plantations and sourcing of pulp by mills. The number of plantations with SVLK certification has been increasing; in 2017, 54 per cent of the 286 permits for industrial plantations were certified (60 per cent of the 10.8 million ha. of such plantations)<sup>29</sup> and the proportion has since grown. However, there continues to be allegations of malpractice, in particular, in relation to respect for community rights and compliance with forest management provisions.<sup>30</sup> There is also a risk of money laundering and transfer pricing by companies in these supply chains; the groups have complex corporate structures, including in tax havens.<sup>31</sup>

<sup>27</sup> A moratorium on peat development was first introduced in 2011, with a complete ban passed in 2016. Hergoualc'h, K., Carmenta, R., Atmadja, S., Martius, C., Murdiyarso, D., and Purnomo, H., (2018), *Managing peatlands in Indonesia: Challenges and opportunities for local and global communities*, CIFOR Info Brief No. 2015, [doi.org/10.17528/cifor/006449](https://doi.org/10.17528/cifor/006449)

<sup>28</sup> See, for example, Barr, C. et al. (2010), *Financial Governance and Indonesia's Reforestation Fund*; Blundell, A.G., Harwell, E.E., Niesten, E.T. and Wolosin, M.S. (2017), *The Economic Impact at the National Level of the Illegal Conversion of Forests for Export-Driven Industrial Agriculture*, Climate Advisers Discussion Paper, <https://www.climateadvisers.com/wp-content/uploads/2018/04/Climate-Advisers-Costs-of-Deforestation-for-Industrial-Agriculture-11-2017-clean.pdf> – see Annex 3; EIA (2014), *Permitting Crime*; Greenpeace (2019), *Restore Forests: Restore Life*, Greenpeace Southeast Asia, <https://www.greenpeace.org/southeastasia/publication/3106/3106/>; KPK (2015), *Preventing State Losses in Indonesia's Forestry Sector*, Lawson (2014), *Consumer Goods and Deforestation: An analysis of the extent and nature of illegality in forest conversion for agriculture and timber plantations*, Forest Trends, [https://www.forest-trends.org/wp-content/uploads/imported/for168-consumer-goods-and-deforestation-letter-14-0916-hr-no-crops\\_web-pdf.pdf](https://www.forest-trends.org/wp-content/uploads/imported/for168-consumer-goods-and-deforestation-letter-14-0916-hr-no-crops_web-pdf.pdf); Prasetyo, A., Hewitt, J., and Keong, C.H. (2012), *Indonesia: Scoping Baseline Information for Forest Law Enforcement, Governance and Trade: Baseline Study 7*, TRAFFIC, <https://www.flegtlicence.org/documents/10180/23308/Baseline+Study+7.%20Indonesia+-+Overview+of+Forest+Law+Enforcement.%20Governance+and+Trade/fbbef7de-ead6-4238-b28b-7a3c57fb7979>; Wakker, E. (2014), *Indonesia: Illegalities in Forest Clearance for Large-scale Commercial Plantations*, Forest Trends, <https://www.forest-trends.org/publications/indonesia-illegalities-in-forest-clearance-in-large-scale-plantations/>; Wijaya et al. (2017), *Drivers of Deforestation in Indonesia*, <https://www.wri.org/insights/drivers-deforestation-indonesia-inside-and-outside-concessions-areas?msclkid=f4dcd400ade811eca5619c589d5a2913>.

<sup>29</sup> Some of the non-certified plantations were not in production; Sucofindo (2018), *First Annual Overview of the TLAS Operationality in Indonesia. Implementation Report – Periodic Evaluation FLEGT VPA-Indonesia European Union*, Sucofindo, [https://www.euflegt.efi.int/documents/10180/438736/Periodic+evaluation+Indonesia\\_final.pdf/ce95b6ef-aeae-2ec8-b600-cba756018780](https://www.euflegt.efi.int/documents/10180/438736/Periodic+evaluation+Indonesia_final.pdf/ce95b6ef-aeae-2ec8-b600-cba756018780)

<sup>30</sup> There are currently three pulp and paper groups operating in Indonesia: APP, APRIL and (pulp only) Marubeni. An assessment of their ESG policies can be found here: Sustainability Policy Transparency Toolkit (SPOTT) (2021), *Timber and pulp: ESG policy transparency assessments*, <https://www.spott.org/timber-pulp/> (accessed 16 Sept. 2021); FSC disassociated from APP in 2007 (<https://www.spott.org/timber-pulp/app-asia-pulp-and-paper-group/>) and from APRIL in 2013 (<https://www.spott.org/timber-pulp/april/>). See also, Eyes on the Forest (2021), 'APRIL's 2.6 million-ton production capacity expansion is rampant; betrays its sustainability commitment, harms environment and community', EoF press release, 1 May 2021, <https://www.eyesontheforest.or.id/news/aprils-26-million-ton-production-capacity-expansion-is-rampant-betrays-its-sustainability-commitment-harms-environment-and-community>

<sup>31</sup> For a description of offshore holdings see: Bowring, P. (2015), 'The Bankers Forget and Forgive Indonesia's Sinar Mas', *Asia Sentinel*, 4 May 2015, <https://www.asiasentinel.com/p/bankers-forget-forgive-indonesia-sinar-mas>; One company has been subject to allegations of misdeclaration of pulp exports, see: Jong, H.N. (2020), 'Pulp producers pull off \$168 million Indonesia tax twist, report alleges', Mongabay Series, 2 December 2020, <https://news.mongabay.com/2020/12/pulp-paper-toba-pulp-lestari-april-tax-export-report/>

**Summary of estimates**

The following table presents an overview of the likelihood of illegal practices in the production of the country’s main exported wood-based products. The ‘overall likelihood’ column reflects all the types of illegal practice and is thus the most pessimistic assessment of the categories for a given year.

	Tenure and resource rights				Award of permits				Forest management				Revenue and finance				Transport and Trade				Overall likelihood of illegality			
	2000	2008	2013	2018	2000	2008	2013	2018	2000	2008	2013	2018	2000	2008	2013	2018	2000	2008	2013	2018	2000	2008	2013	2018
<i>from natural forest:</i>																								
Sawnwood	Substantial	Substantial	Low	Low	Substantial	Substantial	Low	Low	Substantial	Substantial	Medium	Medium	Substantial	Substantial	Medium	Medium	Substantial	Substantial	Medium	Medium	Substantial	Substantial	Low	Low
Plywood	Substantial	Substantial	Low	Low	Substantial	Medium	Low	Low	Substantial	Medium	Low	Low	Substantial	Substantial	Medium	Medium	Substantial	Substantial	Medium	Medium	Substantial	Substantial	Low	Low
Mouldings	Substantial	Medium	Low	Low	Substantial	Medium	Low	Low	Substantial	Medium	Low	Low	Substantial	Medium	Low	Low	Substantial	Substantial	Medium	Medium	Substantial	Substantial	Low	Low
<i>from plantations:</i>																								
Sawnwood	Low	Low	Low	Low	Medium	Medium	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low
Wooden furniture	Substantial	Medium	Low	Low	Substantial	Medium	Low	Low	Substantial	Medium	Low	Low	Substantial	Medium	Low	Low	Substantial	Substantial	Medium	Medium	Substantial	Substantial	Low	Low
Wood-based pulp	Medium	Substantial	Low	Low	Substantial	Substantial	Low	Low	Substantial	Substantial	Medium	Medium	Substantial	Substantial	Low	Low	Substantial	Substantial	Medium	Medium	Substantial	Substantial	Low	Low
Paper	Medium	Substantial	Low	Low	Substantial	Substantial	Low	Low	Substantial	Substantial	Medium	Medium	Substantial	Substantial	Low	Low	Substantial	Substantial	Medium	Medium	Substantial	Substantial	Low	Low

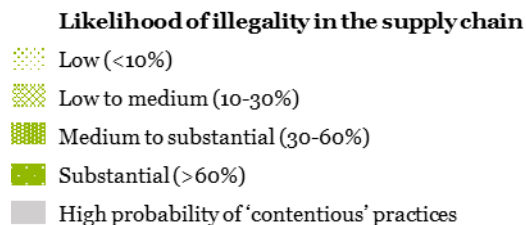


Table 1: Estimated likelihood of illegality for Indonesia’s main exported wood-based products