

## **ANNEX 4: FOREST CERTIFICATION IN INDONESIA**

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In Indonesia, forest certification faces one of its severest tests. Recent events have brought certification to a standstill in the country, owing to unresolved differences among the key actors involved. The problems derive both from the political economy and from deficiencies in the procedures of certification itself.

### **CONTEXT**

Indonesia harbours some 2.7% of the world's forests. Based on a colonial model of forestry, which denied customary rights, arrogated all forest lands to the State and allowed them to be leased out in concessions to commercial operators, forestry in Indonesia developed as an export-orientated enclave. This lucrative timber trade was first dominated by overseas corporations but the imposition of log export bans in the 1970s led to the rapid build up of a domestic timber processing capacity within the country, dominated by a tight cartel of industrial foresters in intimate relations with the personnel of the highly centralized Department of Forestry in Jakarta, which claims jurisdiction over some 140 million hectares classified as State forest lands (about 70% of the country). Since the 1970s, this politico-industrial nexus has subjected the country's forests to intensive exploitation, making the Department one of the most powerful in the country, generating substantial revenue for the national exchequer and allowing a small number of Indonesian timber tycoons to accrue huge fortunes. The industry built itself up during a period of virtual dictatorship, allowing corruption, forestry malpractice and the suppression of community rights to go unchecked, owing to a patrimonial political system that entrenched, and was fostered by, the close coincidence of interest between the political and forest industry elites.

Recent efforts to democratize and decentralize Indonesia's political system and forest management regime have only exacerbated the crisis in the country's forests. District level governments, seeking to increase their own sources of revenue during a period of severe economic recession, have encouraged further forest exploitation and turned a blind eye to illegal logging. Indonesia now suffers one of the highest rates of deforestation in the tropics, with rates of forest loss being estimated at 2 to 3 million hectares per year. Forestry policies, which encourage the penetration of forests by logging roads and the conversion of other forests to plantations and colonization schemes, are widely agreed to be a major cause of this destruction. This forest loss is matched by severe forest degradation, owing to the lax imposition of forest management regulations which, in any case, assume a rate of forest regeneration rarely, if ever, achieved in practice. Rates of biodiversity loss, due both to forest degradation and forest loss, are considered to be high.

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The costs of these losses are borne most heavily by the 30 to 60 million people estimated to live within these forests. Logging and forest conversion has caused forest communities impoverishment, loss of livelihood, the denial of land security, land invasions, social disruption and cultural loss. Although Indonesian law nominally recognizes '*adat*' (custom), the land rights of customary communities are only weakly protected. In lands outside State forests, no effective procedures exist to secure communal tenures, while within State forests proprietary rights are denied and customary rights are treated as weak forms of usufruct, subordinate to the interests of concessionaires. Communities' resistance to the exploitation of their customary forests by forest industries has been routinely, often violently, suppressed by State security forces financed by the same companies. Nor has recourse to the law been an option, not only because of the weak protection of customary rights offered by the law but because of lack of probity in the legal profession. However, since the restoration of an ostensible democracy and moves to decentralize the administration in the last five years, a vigorous social movement of *masyarakat adat* ('communities governed by custom') has emerged demanding recognition of their rights to their lands and forests and contesting the presence of loggers and plantation companies on their lands. A revised Constitution now recognizes customary rights. The National Assembly, Indonesia's highest legislative body, has accordingly passed decrees requiring major changes in natural resource management laws to give recognition to customary rights in lands and forests. A few timber tycoons who made their fortunes during Suharto's autocratic rule have been jailed for past abuses.

The new political space open to communities and civil society in general does now present an opportunity for reform of the forest sector. Increased dependence of the national economy on aid flows has led donor agencies to exercise their stronger leverage to demand reform. Curbing forest loss is one of the priorities for action agreed between donors and the government. Forestry assistance now emphasizes the need for 'multi-stakeholder' approaches with almost as much money being granted to community mobilization, popular participation and advocacy as to government-led forestry reform. However, the Forestry Department has proved resistant to demands for recognition of customary tenures in State forests and is trying to recover control of forests on the Outer Islands. Some reforms have been made to encourage community forestry through the provision of short-term leaseholds.

## **EXPERIENCES WITH CERTIFICATION**

Forest certification commenced in Indonesia in 1990. The initial certificate, issued by the Rainforest Alliance's SmartWood programme, covered plantations managed by the para-statal company Perum Perhutani. The company has control of some 2.5 million hectares of forests (about 23% of all Java) and has a long history of bitter disputes with local communities. However, following the establishment of FSC in 1993 and the development of Principle 10 relating to plantations in 1996, SmartWood reassessed Perum Perhutani's operation and gave out FSC certificates to five forest blocks in 1998 and 2000. Repeated complaints about these certificates, especially because they ignored severe forest-related social conflicts, eventually led to them all being withdrawn. One other plantation certificate, granted by SmartWood to PT Xylo

Indah Pratama in 2000, was withdrawn in 2003 when an annual assessment uncovered irregularities in timber sourcing.

Natural forest certification got off to a slower start in Indonesia. During the Suharto era, forest campaigners saw forest certification as a way of creating transparency in a concession system that was not transparent and not accountable. Most early efforts were invested in developing a national system of standards through the Indonesian Ecolabelling Institute (LEI - *Lembaga Ekolabel Indonesia*) set up in 1996. LEI and FSC's standards and procedures are quite distinct and, partly for reasons of national pride, LEI has been reluctant to adjust its system in line with FSC's international system. In 2000, as a step towards bringing the two systems into accord with each other, LEI and FSC signed a Joint Certification Protocol, renewed in 2002, which requires that all natural forest certifications be done jointly by certifiers according to both sets of standards simultaneously. The first (controversial) FSC certification of natural forests in Indonesia was granted to PT Diamond Raya Timbers by SGS Qualifor in 2001. The logging operation, which harvests a nationally depleted timber, *ramin*, in the habitat of the rare Sumatran tiger, has attracted a number of complaints, notably that the concession overlaps the unrecognized lands of local communities, operates without their free, informed consent and without appropriate dispute resolution mechanisms to resolve their differences with the company. The communities have publicly called for the certificate to be withdrawn.

In April 2001, Indonesian NGOs called on the FSC to suspend all certification in Indonesia and demanded that an independent study be carried out of the challenges and obstacles to the application of FSC Principles 2&3 in Indonesia. FSC agreed to the need for such a study and urged accredited certifiers to hold up certification until the study was completed. The study, carried out in 2002, substantiated the lack of effective recognition of indigenous peoples' rights in Indonesia law, in forestry concessions and in certified forestry operations. It also highlighted how a long history of State repression and marginalization of forest-dwelling communities made exercise of the right to free and informed consent near impossible, especially as companies continue to pay for interventions by the State security apparatus in disputes, even when seeking new concessions and in areas that are being certified. The study also uncovered the startling fact that as little as 10% of the area considered to be 'State forests land' have been properly zoned, delineated and gazetted as such, making nearly all forestry concessions in Indonesia technically illegal.

FSC certification in Indonesia is severely hampered by the fact that FSC has only four members in the country and a national initiative to agree national certification standards has not even started. In the absence of clear legal mechanisms for recognizing customary rights or fair means for securing indigenous peoples' agreement to forestry operations on customary lands, the study argued that FSC certification should remain suspended until there was a broad and inclusive national agreement about what standards should be applied in the circumstances.

## WAYS FORWARD

Whether or not a national initiative will be undertaken to develop appropriate standards for certification in Indonesia remains uncertain. What the Indonesian experience shows, however, is that the social acceptability of certification depends on the quality of the participation that leads to decisions in terms of agreeing to national standards, carrying out assessments, and dealing with complaints. In Indonesia, for a variety of reasons, participation at all these levels has been poor and, as a result, certification decisions have generated disputes rather than led to improved forest management. Field studies show that, even in communities where certification assessments have been carried out, few individuals understand what certification is; even fewer comprehend FSC Principles and Criteria in any detail; almost none have the capacity, by themselves, to make use of the official FSC complaints procedures. Extensive and costly public awareness-raising efforts are necessary if this is to change. In the meantime, a huge burden of responsibility falls on Indonesian NGOs to uphold standards, monitor assessments and make sure that issues of local concern are adequately addressed. Given that they have other pressing priorities to attend to, if they then find that certifiers and accreditation bodies are not responsive to these issues, they find it hard to justify continued investment of staff time in tracking certification instead of pursuing other means to reform forestry and land tenure regimes.

Some proponents of certification now argue that international certification standards, such as those of FSC, are too high and it would be better to drop 'unrealistic' social and environmental principles and criteria and certify operations if they only comply with national laws and forestry regulation. Others argue for a step-wise approach, which starts with certifications of legality and then progressively requires adherence to social and environmental criteria. Such approaches are unlikely to gain much support from civil society in Indonesia as they, given the current forestry laws, amount to first condoning the extinguishment of customary rights and then later calling for their recognition. Indonesia's millions of forest-dwelling people have suffered enough. The alternative, favoured by community advocates, is for certification to focus on community forestry operations until the concession and tenure regimes in the country are reformed.