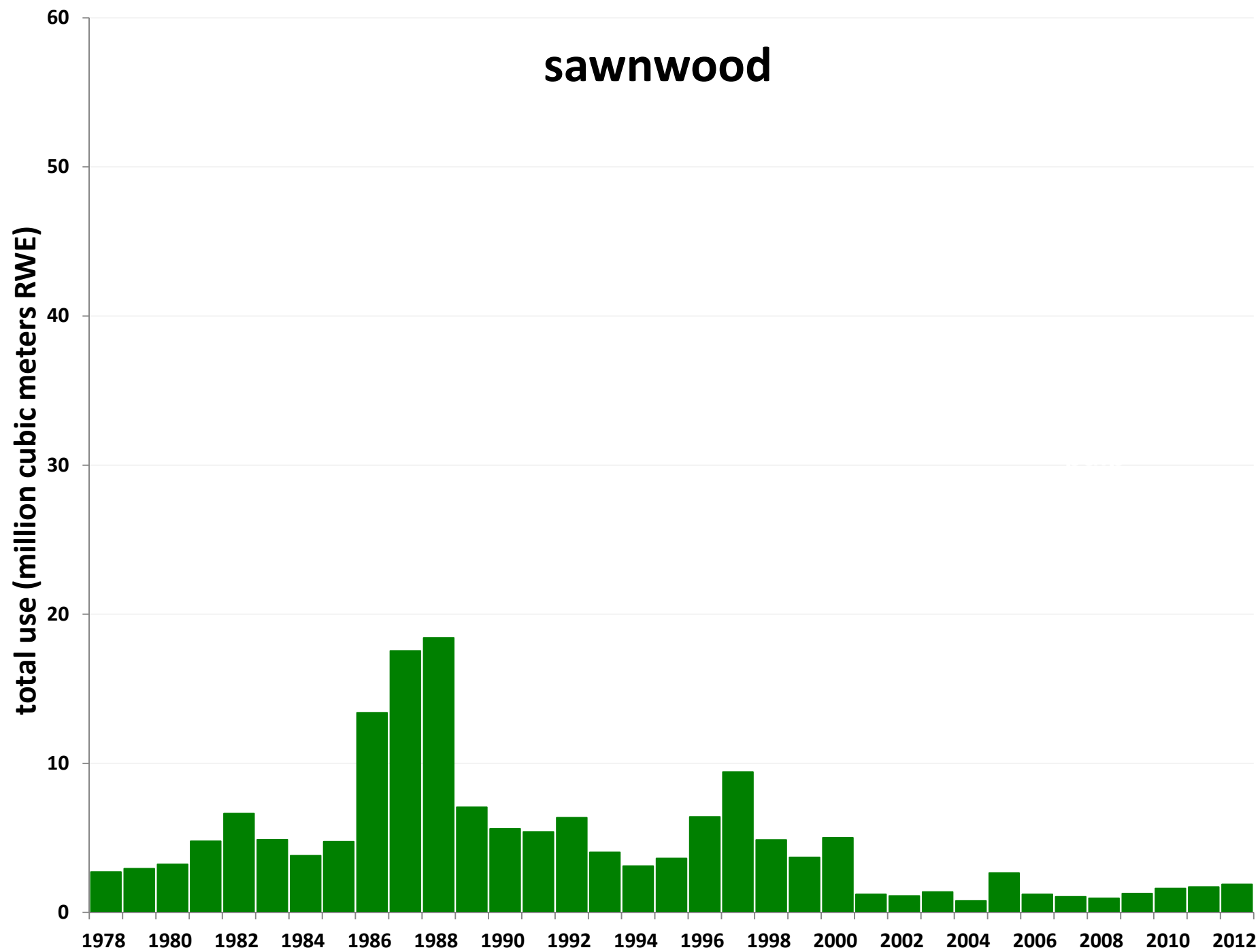




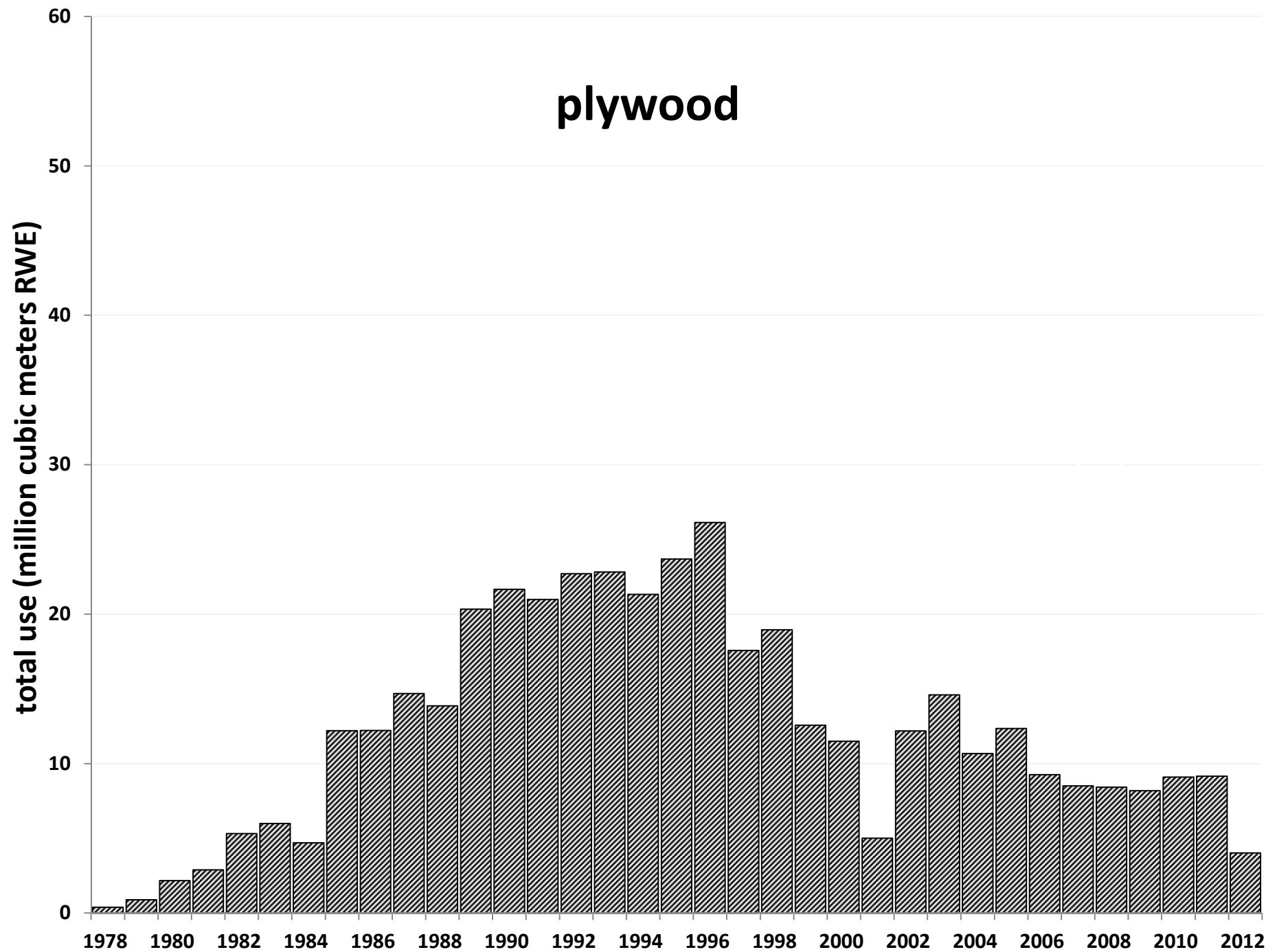
© Carlos Quiles

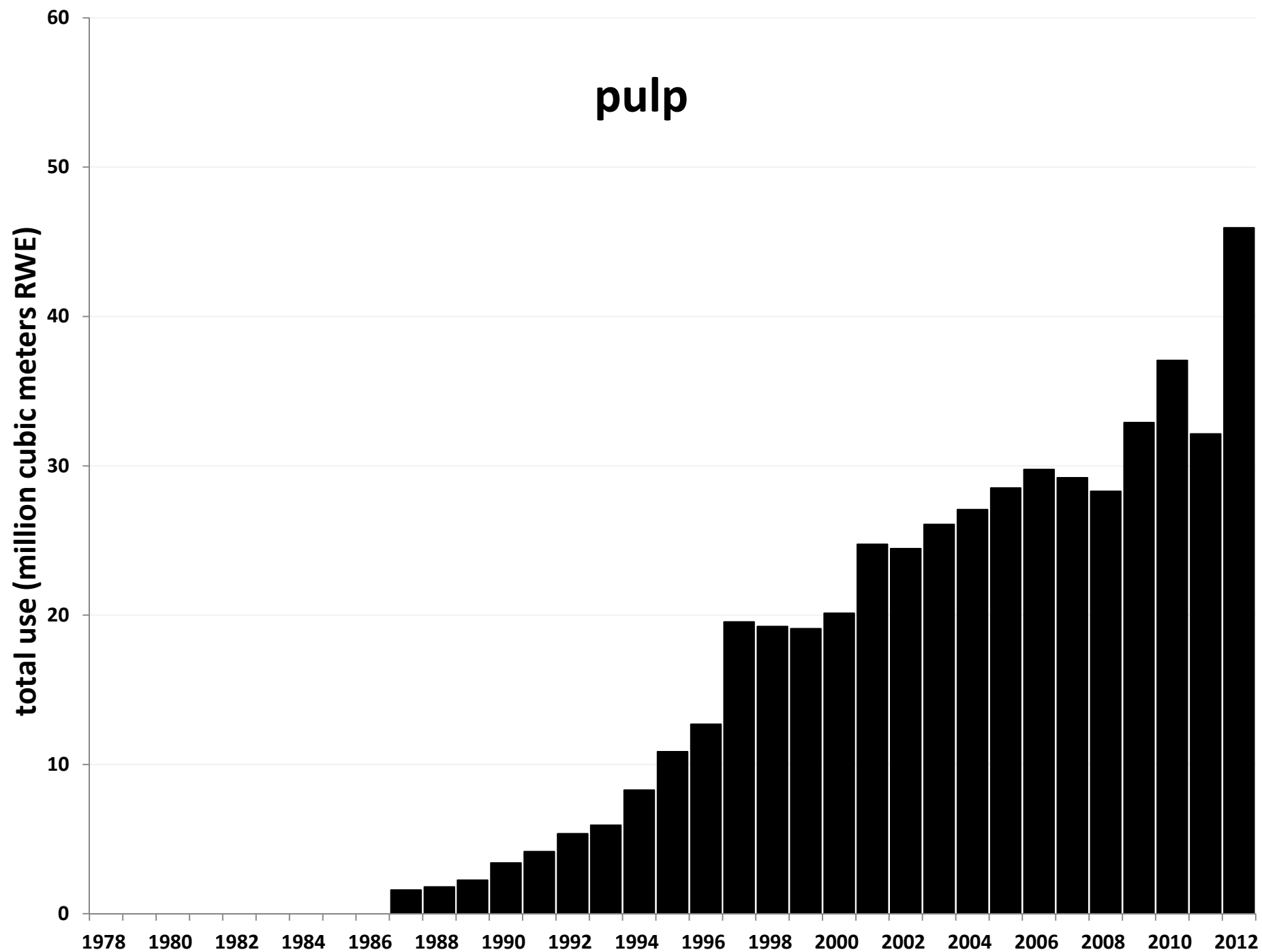
[art@naturalcapitaladvisors.com](mailto:art@naturalcapitaladvisors.com)

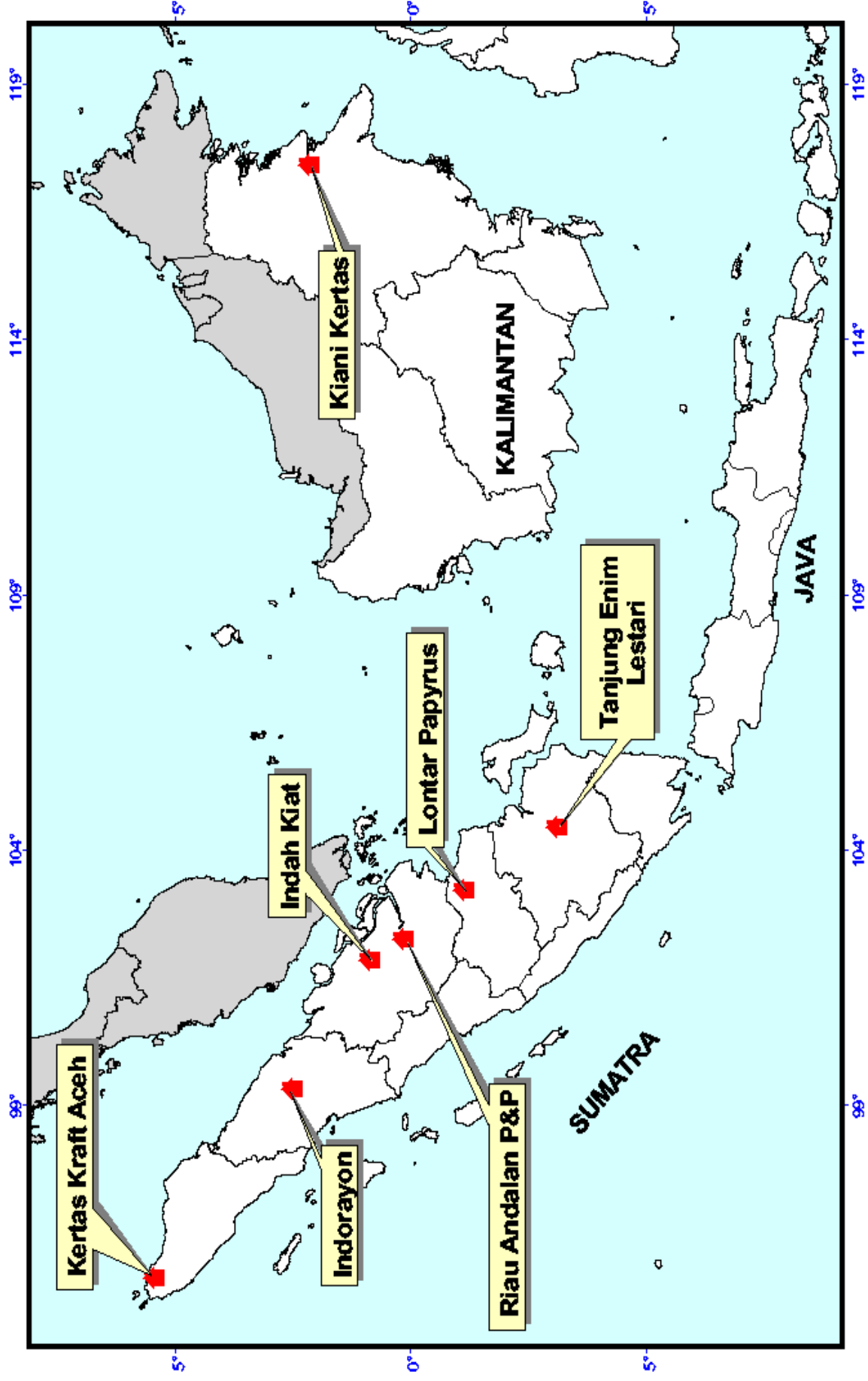
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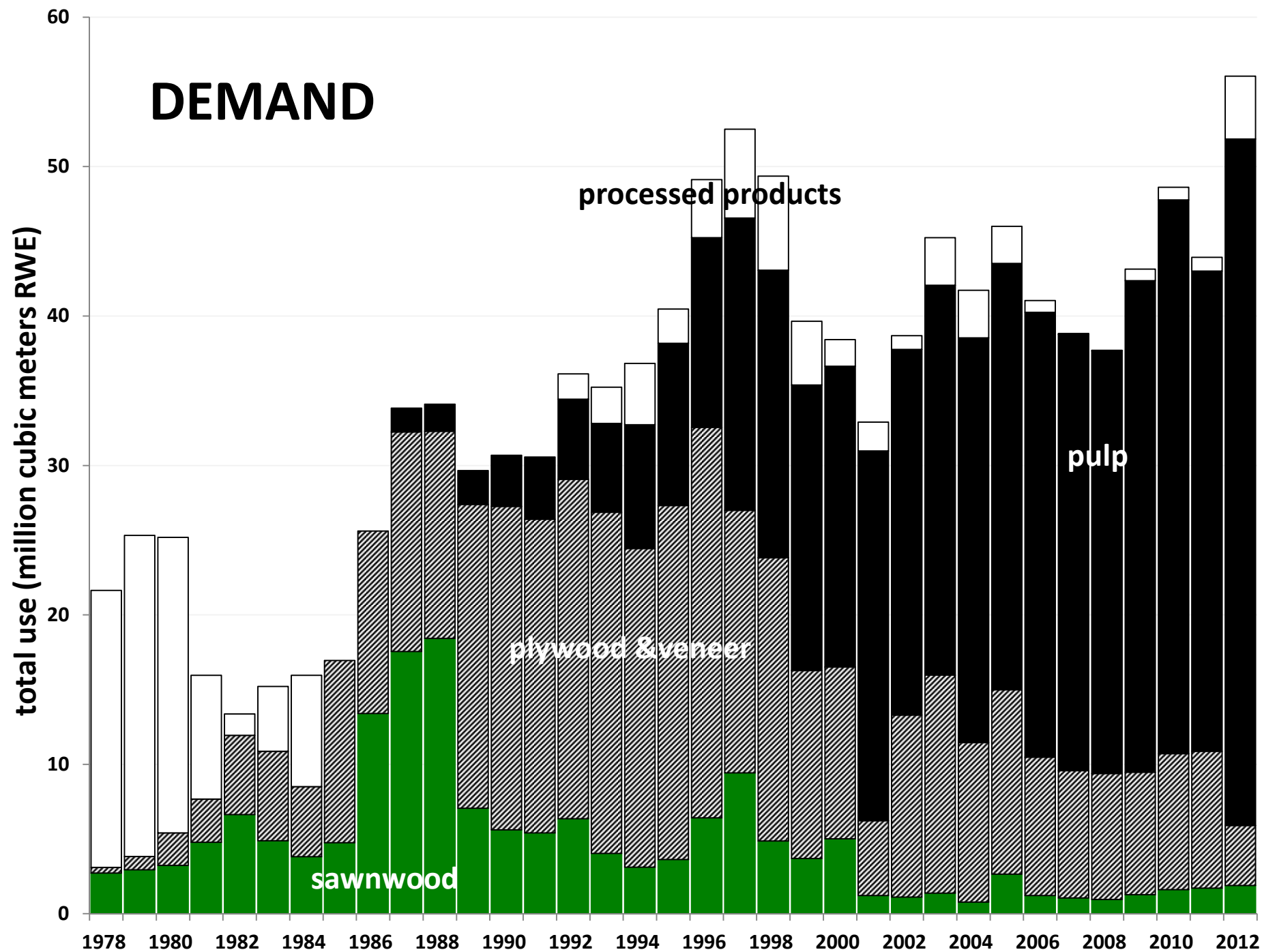
# plywood

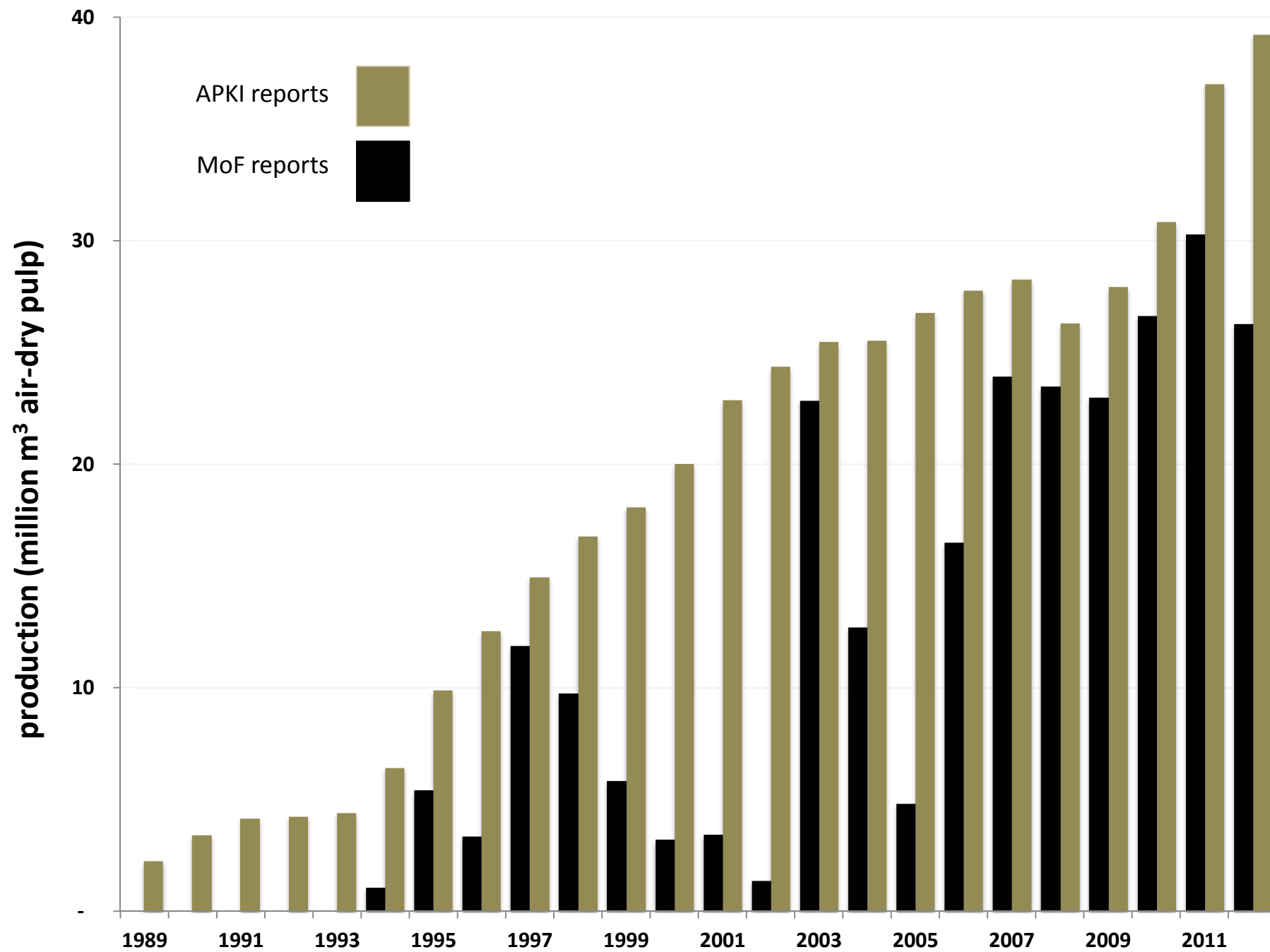










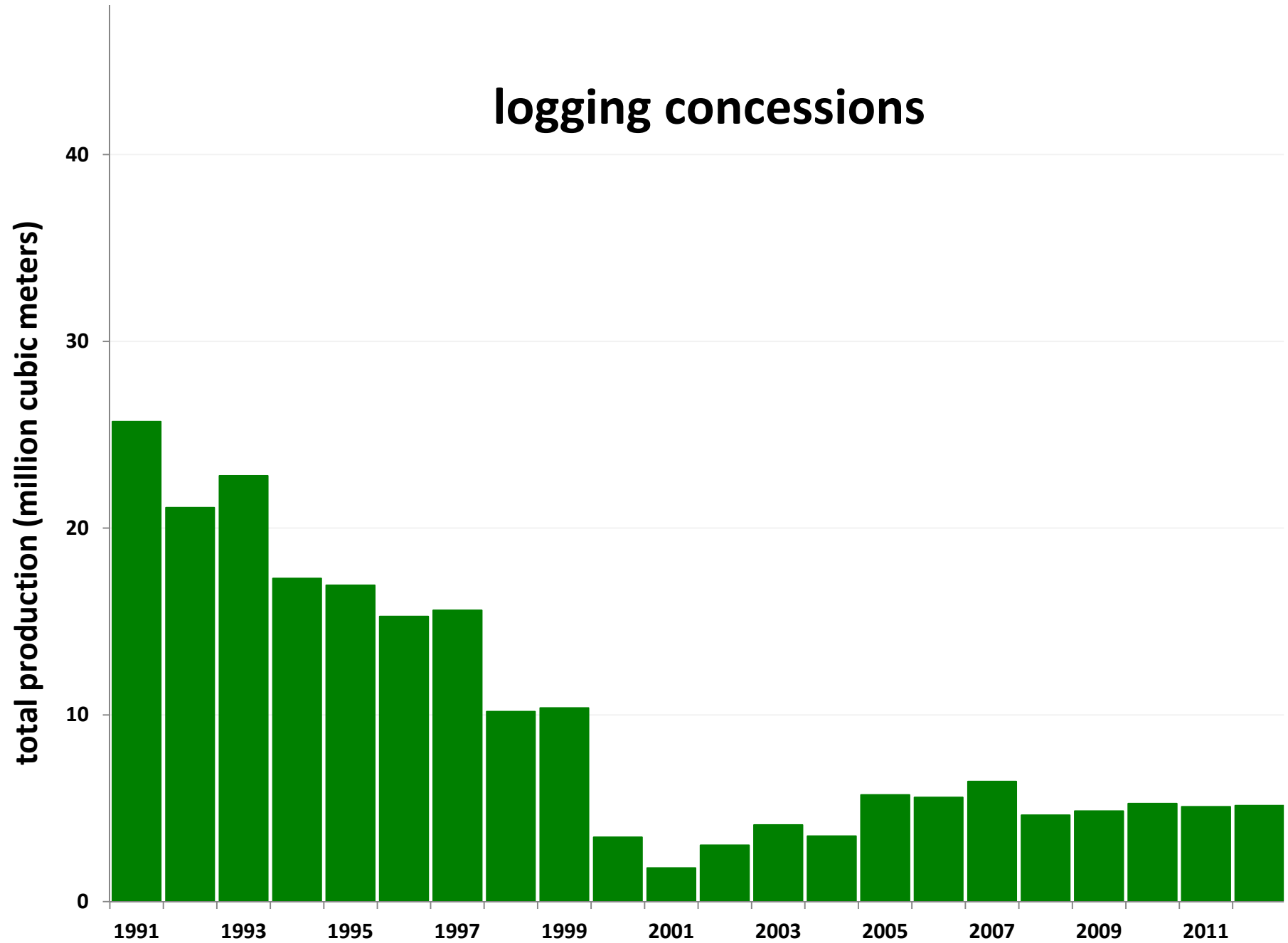


# Underestimate

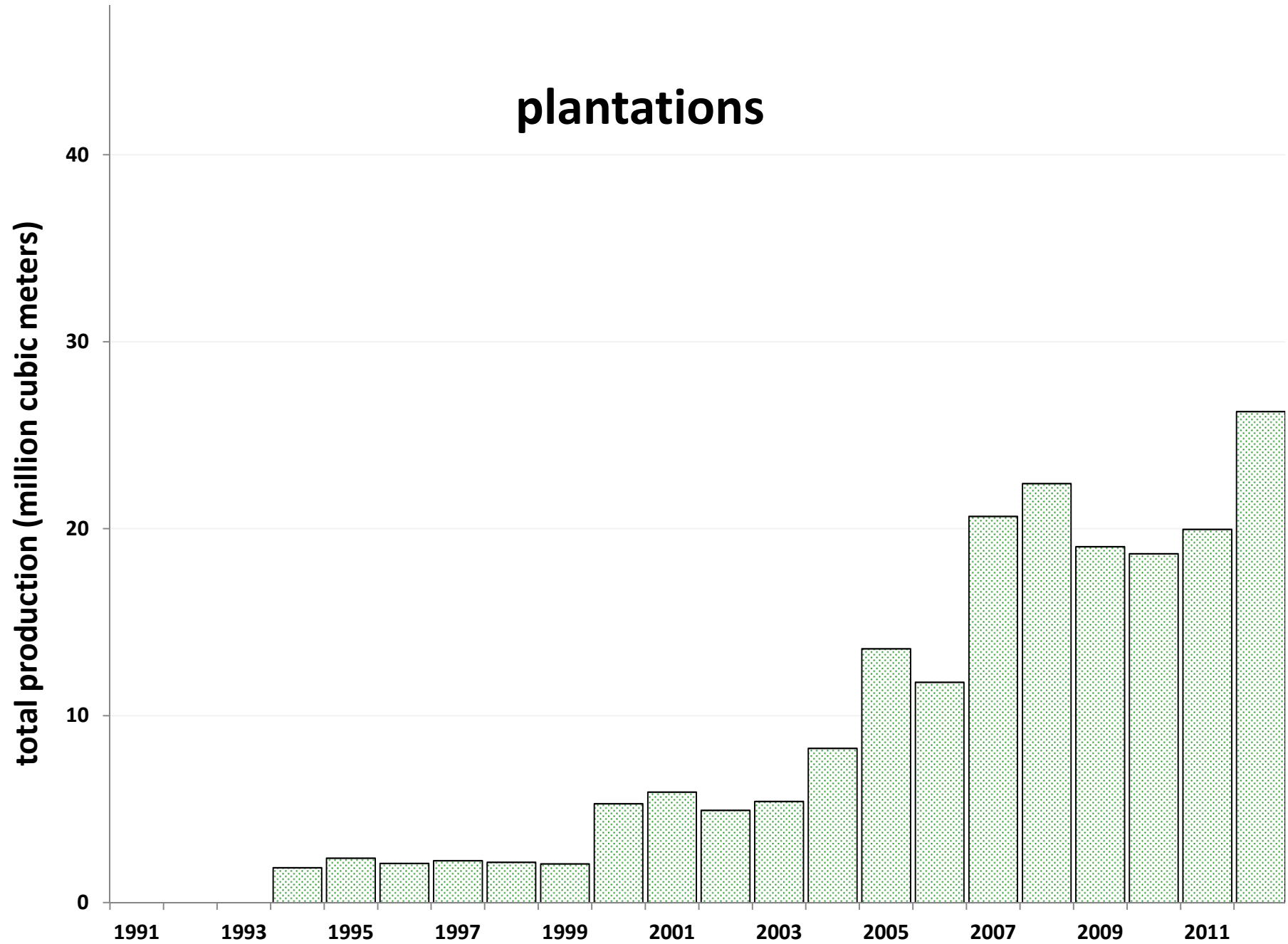
- Only large mills  $>6000 \text{ m}^3/\text{yr}$ 
  - FAO:  $\sim 40\%$
- No smuggling
  - FAO: \$153 million of log imports



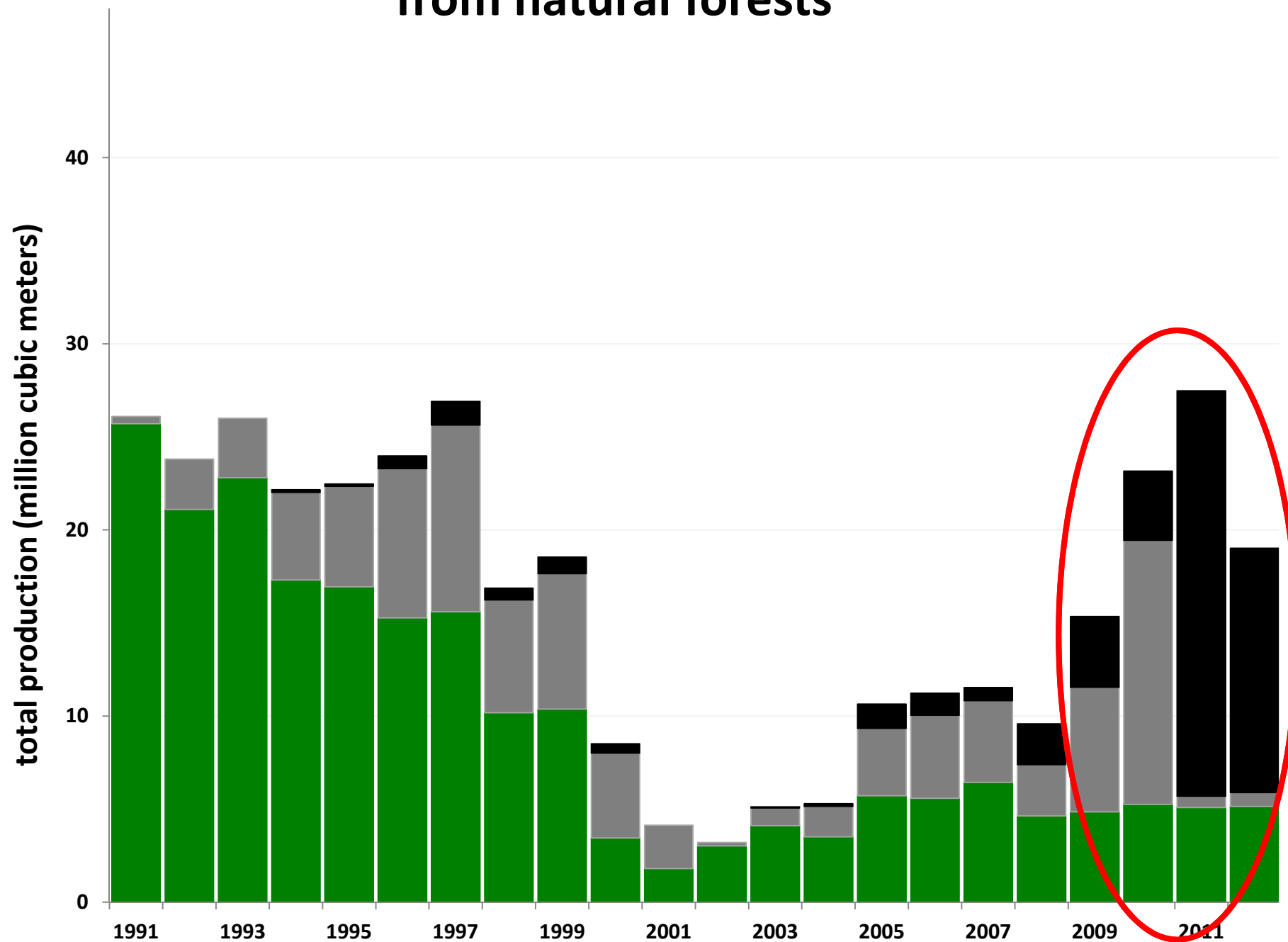
# logging concessions

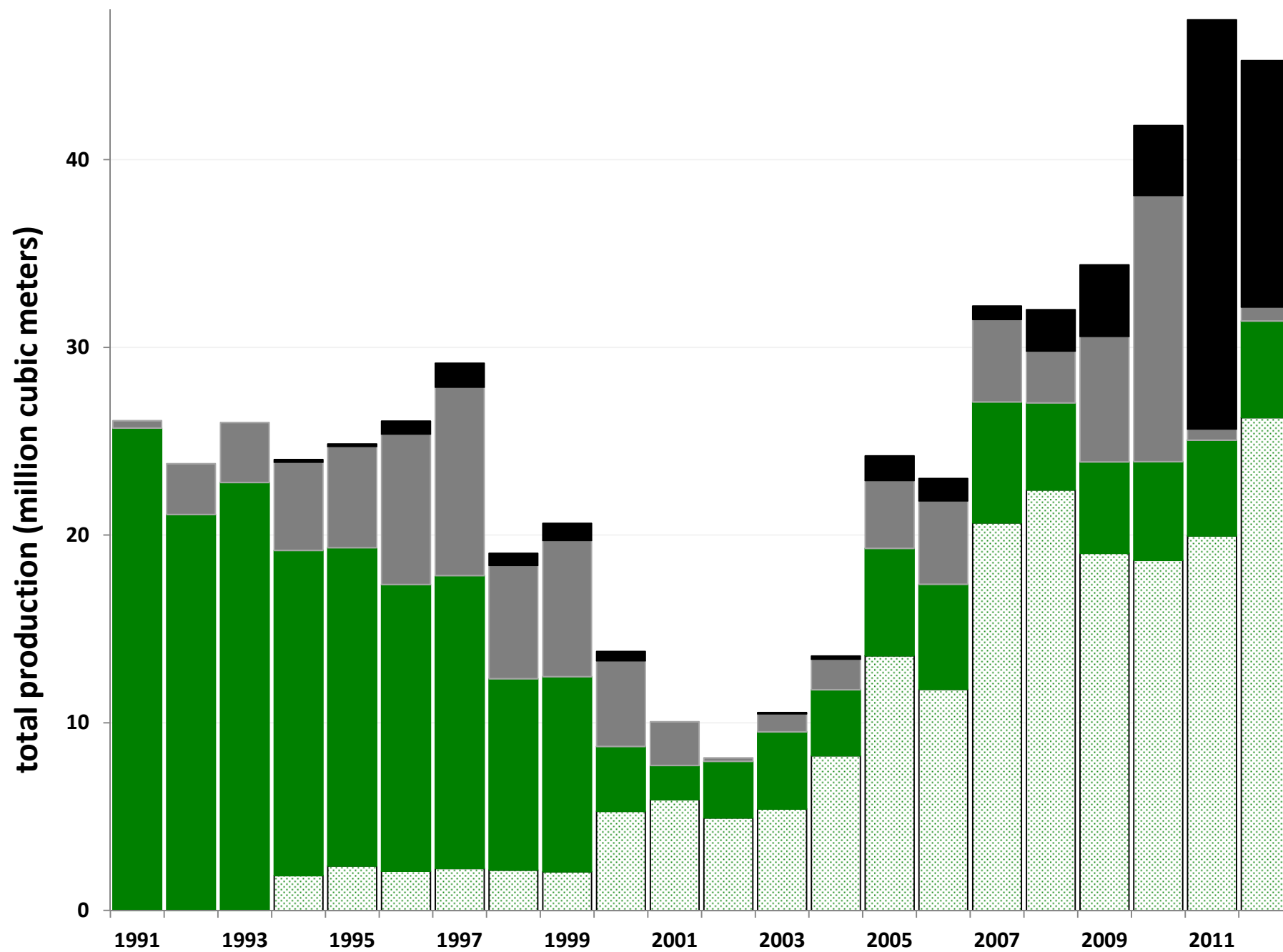


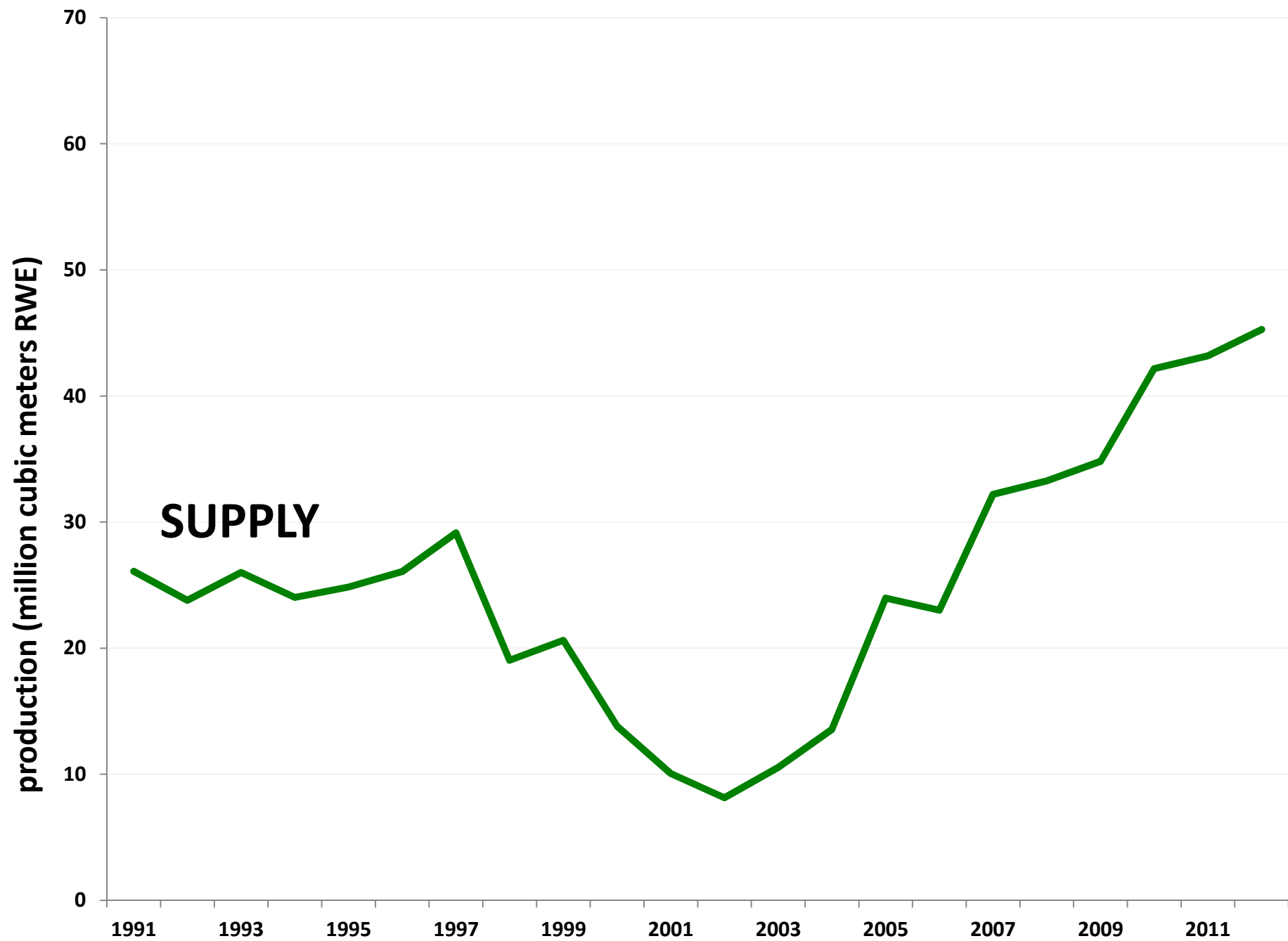
# plantations

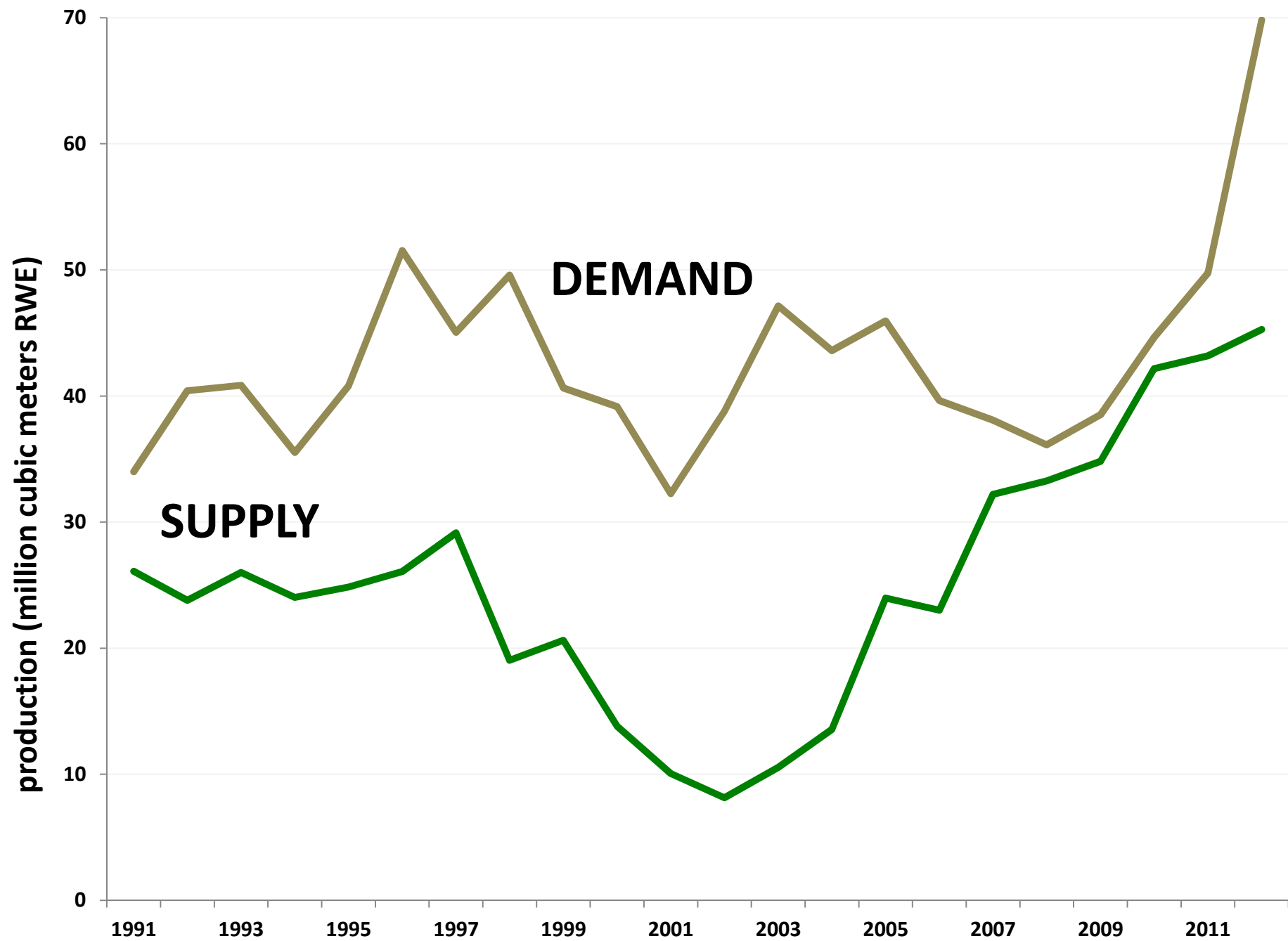


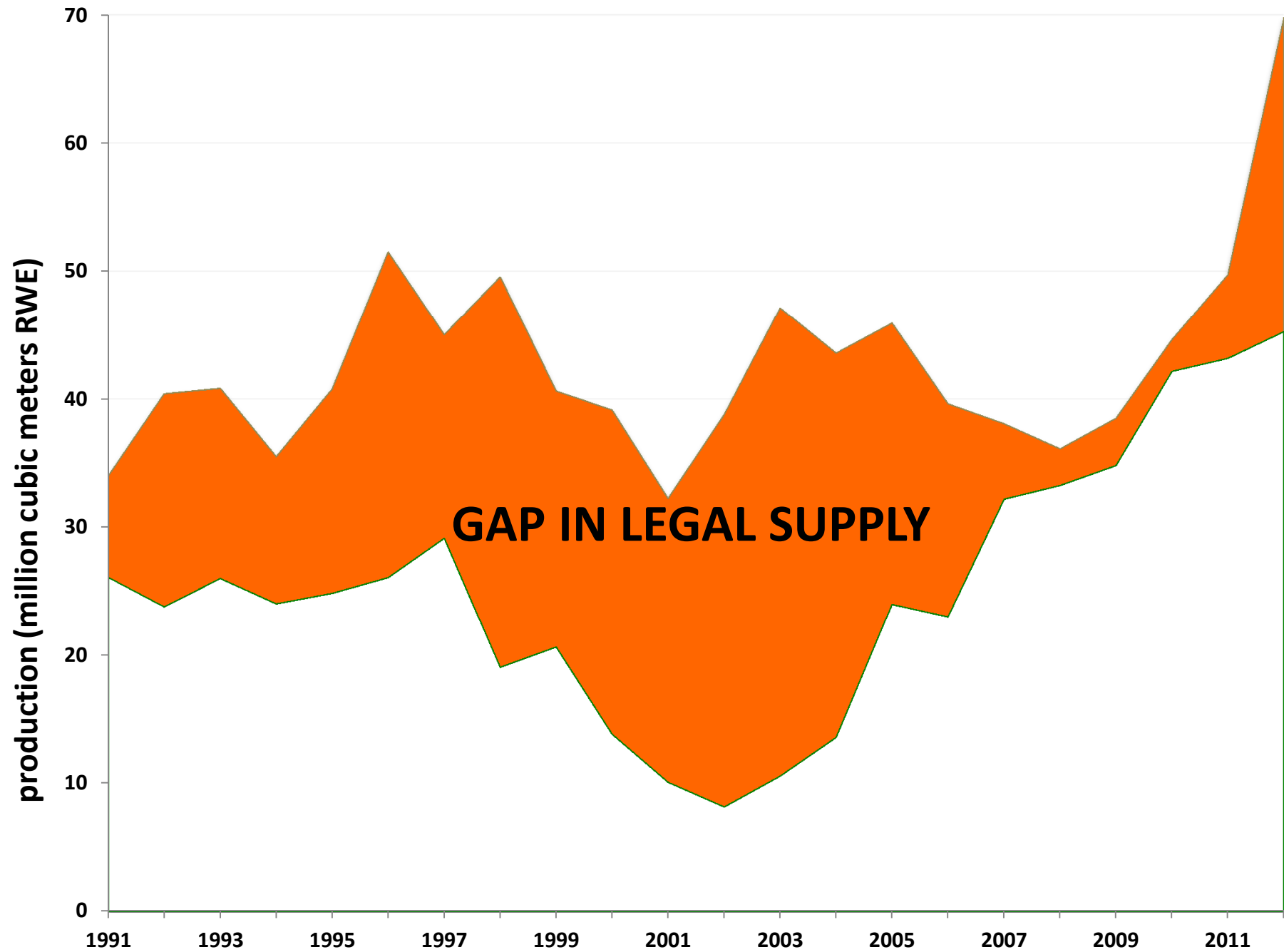
**from natural forests**







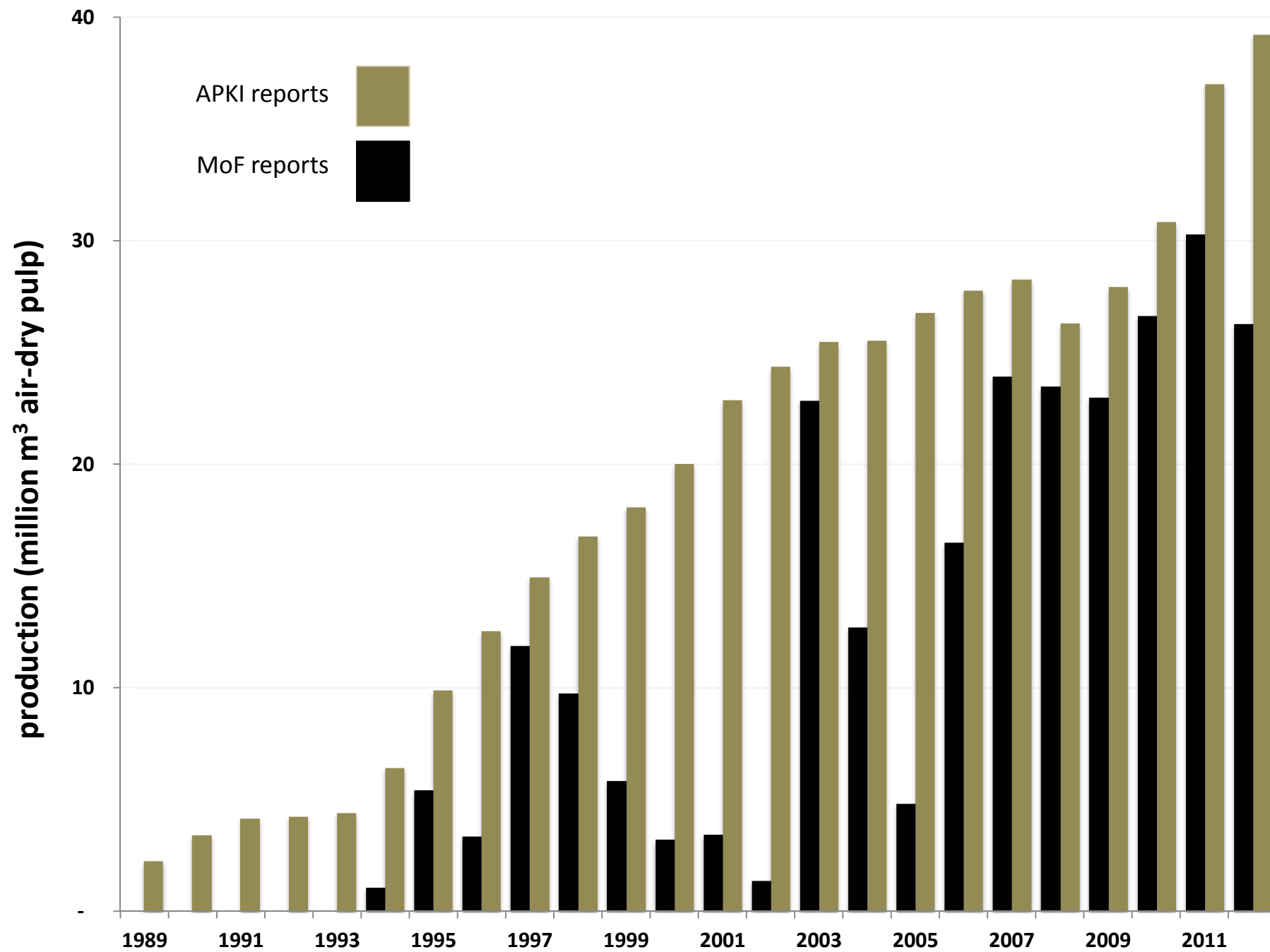


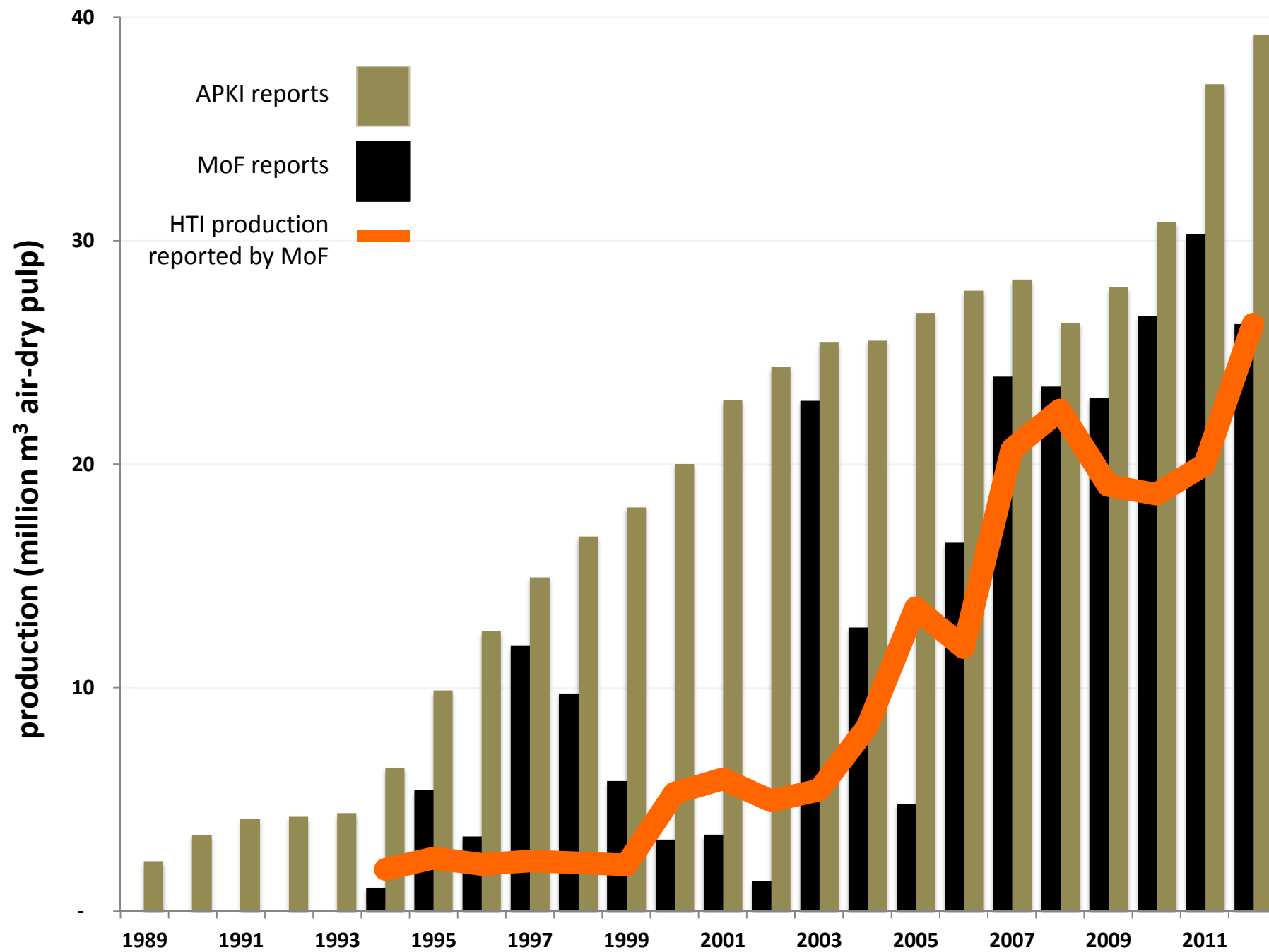


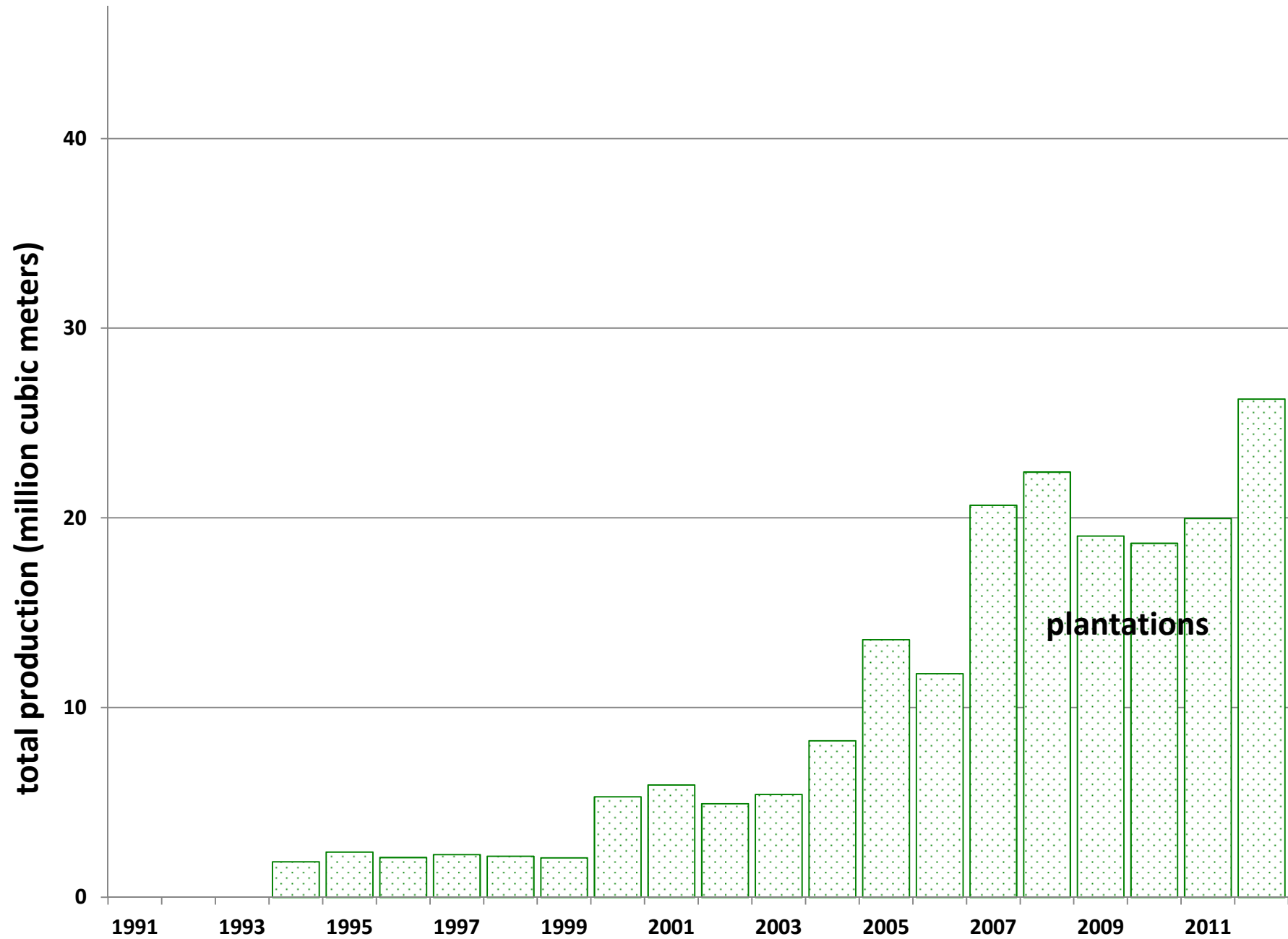


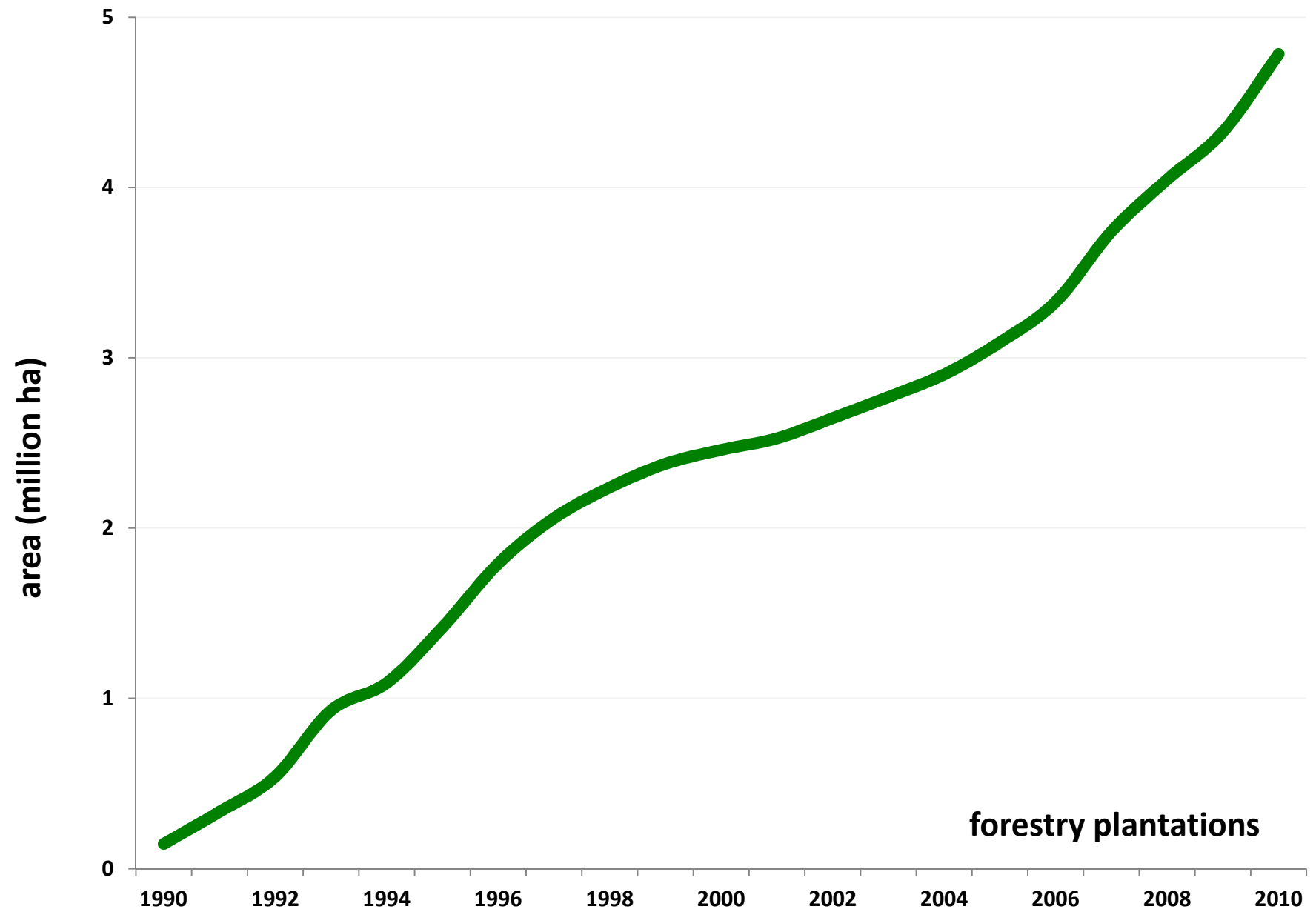
# Gap in legality

- **No *plausible deniability***
  - Risk of illegality is not *negligible*
  - Requires **enhanced due diligence**
- Human Rights Watch:
  - **Lost royalties: US\$2 billion/year**
- **Drives corruption**

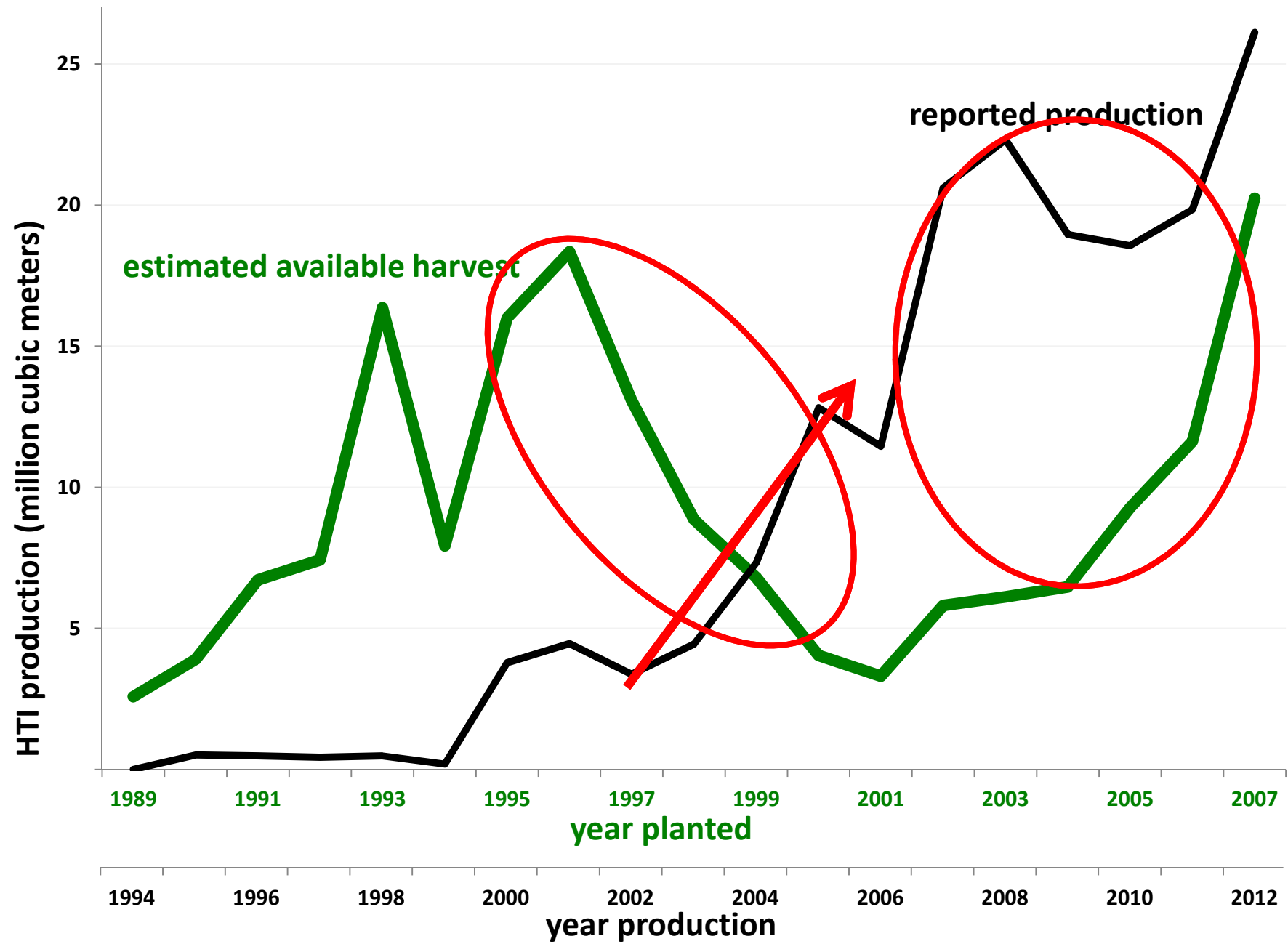
















## #7

### ESTABLISHING OR EXPANDING PLANTATIONS

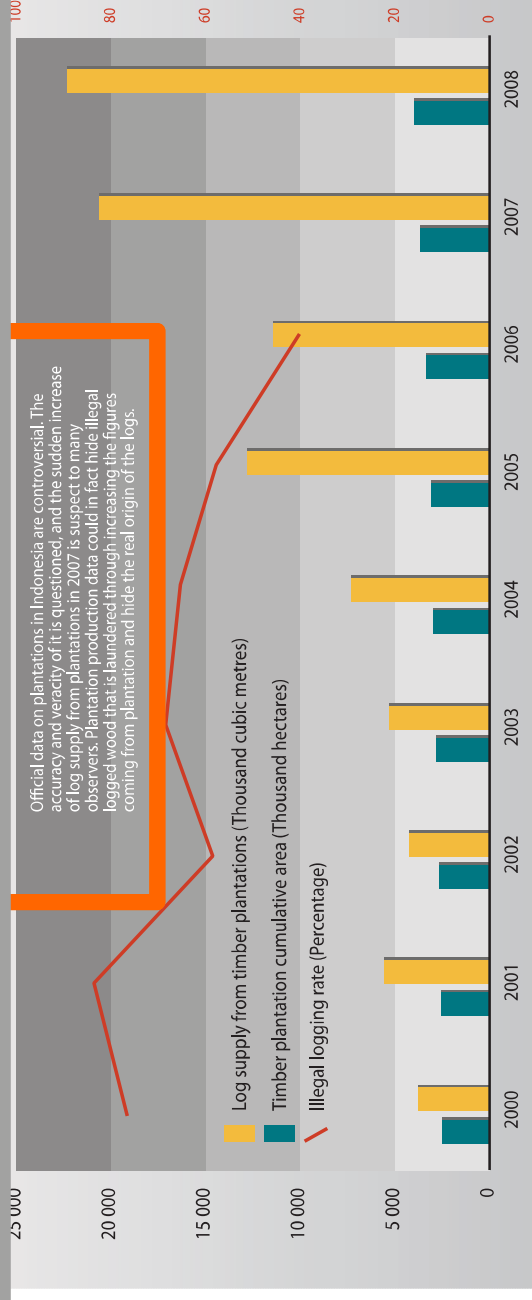
Much of the logging in Indonesia, takes place in association with establishment of palm oil or other plantations. As forest is cleared for plantations, it is a common practice to cut beyond

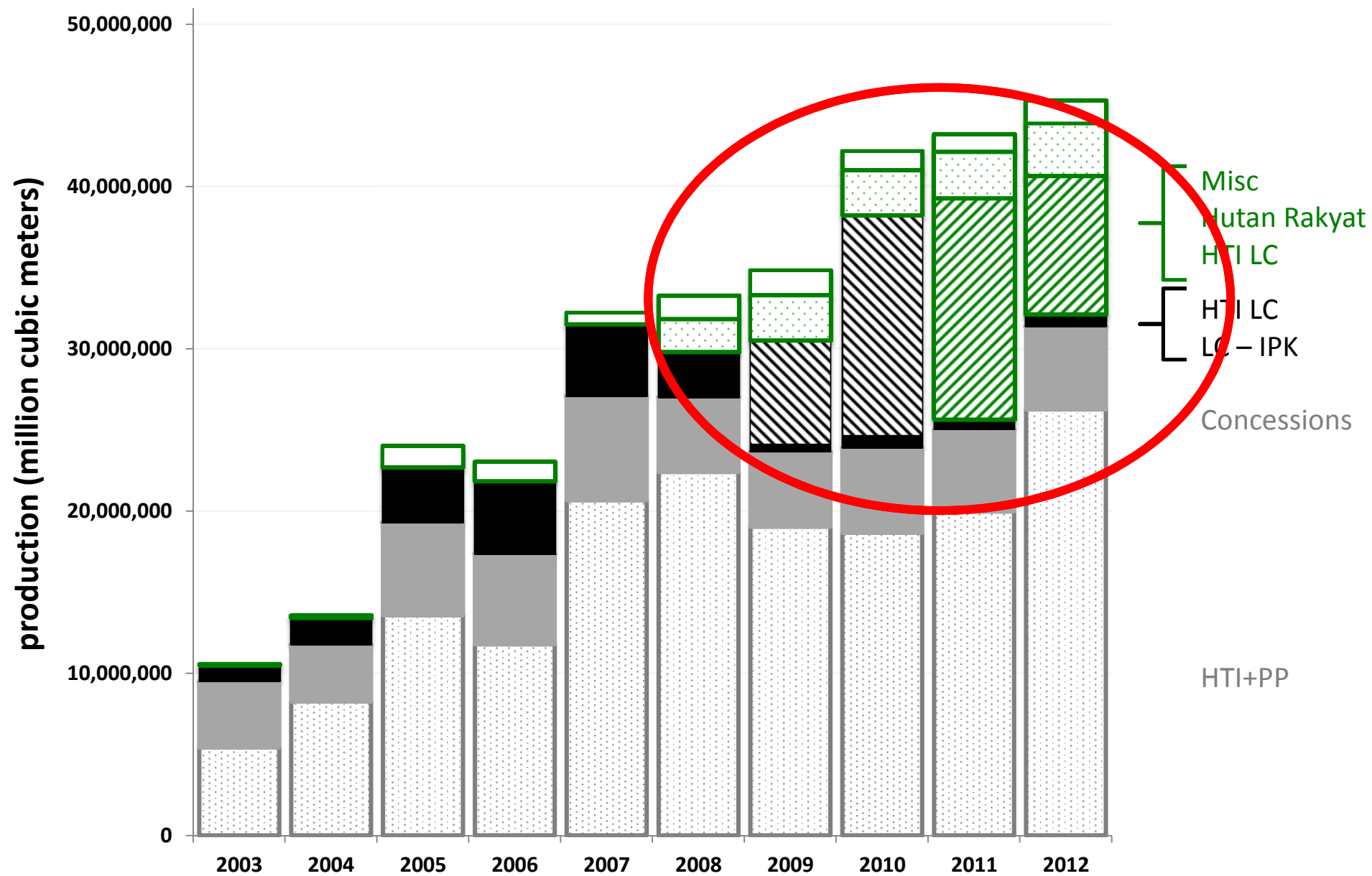
## #8

### AGRICULTURAL EXPANSION BY SMALL-SCALE FARMERS

Some deforestation appears to be driven by impoverished small-scale farmers struggling for a living. This poses a major challenge as they consist of a diverse group with many individuals and pres-

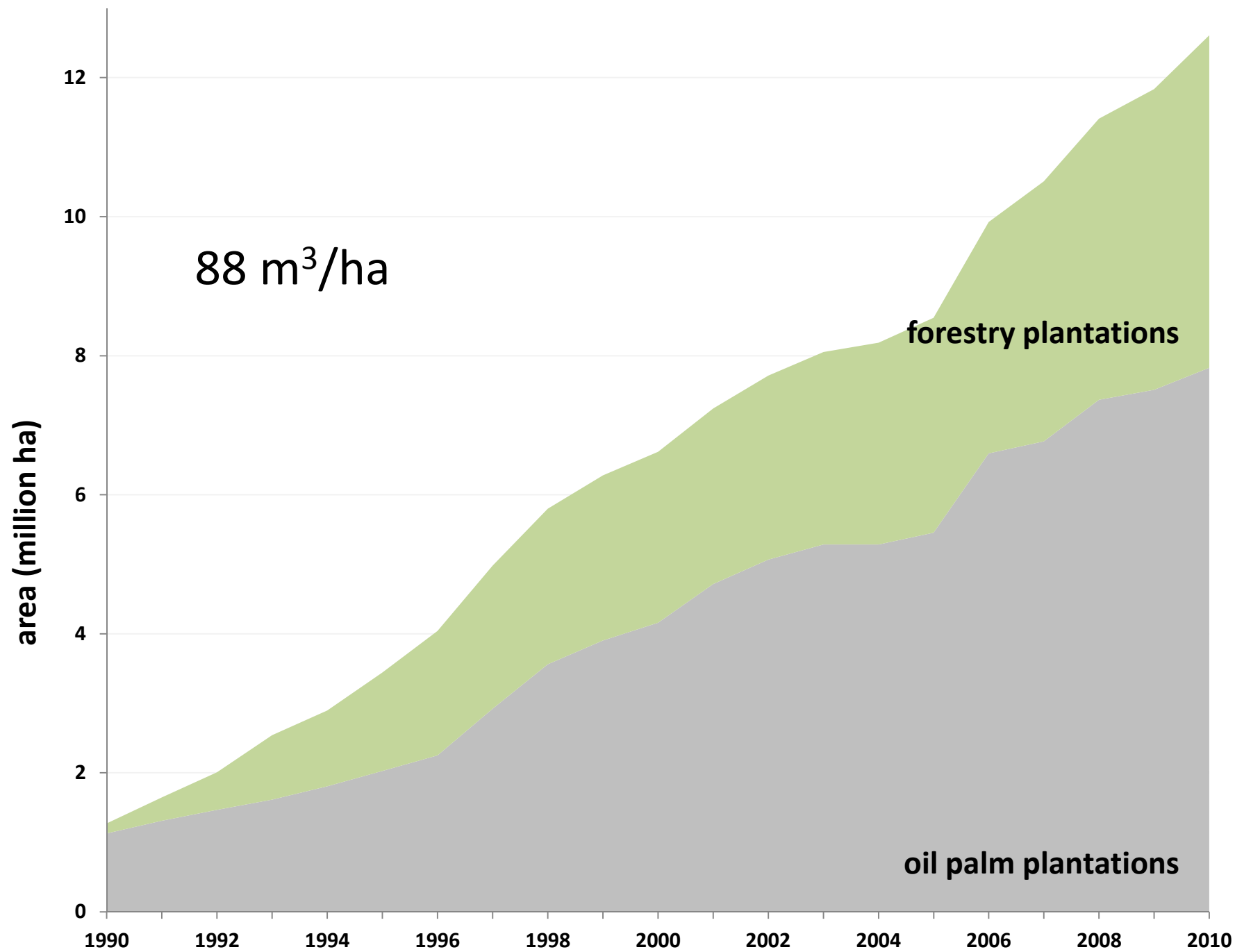
Official data on plantations in Indonesia are controversial. The accuracy and veracity of it is questioned, and the sudden increase of log supply from plantations in 2007 is suspect to many observers. Plantation production data could in fact hide illegal logged wood that is laundered through increasing the figures coming from plantation and hide the real origin of the logs.

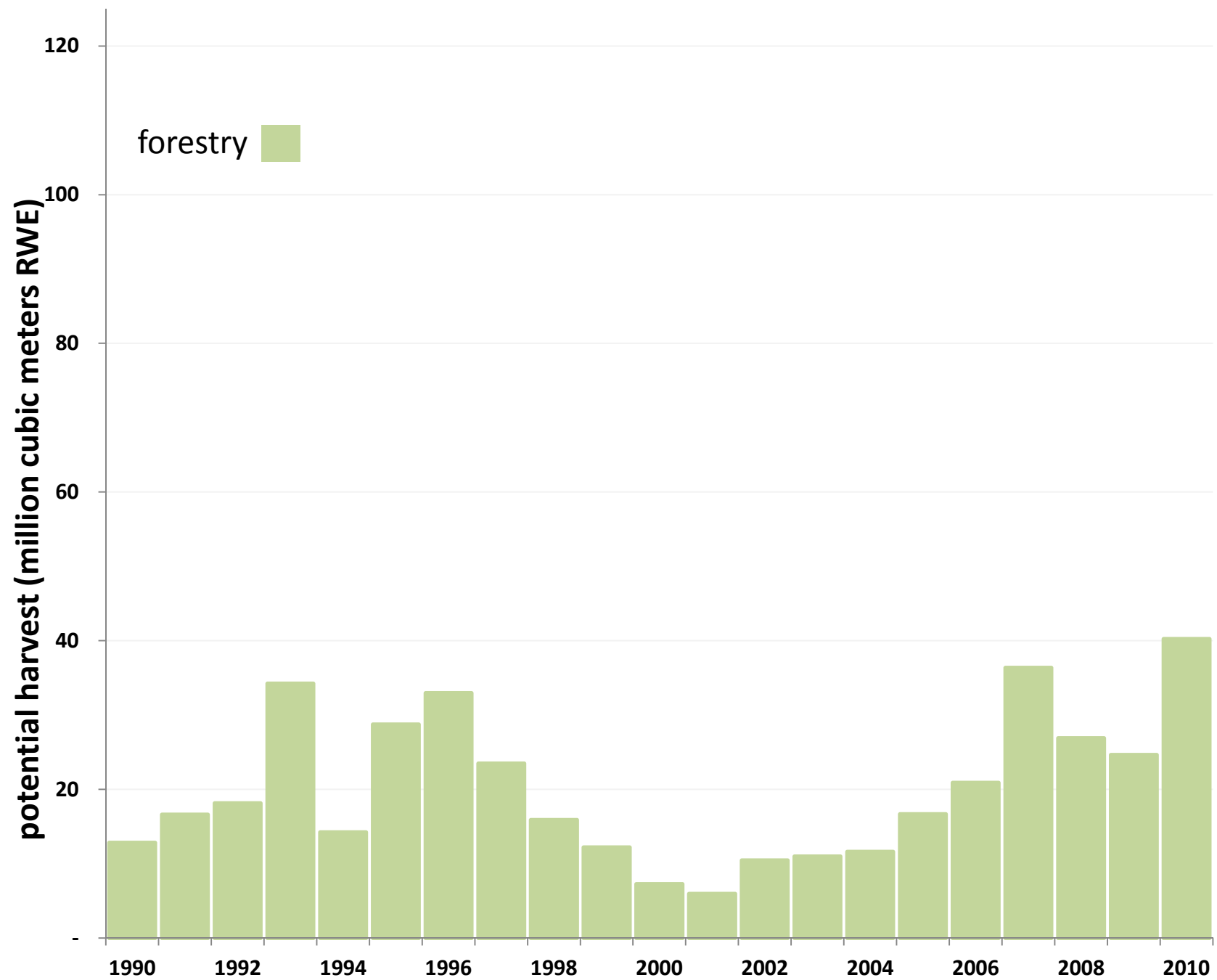


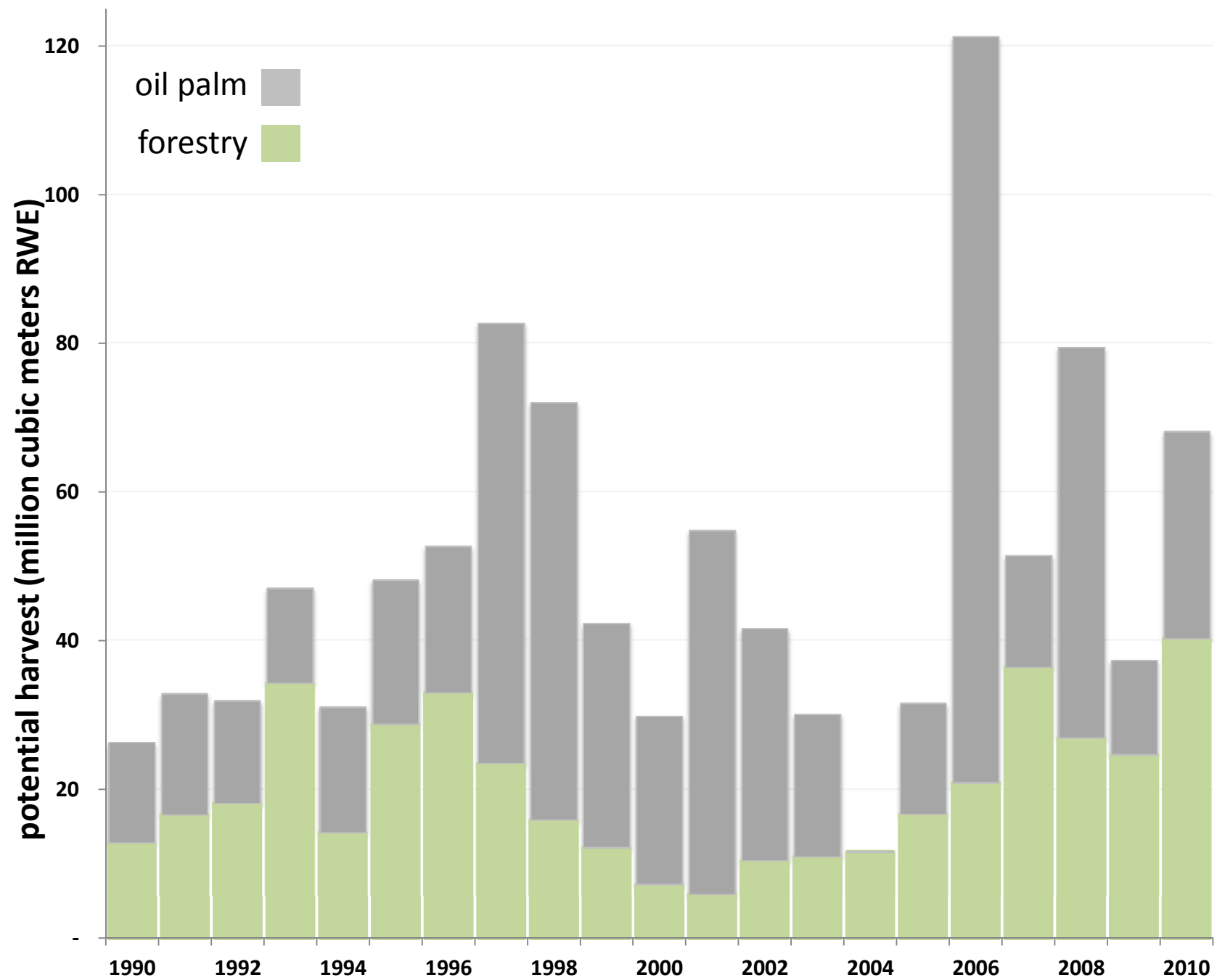


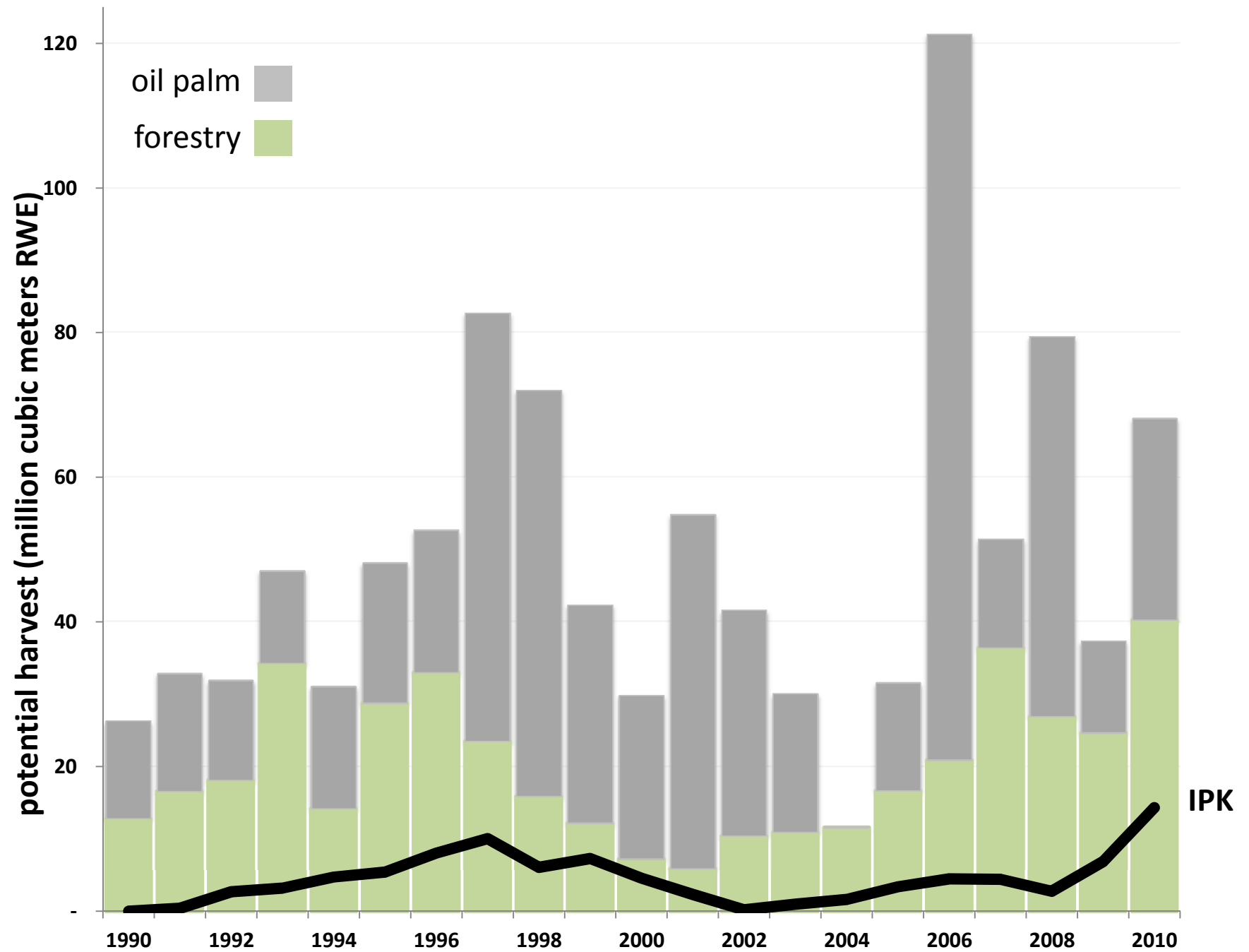
Source: DepHut annual reports

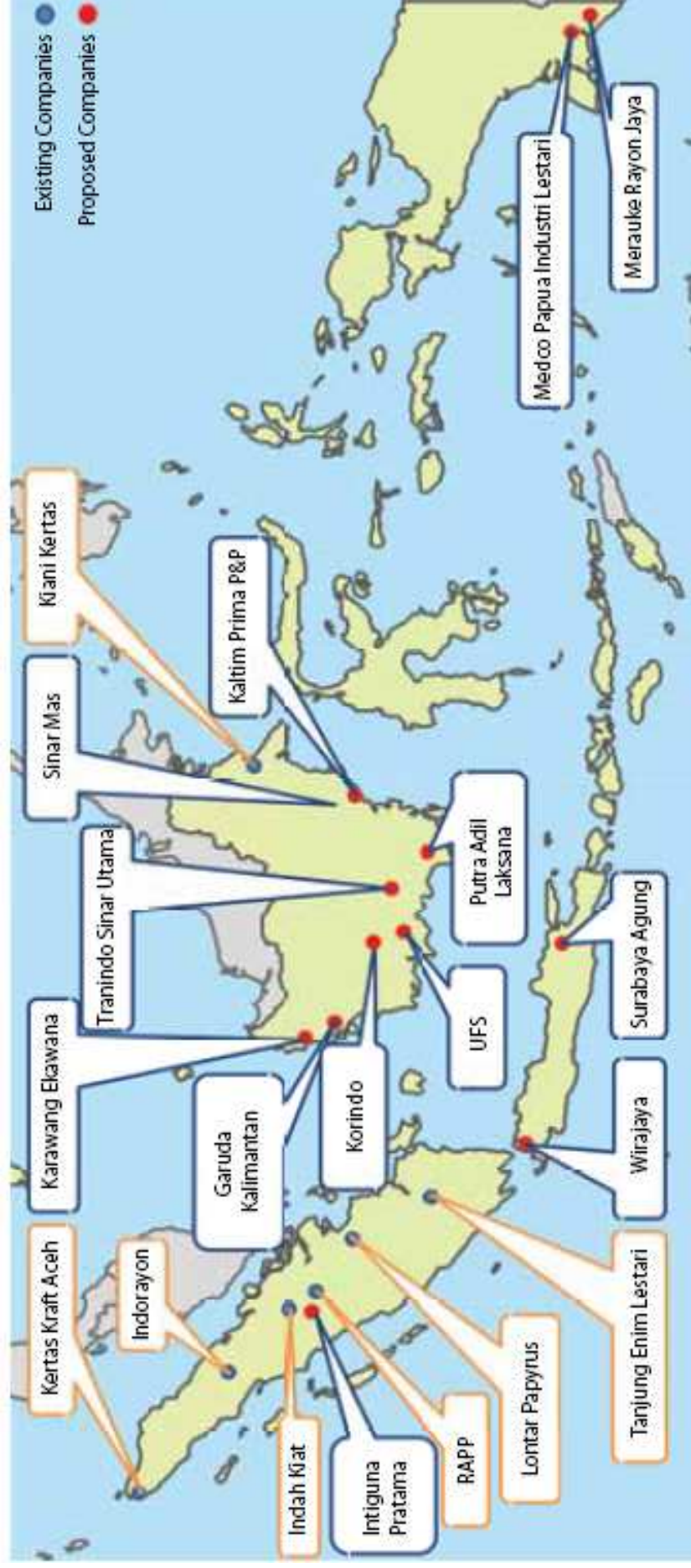
Source: DepHut RPBBi realized production













# Human implications

- President office: 8,495 agrarian conflicts
  - 2,002 were “likely to erupt into violence.”
- 2001 House of Representatives: Act to strengthen community rights & thereby address conflict
- Government *Fact Finding Team*
  - A review of the legality of permits, especially where concessions overlap with communities;
  - Establish an independent body to address agrarian conflicts;
  - Implement the 2001 directive to undertake a nationwide legal review of community land rights

# Implications for EUTR

- Applicable legislation
  - rights to harvest timber within legally gazetted boundaries,
  - payments related to harvesting,
  - third parties' legal rights affected by harvesting

# Indonesian SVLK

- P1. Certainty of area and use rights
  - Legal documents related to business license
- K3.2 Permit holder has settled the payment of applicable fees
  - Proof of deposit made for the Payment of Reforestation Fund and/or Forest Resources Fee

# Criticism of SVLK

- Auditors only assess behaviour of companies
- Does not verify consultation/consent
- Does not verify compensation
- Can “pass” even if one or more of the criteria are still “under verification”
  - *e.g.*, 14 out of 24 “good”

# SVLK Flawed : An Independent Evaluation of Indonesia's Timber Legality Certification System



**Anti  
Forest-Mafia  
Coalition**



GAPETA Borneo



IWGGF



# Independent test

- EFl: unpublished
- Independent Forest Monitors Network
  - APP & APRIL
    - Believe auditors “hide failures”
  - As of June 2013: 25 audits reviewed
    - 15 complaints lodged
    - Only 2 resolved
      - 1 suspended
      - 1 cancelled

# What should CAs do?

- “Carry out checks at regular intervals to verify that the [MOs] continue to fulfil the functions”
  - prompted by substantiated concerns from third parties of shortcomings in implementation
- Ask to see SVLK’s regular *verification check*
- “Exchange information on serious shortcomings”
- **Prohibit placing illegally harvested timber on the EU market**





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