

IMPACT SHEET • SWITCH-ASIA PROJECT

TIMBER INDONESIA: PROMOTING THE IMPLEMENTATION OF TIMBER LEGALITY ASSURANCE (FLEGT LICENCE) AS A KEY STEP TO SUSTAINABLE PRODUCTION AND CONSUMPTION IN INDONESIA'S WOOD PROCESSING INDUSTRY

Shifting Indonesian timber enterprises to sustainable business practice through the FLEGT licence



300+ SMEs in the wood processing sector now have the capacity to implement legal verification



The Challenge

Indonesia is home to the world's third-largest tropical rain-forest area, making up 10% of the world's forest cover. Yet the forests are disappearing at an alarming rate – 1.4 million hectares of natural forests were cleared annually between 2000 and 2010, some legally and some illegally, for both domestic use and export. In the last few years, the government has taken steps to address forest governance and to promote sustainable forestry by entering into a Forest Law Enforcement, Governance and Trade (FLEGT) Voluntary Partnership Agreement (VPA) with the European Union (EU). The Timber Legality Assurance System (TLAS), also known as Sistem Verifikasi Legalitas Kayu (SVLK), is the basis for the VPA in Indonesia and is now used to certify that timber from Indonesian forests and industries is legally sourced. Incentives were previously insufficient to encourage small and medium-sized enterprises (SMEs) to invest fully in the sustainable consumption and production (SCP) of wood products.

Objective

The project focused on Indonesia's wood processing sector and worked with Indonesia's Furniture and Handicraft Trade Association (ASMINDO) to support wood-processing SMEs to adhere to domestic and international market regulations on timber legality, with a view to encouraging further SCP improvements. Specific objectives included:

- By 2025, SCP to predominate as best practice in forest product markets worldwide, safeguarding forest value and supporting poverty reduction within the context of sustainable development.
- By 2015, 30 SMEs in Indonesia's wood processing sector to have delivered legally-verified timber products to national and international markets, supported by the procurement policies for national government departments.
- By 2015, 300+ SMEs to have shifted to producing increasing amounts of confirmed FLEGT licensed timber from a known source, through a series of capacity building steps and assessments.



Depleted forest

Activities / Strategy



Building SME Capacity

A core group of 30 SMEs, members of ASMINDO, were selected for TLAS/SVLK verification. The project organised training for the core group, one-to-one facilitation focusing on the chain of custody management from raw material to finished product. Training was also offered to another 355 SMEs in 10 cities in Indonesia.



Raising Awareness within the Industry and Market

Results achieved by the SMEs were showcased at an international trade fair to promote legal, sustainable wood products from Indonesia. The project developed a website to provide access to SMEs seeking information and publications related to the SVLK process, including SVLK training modules. Public consumers were engaged via documentary footage, Public Service Announcements (PSA) and a TV campaign – in collaboration with two national TV channels – as an invitation to understand sustainable timber supply chains. Through media engagement activities via 70 channels, the public, business and state were made aware of the initiative.



Conducting Policy Dialogues to Promote Green Public Procurement

A study of the sustainable timber market and availability was developed and used as leverage to establish a procurement policy for legally-verified, sustainably-sourced timber. Policy dialogues were undertaken with the National Procurement Policy Agency (*Lembaga Kebijakan Pengadaan Barang/Jasa Pemerintah* – LKPP) regarding green procurement. One memorandum of understanding (MoU) with the local government of Pasuruan City was signed to support SVLK implementation through capacity building of SMEs in the furniture industry, and as a concrete example of green procurement policy implementation. ASMINDO was actively involved in these high-level policy dialogues supporting the implementation of the FLEGT VPA across sectors.



Establishing Key Strategic Partnerships

The project helped establish partnerships between wood-processing SMEs and commercial actors, such as hotelier groups (Shangri-la, Omah Turi and Greenhost Boutique Hotel). These partners were then trained on responsible sourcing and risk management. The project thus raised awareness among these actors that their commercial decisions could promote sustainable and responsible forest management or change producers' behaviour. Domestic market demands also gave positive impact to SMEs encouraging them to implement SVLK.

Scaling-up Strategy



Replication within Trade Association

Tapping into the vast network of ASMINDO, with around 2 500 members as partners, was an effective way to reach a large proportion of Indonesian wood-processing SMEs. Through the network, the project could share best practice about legally-verified products and the benefits brought by international recognition, e.g. economic benefits from new international markets. The main replication channel is through the 'Timber Indonesia' website where all training modules, documentation, newsletters and SVLK-related policy news are available and free to download, providing a body of knowledge to the ASMINDO members.



Creating Supply and Demand for Sustainable Wood

The project engaged in policy advocacy with the National Procurement Policy Agency (LKPP) through focus group discussions. This effort resulted in support from the chief of LKPP, Mr. Agus Prabowo, in early 2016 and LKPP's commitment to include SVLK as part of the government e-catalogue requirements for public procurement of wood-based furniture. The project also engaged with local government to introduce green procurement policies that support SVLK in Pasuruan City, East Java, which is the second largest centre of SME furniture industry after Jepara. WWF-Indonesia and ASMINDO signed an MoU with the Pasuruan government on "Supporting the Implementation of Timber Legality Assurance System (SVLK)." This MoU was designed to support SVLK through capacity building of SMEs in the furniture industry in Pasuruan and green procurement policy.



This project helped pave the way for a change in the most vulnerable part of the industry, SMEs. SMEs generally consist of multiple smallholder supply chains, community forest or small privately-held forest and tree suppliers, and they lack capacity and are disadvantaged when implementing a strict chain of custody for timber products, as well as fulfilling requirements for a permit and environmental impact mitigation as required by the FLEGT licence. This readiness helped garner the support of the SMEs in making the FLEGT licence a reality between Indonesia and the EU.

*Mr. Joko Sarjito,
Global Forest and Trade Network - Indonesia
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TARGET GROUPS

- A core group of 30 targeted SMEs delivered legally-verified products
- 2 500 SME members of ASMINDO benefitted from the long-term market sustainability of wood products
- National-level government department(s) with public procurement potential. At least one national level department was targeted to create an enabling policy for public procurement and greening the domestic market
- Commercial actors in Indonesia who could contribute in promoting the sustainable wood trade to their suppliers and consumers



Establishing Partnerships within the Private Sector

This project initiated dialogue among actors within the wood sector. This resulted in joint activities with specific outcomes related to greening the supply chain for forest goods in Indonesia. The project helped establish partnerships between an ASMINDO member, PT Prima Putra, and two well-known hotels, 'Omah Turi' and Greenhost Boutique Hotel. Training was provided to Shangri La Hotel and its suppliers on a sustainable supply chain to help them identify and use sustainable timber products. Through engagement with a big player like Shangri La and the effort to initiate a green procurement policy within this hotel, the project ensured the sustainability of its activities. Participation in several talk shows facilitated business and civil society dialogue, through collaboration with the Indonesian Furniture Designer Association (HDMI).



Increasing public awareness through the project's participation in trade fairs and exhibitions

Results



Successful Policy Advocacy for FLEGT Licence

Following the project's joint advocacy with various timber stakeholders in Indonesia, the Ministry of Trade amended its regulation in 2016. With the issue of new regulation No. 25/2016, all traded timber products from Indonesia must acquire a SVLK certificate. With this, the last obstacle to promote SVLK as the local version of the EU FLEGT licence was removed. In November 2016, the first FLEGT/SVLK licensed wood product was shipped to the EU without having to go through further due diligence.



29 SMEs were SVLK Certified

By 2015, 29 out of 30 wood-processing SMEs were SVLK certified. When the project started, a set of criteria was established to identify SMEs, who were then assisted through one-to-one direct facilitation engagement. The SMEs were located in Java-Bali, Kalimantan and Sumatra.



Built the Capacity of 355 SMEs

By 2016, the project had built the capacity of 355 SMEs in 10 cities through 14 training sessions to implement SVLK; a 40% increase of knowledge among participants was noted, thanks to pre- and post-training surveys. The project reached out to further SMEs through the website, where publications, modules and SVLK progress news were made available for free download.



Raised Public Awareness of Sustainable Wood

The project participated in five trade fairs, including the International Furniture and Craft Fair (IFFINA) for three consecutive years, attended by over 4 000 buyers from 150 countries. In collaboration with various partners,



Wooden chairs using legally sourced timber

such as TRAFFIC, UK-Timber Trade Federation, Multi Stakeholder Forestry Programme, and HDMI, four training sessions were conducted inviting participants from business, furniture designers, governments and business associations. Two media trips were organised in three cities in Central Java Province to inform journalists about SVLK, the EU Timber Regulation (EUTR) and the agreement (VPA) between the Government of Indonesia and the EU. Four nationwide TV campaigns were aired with Kompas TV and Metro TV. TV viewers numbered 1.7 million or 3.2% of the Indonesian population, and the proportion of the main target group in the audience (well educated, professional, over 20 years old) numbered over 600 000 or 5.4% of total AB 20+.



A National Governmental Department is Procuring Legal and Responsibly Sourced Timber

WWF signed an MoU with the government of Pasuruan City on "Supporting the Implementation of SVLK", through capacity building of the SME furniture industry in Pasuruan and developing a green procurement policy. At the national level, the National Procurement Policy Agency (LKPP) made the commitment to include SVLK as a requirement for its e-catalogue; LKPP's e-catalogue is a procurement guide for all government institutions and ministries.



Created Demand for Sustainable Wood

By 2015, two popular hotels, 'Omah Turi' and Greenhost Boutique Hotel, committed to buying only SVLK-certified and recycled products through their new procurement policies. These two hotels include 'green' considerations in their operations; they have already procured furniture from an ASMINDO member, PT. Prima Putra. The project helped them to develop the policy and to know how to select verified timber products. The project also trained ten of Shangri La Hotel's suppliers on a legal and sustainable supply chain in June 2016. By the end of training, the suppliers had more information and understood the background of green procurement policy that was being gradually implemented by Shangri-la management in Indonesia. The commitment from the hotels was proof of domestic demand for SVLK.











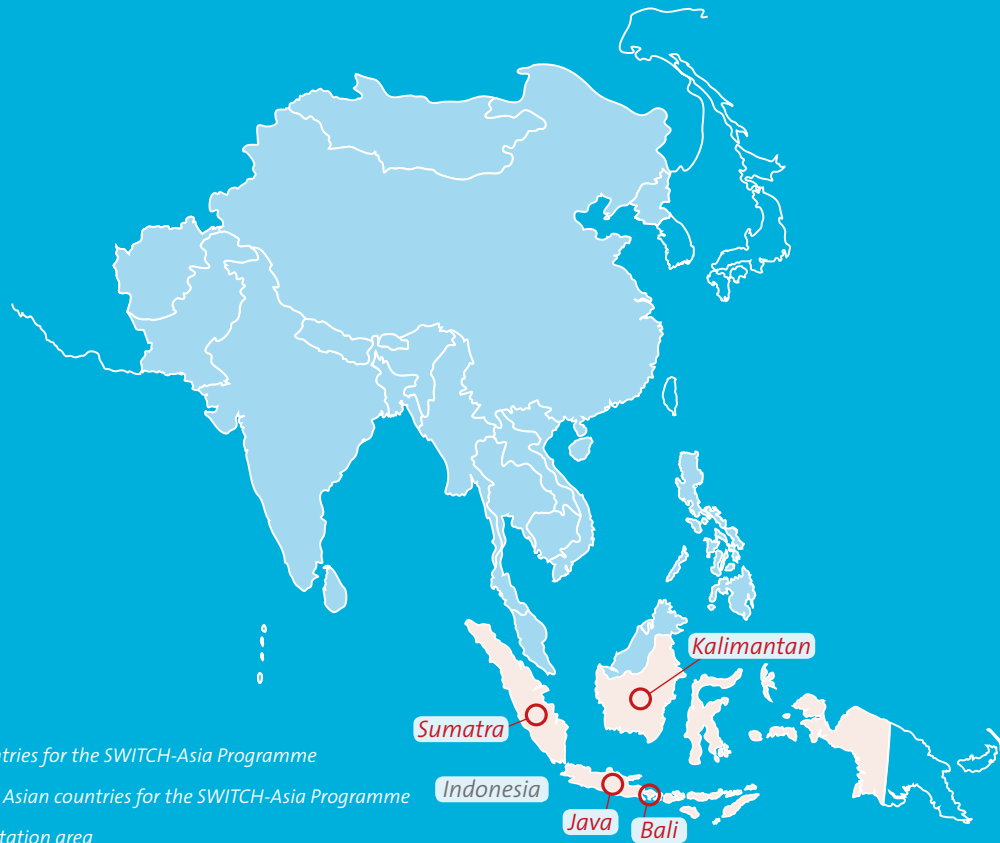
SVLK/FLEGT is incredibly useful for us. Now we can export our products to any markets in the EU without further due diligence, also to other markets, such as the US and Japan. With this SVLK, we can convince our buyers that our products are legal. As Indonesians, we are proud that we don't destroy the environment for we only use legally-certified timber. SVLK has strengthened buyer trust in our products, as we now record all of the information about where our raw materials come from.

Mr. I Nyoman Mario,
PT. Mario Antiques



Impact in Numbers

<p>Economic Impact</p> 	<ul style="list-style-type: none"> The project improved Indonesia's timber supply chain through 29 SMEs who now comply to the SVLK standard, with a chain of custody system management sourcing legal wood from downstream to finished products; 152 SMEs were indirectly supported to implement SVLK through training. Chain of custody is a system to ensure the raw material source of timber products. Upon the acceptance of SVLK as the EU FLEGT licence in November 2016, timber products coming from Indonesia no longer have to go through the due diligence for the EU market, so Indonesian products have more leverage on the international market as verified legal timber products. This results in a lower administrative burden on Indonesian suppliers, and resultant lower costs, which encourages other suppliers also to acquire FLEGT licence. 	<ul style="list-style-type: none"> international trade fairs, eight workshops, three TV campaigns, and one risk management training course. Target groups addressed: business associations, media, SMEs, local and national government, NGOs, furniture designers, building and construction associations, hotels. The project enabled changes in Indonesia's timber supply chains. In total, 355 SMEs obtained access to knowledge of timber legality and were in the process of achieving certification.
<p>Environmental Impact</p> 	<ul style="list-style-type: none"> 29 SMEs hold environmental analysis assessment certification (AMDAL) or a statement of environmental management (SPPL), including data on waste management and water resources. The SVLK process connects downstream to upstream industries without any breaks in the chain of custody, ensuring traceability for timber product raw materials. 	<p>Women's Empowerment</p>  <ul style="list-style-type: none"> The project increased women's participation; 147 SME female workers participated in training and workshops – 31% of total participants. Improved women's rights. SVLK-certified companies must comply with national standards and regulations, including insurance and provision of three months' maternity leave for female workers.
<p>Social Impacts</p> 	<ul style="list-style-type: none"> An overall reduction of health and safety risks among the workers in the timber producing enterprises. Upon the SVLK implementation, health, safety and environment (HSE) improved, for example, companies now have standard operating procedure (SOP) in place requiring the use of safety masks and gloves. The 29 SMEs have established this SOP, and partially at other 152 SMEs. With SVLK, the SME workers formed a workers' union and obtained social security (BPJS). 	<p>Policy Development</p>  <ul style="list-style-type: none"> The project engaged with national as well as local policymakers through Focus Group, and successfully signed one 'green public procurement' MoU with the National Procurement Policy Agency (LKPP). This was achieved through a series of coordination meetings with the National Planning Agency - BAPPENAS, Ministry of Environment and Forestry – MoEF and LKPP, to include SVLK in the government's e-catalogue procurement policy. The project succeeded in advocating a policy change. In April 2016 the Ministry of Trade amended its regulation No. 89/2015 and replaced with a new regulation No. 25/2016, making SVLK mandatory for all wood-based products (previously the 2015 regulation excluded furniture).
<p>Climate Benefits</p> 	<ul style="list-style-type: none"> The project indirectly addressed climate change issue by ensuring the preservation of forests in Indonesia. 	<p>Europe-Asia Cooperation</p>  <ul style="list-style-type: none"> Organised a joint event in March 2015 on risk management training, with WWF UK in London, involving European and Asian participants. The training course was held together with the UK Timber Trade Federation, a delegation from Ghana TLAS and the EU. Promoted SCP knowledge transfer between the EU and Indonesia, specifically on the FLEGT licence and how it plays a role in sustainable forest management and sustainable supply chain, and how SVLK becomes the basis of FLEGT requirements.
<p>Target Group Engagement</p> 	<ul style="list-style-type: none"> The project engaged with 355 SMEs and more than 3 000 individuals (general public) through outreach activities, such as two media visits, three journalist workshops and training sessions, five 	



Legend

- Eligible countries for the SWITCH-Asia Programme
- Non-eligible Asian countries for the SWITCH-Asia Programme

Project implementation area

- City
- Region
- Country

The boundaries shown on this map do not imply on the part of the European Union any judgment on the legal status of any territory or the endorsement or acceptance of such boundaries.

OBJECTIVES

The project sought to make sustainable production and consumption (SCP) predominate as best practice in forest product markets worldwide, by 2025, safeguarding forest value and supporting poverty reduction within the context of sustainable development. By 2015, a core group of 29 SMEs in Indonesia's wood processing sector delivered legally-verified and sustainably-certified products to national and international markets, supported by the procurement policies in national government departments and best practice from national and international retailers.

DURATION



PROJECT TOTAL BUDGET

EUR 1 396 626 (EU contribution: 78.15%)

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