

## **Evaluation of an ITTO project finds room for improvement in the country's eco-labelling scheme**

by  
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**B**Y THE LATE 1980s, the forest situation in Indonesia had deteriorated seriously through rampant deforestation, illegal logging and corruption, to a level which caused international attention and alarm. A lively forestry policy debate ensued, and as one of the results, the Lembaga Ecolabel Institute or Lembaga Ecolabel Indonesia (LEI) was initiated in 1993 under the chairmanship of former environment minister Emil Salim, in an attempt to apply certification in order to achieve, or at least work towards, sustainable forest management in the country.

LEI was formally organized as a foundation in 1998, and in the same year a certification system with its own criteria and indicators was agreed by industry, the government and NGOs. As certification was seen as an important measure to promote SFM in the 1990s, the creation of LEI came at a very propitious point in time.

There had not been a national initiative of the Forest Stewardship Council (FSC) in Indonesia, but in 1999 a Memorandum of Understanding, and later a Certification Protocol was signed between LEI and FSC. The criteria and indicators (C&I) of the LEI certification system thus became a national standard for certification in the country. In general terms the LEI C&I are compatible both with the ITTO C&I for SFM, as well as the FSC Principles and Criteria, although there are some important differences. For example, in regard to social aspects, the LEI requirements are somewhat more opaque and general than those of FSC. FSC has explicit mention of the rights and plight of indigenous peoples, whereas LEI does not mention this category explicitly, although the needs of local communities are addressed.

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In the global context, it has long been recognized that certification has been lagging behind in tropical countries. As demand for certified forest products has been on the increase, particularly in environmentally sensitive markets, the limited supply of such products from tropical countries has been and continues to be an impediment for trade in forest products from those countries.

There are many causes for slow progress in certification of tropical forest products. A lack of technical and institutional



**Landed:** Low impact logging and skidding in a certified concession in Indonesia.  
*Photo: Tropical Forest Foundation*

capacity together with financial limitations have played an important role. In that regard, the initiative of LEI (which has concentrated on building such capacity) has filled a gap. Other limiting factors have been the relative unwillingness of forest owners (concessionaires) to embark on the certification process, as the process entails considerable costs also to concessionaires, and the elusiveness of price premiums offered for certified products. Finally, unless national authorities are committed to play their part, and create an enabling environment for both SFM and certification itself, little progress can be expected. This article attempts to analyse the degree of success of certification efforts in Indonesia in terms of the potential impediments mentioned above and also to recommend ways to overcome them.

## **ITTO projects**

In creating and strengthening the certification system, LEI has had the advantage of financing from ITTO for two projects, PD 1/95 and PD 80/01. The first project, executed between February 1998 and December 2000 laid the basis for the certification system with emphasis on certification of natural forests and chain of custody certification (COC). The second project, which was completed between March 2003 and December 2005, consolidated and expanded the

system both geographically and in terms of the training of personnel as well as expanding to certify plantations and community based forest management (CBFM).

PD 1/95 received a favourable ex-post evaluation in 2004, particularly with regard to technical aspects of the project, and the elements of the certification system itself. The system has created a number of independent bodies, with the Provincial Communication Forum (PCF) in a pivotal role in the certification process as well as in certification monitoring. Nine such PCFs were created by PD 1/95 and four more during PD 80/01, one of which was a reactivation of a former PCF. The system now therefore comprises 12 PCFs in 12 main forestry provinces of the country. LEI itself has increasingly concentrated on its function as an accreditation body, and has accredited three national certification bodies (CBs), as well as one operating from Malaysia (SGS Qualifor). Another important element of the system is the creation of the Certification Review Council, an independent appellate body of prominent persons, adjudicating complaints of actual certifications.

Although the ex-post evaluation of PD 1/95 was positive for technical aspects, it noted serious shortcomings in social aspects of SFM and certification of forests in the country. Such shortcomings were said to be due partly to gaps in the certification system itself, which lacked considerations for local villagers and in particular to indigenous peoples, but more importantly, the lack of recognition of land rights for local populations on the part of the central government. The land tenure system in Indonesia remains very complex and confusing with overlapping rights and claims. Typically, all forest belongs to the government which allots concessions to industrialists on properties that are often customary village or indigenous lands.

As a result of the two projects, LEI can now call on some 200 assessors with capacity to carry out actual certification and monitor progress. The system has instituted two separate expert panels at two levels of the certification process, and 66 experts have been trained to serve on these panels. Independently, 40 assessors have been trained in COC certification, 58 trainers in certification, including trainers of trainers, and 31 participants in decision making panels for approving certificates. Altogether, LEI is now well equipped to take on a heavier load and make further progress in certification, although more personnel are needed to reach the point when a majority of concessions will be certified. Given the number of trainers that benefited from the projects, it should be possible to expand the number of personnel to achieve this goal.

Particularly through PD 80/01, certification issues and knowledge of the LEI certification system have been widely disseminated in the country and beyond, both in the South-east Asia region as well as in Europe. LEI has published a number of important and educational brochures and pamphlets, and maintains a web site.

## Results

In terms of actual certification results, achievements are still quite modest. During the first project period, only one natural forest operation was certified: PT Diamond Raya Timber. This was a case where the certification was vigorously disputed by NGOs, and attracted international attention. The complaint was brought before the appellate body CRC, and the PCF in Riau province was instrumental in monitoring the case and in suggesting remedial action. Although this conflict has affected the attitude of some national NGOs, which maintain doubts about the benefits of certification at the local level, the active involvement of local NGOs in the conflict resolution process has led many of them to realize the value of the certification system. In this case it brought about a resolution where the forest company ceded a considerable amount of land to local villagers, a solution not guaranteed in most other cases.

As of mid-2007 nine Forest Management Units (FMUs) have been certified, one for a plantation, five for natural forest concessions, and three for community based operations. In addition, one forest industry operation has received a COC certificate.

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The LEI system awards certificates in three categories: gold, silver and bronze. So far, only one silver certificate has been awarded, while the rest are bronze, which means that the FMUs still need to improve within a set time limit (usually a year). Becoming certified, therefore, is not a final 'seal of approval'. Rather, it entails entering a continuous process of improving performance towards SFM.

The Riau Andalan Pulp and Paper Company (RAPP) in Sumatra is a certified FMU that was visited during the ex-post evaluation of PD 80/01. RAPP is a large integrated plantation and pulp and paper operation. The concession is approximately 330 000 ha, although about 25% has been subject to encroachment/degradation and is therefore outside production. In addition, the company also manages another 300 000 ha through a joint venture. Altogether some 9 million m<sup>3</sup> of timber is processed annually, and almost 50 000 ha is planted (partly conversion of natural forest and partly replanting of logged plantations). The main species is *Acacia crasseira*, but some *Eucalyptus* is also used, in a cutting cycle of 5–6 years. The mill is a modern installation, and the working and living conditions for workers seemed very good.

The mill is ISO-certified and the company has an internal COC certification system, ensuring that no unauthorized timber enters the production chain. About 20% of the concession area is set aside as natural conservation forest, mainly along streams and in narrow wildlife corridors.

Although this is meant to be a positive attribute, it means that in conversion of the natural forest, 80 percent of the forest, most of which is considered of high conservation value, is lost and the remaining 20% is often too narrow or fragmented to constitute viable habitats for many endangered species. For example, the area is within the natural range of the Sumatran tiger, but no tigers have been spotted after the establishment of the plantation. Also, the clear cut compartments that are being logged annually are far too large (in the range of 1000 ha or more) to satisfy Principle 10 of the FSC concerning the spatial distribution of plantation compartments in relation to natural forest. On this violation alone, it is doubtful whether the operation deserves to be certified.

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Another problem of the RAPP concession is serious conflicts with local villagers over land rights. The concession is surrounded by traditional villages claiming customary land rights. In one pending conflict, the concession has planted over 80% of the village's land, leaving the majority of villagers without any arable land. Another problem is that, although the company has a social responsibility programme with many positive results, the employment of local people is limited as the company prefers to contract outsiders such as people from Java. Out of 180 households in the nearest village, only three individuals are employed by the company.

## **Conclusions**

The review of the ITTO PROJECT PD 80/01 found that certification of forests in Indonesia still has a long way to go, although some positive results have been achieved. With about 200 registered concessions in the country, and approximately 100 pursuing active forestry activities, the impact of certification is still very small. Therefore, the increased supply of certified forest products from Indonesia, which was one of the specific objectives of PD 80/01 is still negligible.

It is in fact very difficult to assess the quantitative aspects of certification, as forest statistics in Indonesia are at best unreliable and often completely lacking. Based on the FAO Global Forest Resources Assessment 2005 (FRA 2005), the country's total annual industrial wood removal is said to be about 11.18 million m<sup>3</sup>, with 5.46 million from natural forest and 5.72 million from plantations. However, the single operation (RAPP) visited as part of this evaluation is processing approximately 9 million m<sup>3</sup> per annum, nearly twice the volume reported from plantations in the country as a whole. In fact LEI estimates that the real harvest level in the country could be anywhere between 40–80 million m<sup>3</sup> per annum, almost all unreported, and therefore illegal.

Trust has been built at the local level, but needs to be fortified at the national level through intensified contact between all stakeholders. The role of forest authorities is crucial. Policy documents published by ITTO also emphasise the importance of statutory regulations for SFM in order to achieve certification. Certification represents an added value in SFM, and is obviously easier to achieve in situations where a sound basis for SFM has already been created by governments through statutory and obligatory regulations that are being followed up and complied with.

On the bright side, the Ministry of Forestry has enacted a few regulations conducive to certification. One of them is a regulation allowing certified operations to harvest to the full quota of the annual allowable cut (AAC), whereas operations that are not certified will only be allowed 70%. More such regulations are being planned, which is very encouraging.

However, in general, the Ministry of Forestry in Indonesia and the entire Forestry Service in the country still have a long way to go to function optimally, and that goes far beyond improving forest statistics. Following the decentralization and democratization in 1997–98, hopes were high for improvements in forestry administration, but so far results have been slow in coming, despite a plethora of sound advice from international organizations and agents, like the World Bank, ITTO and others. The ITTO Technical Mission to Indonesia in 2001 forwarded some 50 concrete recommendations in its report, including many suggestions for project ideas. Among them was a recommendation for a complete overhaul of the land tenure system in the country, particularly aiming to ensure land rights for local villagers and indigenous peoples. Also included was a plan to decentralize the Forestry Service through reduction of the staff in the Ministry itself. However, very few of these recommendations have been acted upon. The Ministry in Jakarta still employs some 2000 staff, and the Forest Service at the local level is still said to be ineffective, if not corrupt.

In order to help Indonesia to engage in international policy debate on indigenous affairs, the country should ratify the ILO Convention 169 on Indigenous Peoples. In doing so, they will receive technical and other assistance in solving concrete problems in this important social field. LEI should also work proactively towards this goal, and also refine its C&I to reflect the concerns of indigenous peoples. Furthermore, LEI should also set ambitious targets for the certification of FMU's within a set time horizon. (eg 50% within 5 years, 70% within 10 years).

The relative chill between the Ministry of Forestry and local NGOs, including the indigenous peoples' organizations, needs to be overcome. LEI has an important role to play in creating a forum for discussion and conflict resolution. Distance between parties in a conflict can serve no useful purpose. All experience shows that engagement in dialogue and conflict resolution will bring parties closer to eventually overcoming such conflicts.

*The complete report of the ex-post evaluation is available on request from the ITTO Secretariat (eimi@itto.or.jp).*