



INTERNATIONAL TROPICAL TIMBER COUNCIL: FIFTY-SEVENTH SESSION  
VIRTUAL SESSION  
29 November – 3 December 2021

Market Discussion –  
Challenges in Manufacturing and Trade during the COVID-19 Pandemic

**Update on Implementation of Indonesian TLAS (SVLK),  
FLEGT VPA and Impact of Covid-19 Pandemic on Timber  
Exports from Indonesia**

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# 20 Years of working with International Partners to Develop and Implement SVLK and FLEGT VPA through Multi-stakeholders' Processes

## 2001-2009

*Between 2001-2009, various timber legality frameworks to combat illegal logging and international trade of illegal timber products are discussed by stakeholders.*

- Bali Declaration on FLEG
- MoU Indonesia-UK to combat illegal logging
- EU Action Plan on Forest Law Enforcement, Governance and Trade/FLEGT



## 2011

*Launch of V-Legal logo for legal timber and timber products by Forestry Ministry followed by declaration to support legal timber furniture trade from various furniture, exporter and forest industry associations.*



## 2013

*Indonesia and the EU sign VPA in Brussels and SILK (Timber Legality Information System) starts to operate in January 2013, and is accessible through the link <http://silk.dephut.go.id>*



## 2016

On 15 November 2016, Indonesia issues first FLEGT Licenses for timber product exports to the EU Member Countries. Indonesia is the world's first (and still the only) FLEGT Licensing Country

## 2017-2019

Indonesia has reviewed and improved the SVLK implementation. In 2019, **UK and Indonesia signed the VPA** on Forest Law Enforcement, Governance and Trade in Timber Products



## 2020/2021

SVLK legal-basis has been strengthened at the higher level and transformed toward legality and sustainability for multi-business forestry.

**SVLK Indonesia is rebranded and launched at the COP26 in Glasgow!**

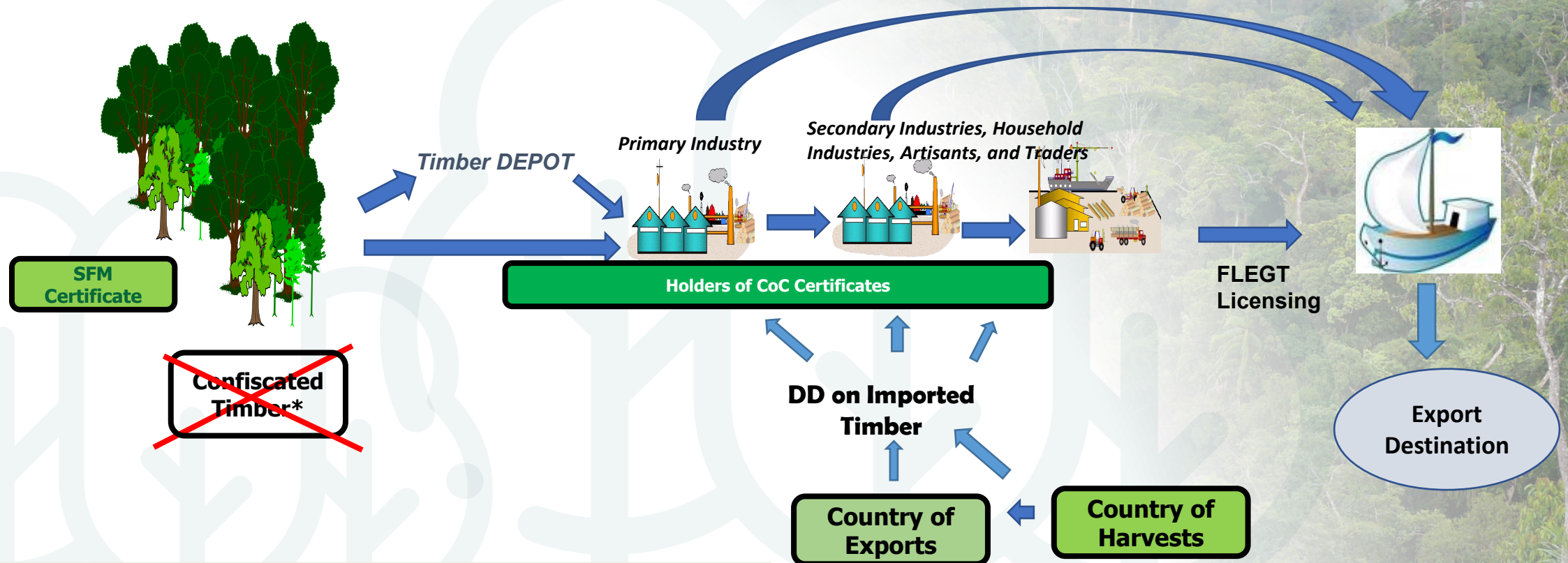






# SVLK

- Was “**S**istem **V**erifikasi **L**egalitas **K**ayu/Timber Legality Verification System
- Now “**S**istem **V**erifikasi **L**egalitas & **K**elestarian’/Verification System for Legality & Sustainability (by issuance of Act 11/2020 and its derivative law and regulations)



## Notes:

- Verification and control along the Supply Chain
- Confiscated Timber can not enter the supply chain:

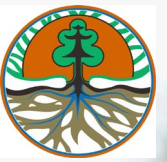


# Progress on SVLK and FLEGT VPA Implementation



- By October 2021, more than 5600 forest based enterprises has been SVLK-certified, nearly 30 million production state forests has been SVLK-certified,
- Since 2013, SILK has issued more than 1,5 million V-Legal Document (including FLEGT Licenses for EU and UK destinations) to support timber product exports with total value of US\$ 77.48 billion.
- Export of SVLK-certified timber products has increased significantly from US\$ 6.06 billion (2013) to US\$ 11.32 billion (Oct 2021), or increase nearly 87% within a period of 8 years.
- Number of importing countries has also increased from 155 countries in 2013 to 196 countries in 2020. This reflects market's confidence upon Indonesian timber products.





# More Improvement (by issuance of Act 11/2020 and its derivative law and regulations)



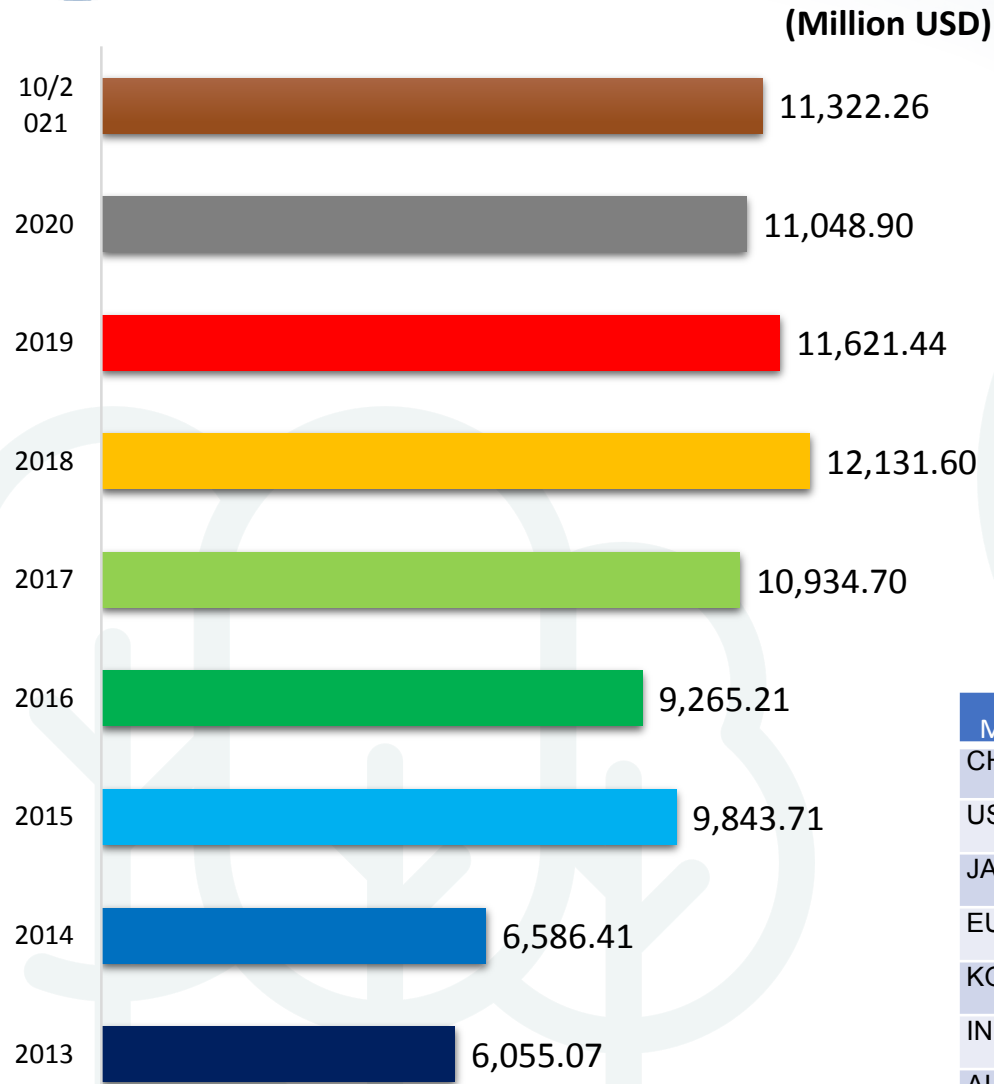
- Strengthen supply chain control, including identification and control of imports from high risk sources,
- Implement green procurement process in the domestic market as encouragement and incentive for SVLK certified products,
- Work towards strengthening verification of sustainability aspects (accordingly revise or add criteria, indicator and verifier for sustainability aspect),
- Improve access for SMEs to SVLK certification and more easily pass the verification and certification process without lowering its credibility
- Strengthen FLEGT licensing process towards full electronic licensing to remove the use of bulky paper-based FLEGT licenses (in a piloting process until April 2022)
- Provide umbrella regulations to enable for verification of sustainably produced non-timber forest products and other so called 'forest and ecosystem risk commodities'.



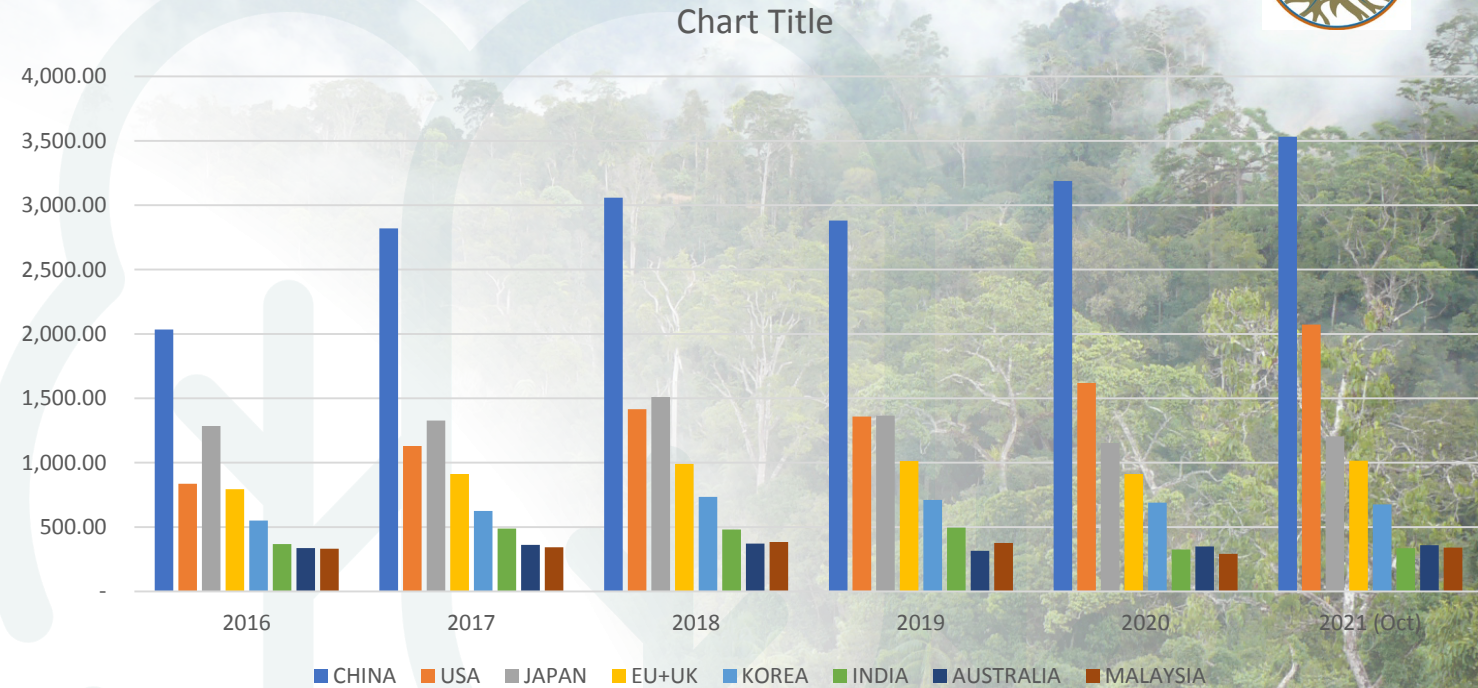




# Exports to World's and Some Major Markets (2016-2021)



Source: [www.SILK.menlhk.com](http://www.SILK.menlhk.com), 22 Nov.2021)



| Major Markets | 2016     | 2017     | 2018     | 2019     | 2020     | 2021 (Oct) |
|---------------|----------|----------|----------|----------|----------|------------|
| CHINA         | 2,034.55 | 2,819.55 | 3,058.86 | 2,880.05 | 3,187.76 | 3,531.35   |
| USA           | 836.85   | 1,130.01 | 1,414.86 | 1,358.20 | 1,618.73 | 2,072.67   |
| JAPAN         | 1,284.64 | 1,327.59 | 1,509.62 | 1,366.24 | 1,151.61 | 1,204.06   |
| EU+UK         | 793.92   | 912.21   | 990.04   | 1,012.38 | 912.17   | 1,014.71   |
| KOREA         | 550.75   | 624.77   | 734.59   | 710.87   | 689.67   | 676.57     |
| INDIA         | 368.17   | 488.38   | 480.61   | 495.34   | 325.34   | 335.53     |
| AUSTRALIA     | 337.10   | 361.28   | 371.17   | 315.79   | 349.62   | 358.56     |
| MALAYSIA      | 331.33   | 343.44   | 383.60   | 376.45   | 291.68   | 340.10     |



## Worlds' Exports of Wood-based Products and Its Derivative and Portions of Indonesia (2016-2020)

(US Dollar Thousand)

| HS Code  | 2016           | 2017           | 2018           | 2019           | 2020           |
|--|----------------|----------------|----------------|----------------|----------------|
| HS Code 44: Wood and articles of wood; wood charcoal   | 126,507,628.00 | 135,138,693.00 | 147,527,443.00 | 134,709,949.00 | 133,854,320.00 |
| HS Code 47: Pulp of wood or of other fibrous cellulosic material   | 41,691,718.00  | 46,622,111.00  | 54,597,102.00  | 46,676,013.00  | 40,526,110.00  |
| HS Code 48: Paper and paperboard; articles of paper pulp, of paper or of paperboard                                | 153,806,087.00 | 161,728,136.00 | 177,124,473.00 | 170,227,198.00 | 157,988,098.00 |
| HS Code 9403: Furniture and parts thereof, n.e.s. (excluding seats and medical, surgical, dental or veterinary ... | 79,972,536.00  | 83,152,552.00  | 89,468,936.00  | 90,229,524.00  | 93,016,923.00  |
| HS Code 940690: Prefabricated buildings, whether or not complete or already assembled (excl. of wood)              | (No Data)      | 6,336,194.00   | 7,382,749.00   | 7,349,062.00   | 7,078,442.00   |
| Words' Total Exports   | 401,977,969.00 | 432,977,686.00 | 476,100,703.00 | 449,185,746.00 | 432,463,893.00 |
| Indonesia's Exports of All Product Categories  | 9,265,207.37   | 10,934,702.99  | 12,131,596.84  | 11,621,439.46  | 11,049,901.98  |
| Portion of Indonesia's Exports to World's Total Exports  | 2,30           | 2,52           | 2,55           | 2,59           | 2,56           |

Sources: <https://www.trademap.org/> and <http://silk.menlhk.go.id>

- Data shows that Covid-19 Pandemic brought negative impact to worlds' exports of wood-based products by 3.72 % from USD 449.19 billion (in 2019) to USD 432.46 billion (in 2020).
- Likewise, the Pandemic has also brought negative impact to Indonesia's exports of wood-based products by 4.9 % from USD 11.62 billion (2019) to USD 11.05 billion (2020)
- Indonesia's portion to world's exports of wood-based products has been relatively small (in average of 2,50 %), yet it shows an increasing trends. The Covid-19 pandemic also decreased portion of Indonesia's exports to the words' exports by 0.03 %.

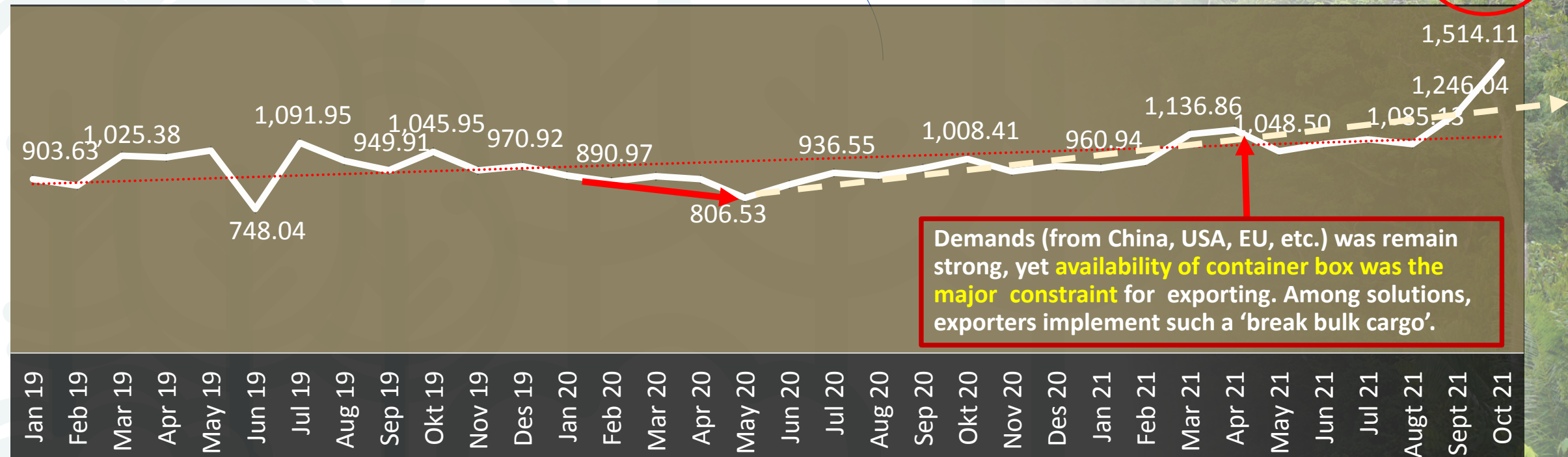




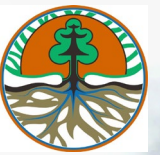
## Impact of Covid 19 Pandemic on Exports of Indonesian Timber Products

- Covid-19 Pandemic has brought negative impact to Indonesia's exports of wood-based products by 4.9 %.
- The GOI deliberated some policy interventions during the early stage of the pandemic outbreak. Such intervention has helped Indonesia to recover from the pandemic. Data shows that exports in 2021 (by October) with a total of USD 11.32 billion has surpassed exports in 2020. Projection of exports by end of December 2021 is USD 13.5 billion which means that it would also exceed exports of 2019 before the pandemic outbreak.

| Year | Jan.       | Feb.       | Mar.         | Apr.         | May          | June         | July         | Aug.         | Sept.        | Oct.         | Nov.       | Dec.       | Total         |               |
|------|------------|------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|------------|------------|---------------|---------------|
| 019  | 903,630.44 | 869,478.47 | 1,025,383.83 | 1,016,728.27 | 1,052,205.92 | 748,042.31   | 1,091,945.38 | 998,471.62   | 949,910.43   | 1,045,948.99 | 948,778.43 | 970,915.37 | 11,621,439.46 |               |
| 2020 | 922,202.96 | 890,973.84 | 918,495.80   | 903,704.30   | 806,532.03   | 875,963.38   | 936,546.83   | 921,383.63   | 960,374.27   | 1,008,745.70 | 944,790.24 | 977,448.72 | 11,067,161.68 |               |
| 2021 | 960,937.48 | 993,826.93 | 1,136,807.99 | 1,159,392.42 | 1,046,384.94 | 1,069,166.07 | 1,110,277.00 | 1,085,185.71 | 1,246,153.46 | 1,514,133.57 | NA         | -          | NA            | 11,322,265.56 |







## Policy Interventions of GOI to Cope with Covid-19 Pandemic

1. Remove VAT 10% on round-timber raw material,
2. Reduce customs tariff for veneer (from 15% to 5%),
3. Ease procedure for payment or repayment on obligation such as property tax, forestry loans, levies, etc such as through instalment or re-scheduling, etc.,
4. Re-configure business in forestry through implementation of multi-business forest utilization (timber and non timber),
5. Streamline procedure for issuance of new permits,
6. Intensify implementation of social forestry,
7. Re-classify criteria of permit holders for timber industries eligible to obtain tax incentive facility (*i.e. income tax/ PPH 21*)
8. Re-visit procedure for ease importation of production equipment,
9. Intensify program to make available off-farm and on-farm equipment to support production,
10. etc.





# Exports to VPA Partners (EU & UK) – Before and After Covid-19 Pandemic



| Countries                 | Jan-Oct 2019<br>(million USD) | Jan-Oct 2020<br>(million USD) | Jan-Oct 2021<br>(million USD) | 2019–2020    |             | 2019–2020    |           |
|---------------------------|-------------------------------|-------------------------------|-------------------------------|--------------|-------------|--------------|-----------|
|                           |                               |                               |                               | %            | Remarks     | %            | Remarks   |
| AUSTRIA                   | 22.84                         | 16.43                         | 20.30                         | 39.07        | Down        | 19.07        | Up        |
| <b>BELGIUM (4)</b>        | <b>907.21</b>                 | <b>794.44</b>                 | <b>962.53</b>                 | <b>14.19</b> | <b>Down</b> | <b>17.46</b> | <b>Up</b> |
| BULGARIA                  | 47.37                         | 25.02                         | 22.58                         | 89.35        | Down        | 10.79        | Down      |
| CROATIA                   | 133.88                        | 172.54                        | 38.94                         | - 22.41      | Up          | 77.43        | Down      |
| CYPRUS                    | 39.61                         | 36.77                         | 34.78                         | 7.72         | Down        | - 5.72       | Down      |
| CZECH REPUBLIC            | 20.18                         | 7.03                          | 12.07                         | 187.04       | Down        | 41.76        | Up        |
| DENMARK                   | 116.87                        | 113.96                        | 163.32                        | 2.55         | Down        | 30.22        | Up        |
| ESTONIA                   | 11.96                         | 5.53                          | 2.75                          | 116.30       | Down        | 50.21        | Down      |
| FINLAND                   | 8.18                          | 7.45                          | 8.47                          | 9.86         | Down        | 12.06        | Up        |
| <b>FRANCE (5)</b>         | <b>479.47</b>                 | <b>379.59</b>                 | <b>1,402.25</b>               | <b>26.31</b> | <b>Down</b> | <b>72.93</b> | <b>Up</b> |
| <b>GERMANY (3)</b>        | <b>1,319.43</b>               | <b>1,030.02</b>               | <b>1,384.37</b>               | <b>28.10</b> | <b>Down</b> | <b>25.60</b> | <b>Up</b> |
| GREECE                    | 425.44                        | 431.82                        | 349.52                        | - 1.48       | Up          | - 23.54      | Down      |
| HUNGARY                   | 0.86                          | 4.31                          | 0.87                          | - 80.09      | Up          | - 79.78      | Down      |
| IRELAND                   | 94.04                         | 85.53                         | 105.75                        | 9.95         | Down        | 19.12        | Up        |
| <b>ITALY (6)</b>          | <b>537.61</b>                 | <b>413.36</b>                 | <b>454.82</b>                 | <b>30.06</b> | <b>Down</b> | <b>9.12</b>  | <b>Up</b> |
| LATVIA                    | 6.85                          | 5.07                          | 3.96                          | 35.13        | Down        | - 28.06      | Down      |
| LITHUANIA                 | 14.80                         | 18.83                         | 3.37                          | - 21.40      | Up          | - 104.48     | Down      |
| LUXEMBOURG                | 0.00                          | 0.06                          | 0.00                          | - 93.17      | Up          | - 99.68      | Down      |
| MALTA                     | 15.48                         | 10.73                         | 6.40                          | 44.19        | Down        | - 67.72      | Down      |
| <b>NETHERLANDS (2)</b>    | <b>1,872.00</b>               | <b>1,654.30</b>               | <b>2,299.79</b>               | <b>13.16</b> | <b>Down</b> | <b>28.07</b> | <b>Up</b> |
| POLAND                    | 127.51                        | 218.64                        | 209.87                        | - 41.68      | Up          | - 4.18       | Down      |
| PORTUGAL                  | 32.01                         | 28.24                         | 27.67                         | 13.32        | Down        | - 2.08       | Down      |
| ROMANIA                   | 106.70                        | 54.31                         | 37.19                         | 96.48        | Down        | - 46.03      | Down      |
| SLOVAKIA                  | 0.54                          | 0.06                          | 0.71                          | 838.07       | Down        | 91.90        | Up        |
| SLOVENIA                  | 158.79                        | 82.00                         | 54.17                         | 93.65        | Down        | - 51.39      | Down      |
| <b>SPAIN (7)</b>          | <b>345.51</b>                 | <b>237.93</b>                 | <b>330.73</b>                 | <b>45.22</b> | <b>Down</b> | <b>28.06</b> | <b>Up</b> |
| SWEDEN                    | 94.90                         | 77.63                         | 117.24                        | 22.24        | Down        | 33.78        | Up        |
| <b>UNITED KINGDOM (1)</b> | <b>2,380.44</b>               | <b>1,641.41</b>               | <b>2,298.03</b>               | <b>45.02</b> | <b>Down</b> | <b>28.57</b> | <b>Up</b> |
| <b>TOTAL</b>              | <b>9,321.01</b>               | <b>7,553.05</b>               | <b>10,353.16</b>              | <b>18.97</b> | <b>Down</b> | <b>37.07</b> | <b>Up</b> |

Source: [www.SILK.menlhc.com](http://www.SILK.menlhc.com), 22 Nov.2021)





# Review on Impact of Covid 19 Pandemic to Exports by Export Destination and Product Categories - (year on year)

## I. By Region of Destination

2019 –2020

| REGION          | Jan - 'Oct 2019 | Jan - 'Oct 2020 | %       | Remarks |
|-----------------|-----------------|-----------------|---------|---------|
| Africa          | 353.77          | 232.27          | 34.34   | Down    |
| Asia            | 6,716.53        | 6,216.03        | 7.45    | Down    |
| Europe (non EU) | 22.78           | 19.23           | 15.58   | Down    |
| EU + UK         | 932.05          | 848.67          | 8.95    | Down    |
| North America   | 1,301.16        | 1,441.65        | - 10.80 | Up      |
| Oceania         | 324.45          | 348.36          | - 7.37  | Up      |
| South America   | 51.02           | 38.72           | 24.11   | Down    |
| TOTAL           | 9,701.75        | 9,144.92        | 5.74    | Down    |

2020 –2021

| REGION          | Jan - 'Oct 2019 | Jan - 'Oct 2021 | %      | Remarks |
|-----------------|-----------------|-----------------|--------|---------|
| Africa          | 232.27          | 233.42          | 0.49   | Up      |
| Asia            | 6,216.03        | 7,523.08        | 17.37  | Up      |
| Europe (non EU) | 19.23           | 21.42           | 10.26  | Up      |
| EU + UK         | 848.67          | 1,035.24        | 18.02  | Up      |
| North America   | 1,441.65        | 2,049.52        | 29.66  | Up      |
| Oceania         | 348.36          | 422.58          | 17.56  | Up      |
| South America   | 38.72           | 37.00           | - 4.44 | Down    |
| TOTAL           | 9,144.92        | 11,322.27       | 23.81  | Up      |

## II. By Product Category

2019 –2020

| Products    | Jan - Oct 2019 | Jan - Oct 2020 | %      | Remarks |
|-------------|----------------|----------------|--------|---------|
| Prefabs     | 5.22           | 1.71           | 67.34  | Down    |
| Chipwood    | 43.68          | 42.03          | 3.93   | Down    |
| Furniture   | 1,175.40       | 1,243.62       | - 5.49 | Up      |
| Handicrafts | 82.72          | 69.71          | 18.65  | Down    |
| Panels      | 1,782.47       | 1,778.77       | 0.21   | Down    |
| Paper       | 3,260.01       | 2,956.30       | 10.27  | Down    |
| Pulp        | 2,323.20       | 2,104.46       | 10.39  | Down    |
| Veneer      | 78.17          | 62.27          | 25.54  | Down    |
| Woodworking | 950.88         | 886.06         | 7.32   | Down    |
| Total       | 9,701.75       | 9,144.92       | 5.74   | Down    |

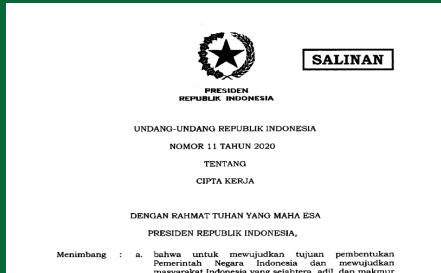
2020 –2021

| Products    | Jan - Oct 2020 | Jan - Oct 2021 | %      | Remarks |
|-------------|----------------|----------------|--------|---------|
| Prefabs     | 1.71           | 1.60           | - 6.35 | Down    |
| Chipwood    | 42.03          | 73.21          | 42.60  | Up      |
| Furniture   | 1,243.62       | 1,743.38       | 28.67  | Up      |
| Handicrafts | 69.71          | 87.83          | 20.62  | Up      |
| Panels      | 1,778.77       | 2,651.18       | 32.91  | Up      |
| Paper       | 2,956.30       | 3,097.48       | 4.56   | Up      |
| Pulp        | 2,104.46       | 2,600.78       | 19.08  | Up      |
| Veneer      | 62.27          | 93.80          | 33.62  | Up      |
| Woodworking | 886.06         | 973.00         | 8.94   | Up      |
| Total       | 9,144.92       | 11,322.27      | 23.800 | Up      |

Source: [www.SILK.menlhk.com](http://www.SILK.menlhk.com), 22 Nov.2021)

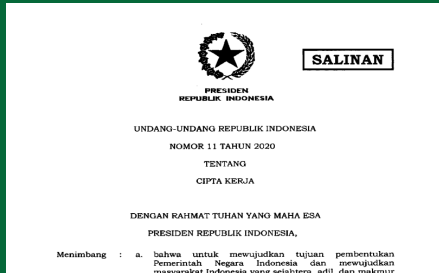


# Lessons Learned, Some Challenges, and Way Forwards (1)



- 1) SVLK helps Indonesia to cope with illegal logging issue and regain confidence of global markets upon its timber products exports,
- 2) SVLK steps up towards strengthening sustainability aspect as well as addressing concerns upon verification of NTFPs and other forest and ecosystem risk commodities
- 3) Some policy intervention helps Indonesia to recover timber industry from covid-19 pandemic,
- 4) Some challenges:
  - Costs for certification process, mainly for SMEs,
  - Some market niche demands additional requirements for voluntary scheme
  - Inadequate incentives from demands side to share burden for certification process,
  - Availability of logistics (container, etc.) for exports,
  - Delay in product release due to some licensing issues,
  - As the first FLEGT Licensing country, share of Indonesian wood products to partner's imports is relatively very small,
  - Buyer's impressions upon Indonesian timber products (not up to date, etc.)
  - etc.





## 5) Way forwards

- Continue support programme for SVLK certification , in particular for SMEs
- Further improvement for easy implementation of the scheme, simplify and streamlining procedure and requirements, etc.,
- Working with VPA partners to develop and implement effective promotion strategy on SVLK rebranding of sustainability aspect, etc.
- Exercise a combine audit of voluntary & mandatory scheme to help reducing costs
- Encourage willingness of demand's sides to share burdens of producers
- Apply possible options for exporting (use of such 'break bulk cargo', integrated storage at ports of destinations, etc.)
- Capacity building on market intelligence, product design, product diversification, etc. to capture consumer's preference,
- Continue piloting for full E-Licensing,
- Maintain communication with authorities at destination countries for prompt release of consignments, share understanding on technical issues (HS Code interpretations, new policy, etc.).





**Thank You!**

