

# Proposed methodology for PE 2 (Periodic Evaluation 2) of the Indonesian Timber Legality Assurance System (*Sistem Verifikasi Legalitas Kayu (SVLK)*)

**Draft 1**

**Evaluation Team, Jakarta, May 27<sup>th</sup>, 2019**

# Background and context of PE 2

- ▶ **The EU-FLEGT/VPA Action Plan** was adopted in 2003 as response of EU to the global problem of illegal logging and related timber trade.
- ▶ Govt. of Indonesia and the European Union (EU) **signed a Voluntary Partnership Agreement (VPA)** on 30-9-2013. In this VPA, the Indonesian **Timber Legality Assurance System** (TLAS or SVLK) is a central component.
- ▶ In Nov. 2016, **FLEGT application from Indonesia was started.**
- ▶ EU and the Govt. of Indonesia agreed to evaluate and monitor the overall progress of the implementation of TLAS through **Periodic Evaluations** (PE). The implementation of **PE** is described in the **Annex VI of the VPA document.**
  - ▶ *“Article 15*
  - ▶ *Monitoring and Evaluation*
  - ▶ *The Parties agree to use the reports and findings of the following two mechanisms to evaluate the implementation and effectiveness of this Agreement.*
  - ▶ *(a) Indonesia, in consultation with the Union, shall engage the services of a Periodic Evaluator to implement the tasks as set out in Annex VI...”*

# Background and context of PE 2

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- ▶ The PE 1 has been implemented by an independent team working under a joint supervisory team of the MoEF-MFP3 in 2017, and the report was approved **in March 2018**.
- ▶ For PE 2, the evaluation team is proposing this methodology to be implemented by referring back to **Annex VI of the VPA, “Term of Reference for Periodic Evaluation”**

# Objective and Scope

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**The objective of the PE 2** is to assure that the TLAS is functioning as described in the VPA, thereby enhancing the credibility of the FLEGT licenses.

**The scope**, PE shall cover:

- ▶ **Functioning of control measures** from production in the forest to export:  
Compliance verification (SVLK certification); Issuance of V-Legal Documents (FLEGT licensing); Control of timber supply chain (by government); Independent Monitoring (IM); and Law enforcement / information sharing between CABs, IM organizations and government
- ▶ **Data Management System:**  
Timber traceability systems supporting the TLAS; Issuance of FLEGT licenses; Production, licensing & trade statistics relevant to the VPA
- ▶ **Public disclosure of information**
- ▶ **Issues identified during PE 1**
- ▶ **Issues identified by stakeholders**

# Main activities

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The proposed activities for PE 2, are based on the five main activities outlined in Annex VI of the VPA. These are:

1. Audits of compliance by all bodies undertaking control functions of the TLAS (**Evaluation matrix verification procedure; licensing**)
2. Evaluation of the effectiveness of supply chain controls from the point of production in the forest to the point of export from Indonesia. (**Evaluation matrix of the effectiveness of supply chain controls**)
3. Assessment of the adequacy of data management & timber traceability systems of the TLAS & the issuance of FLEGT licenses (**The evaluation matrix of the effectiveness of supply chain controls**)
4. Identification and recording of cases of non-compliance and system failures, and prescribing necessary corrective actions.
5. Assessment of the effective implementation of corrective actions previously identified and recommended

# Methodology

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In line with the TOR, auditing practices are applied for the compliance analysis.

The used methodology must meet the requirements of ISO/IEC 19011 or equivalent, and has to be approved in advance by the Indonesian Ministry of Environment and Forestry (MoEF), the European Union Delegation (EUD) and other relevant stakeholders.

## **Compliance analysis:**

- ▶ Evaluation matrix: criteria, indicators, data sources, sampling frame, threshold
- ▶ Literature study, procedures, records
- ▶ Field work

# Components of the Evaluation Matrix

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Each Evaluation Matrix have the following components

- ▶ **Criteria.** Describe the requirements for each of the TLAS elements based on those laid out in the Annex VIII of the VPA.
- ▶ **Indicators.** Variables (quantitative/qualitative information and timeliness) that can indicate the compliance and consequently determinate the effectiveness of the TLAS.
- ▶ **Sources of data.** The source of data can be an organization, institution manuals of procedures and instructions, information system.
- ▶ **Thresholds.** Quantitative or qualitative parameters must be met for compliance with a criterion as referred to in a regulation, convention, standard, other relevant norms.
- ▶ **Sampling frames.** Representative stakeholders that implement TLAS throughout the timber supply chain

# Evaluation criteria and indicators

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- ▶ Based on
  - ▶ Annex VIII
  - ▶ SVLK regulations and other binding documents, system components not adequately addressed in Annex VIII (amendment)
- ▶ Coverage: same as evaluation scope
  - ▶ Procedures (ref. TOR)
  - ▶ Records of implementation (suggested focus)



# Sampling method

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The **sampling method** aims at covering all types of relevant activities on the ground. These will be achieved by considering the followings:

- ▶ **Geographical locations:** Jakarta and Java and at least three provinces outside of Java such as Kalimantan, Sumatra, and Papua;
- ▶ **Results of the verification** including the case of non-compliances (infringement, illegal logging) and certification status (certified or non certified).
- ▶ **Types of concessions:** concessions on state forestland (natural forests and plantations), community forests, privately-owned forests, and timber utilization rights forest land clearing/conversion (IPK)
- ▶ **Types of industries:** family-based, small-scale, and large-scale industries are producing sawn wood, veneer and plywood, mouldings, pulp and paper, and furniture.

# Sampling frame – three layers

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- ▶ National (ref. TOR)
  - ▶ CABs / KAN
  - ▶ Licensing Authorities
  - ▶ IM organizations
  - ▶ Law enforcement authorities
  - ▶ Public disclosure of information
  - ▶ Information management systems of government
- ▶ Provinces
  - ▶ Timber flows within province
  - ▶ Timber flows into province
  - ▶ Timber flows out of province
    - ▶ Other provinces
    - ▶ Exports
- ▶ Supply chains
  - ▶ Tracing back to source from issuance of V-Legal Documents

# Layer “National”

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- ▶ Documents issues
  - ▶ Accreditation of CABs, SVLK certification, non-compliances issued, suspension/withdrawal of certification...
  - ▶ IM activities
  - ▶ Law enforcement
- ▶ Procedures of CABs, Licensing Authorities...
- ▶ Records of implementation
  - ▶ V-Legal; Importation: import licenses, due diligence processes, etc.
- ▶ Information management systems
  - ▶ Supply chain controls (SIPUHH, RPBBi)
  - ▶ SILK

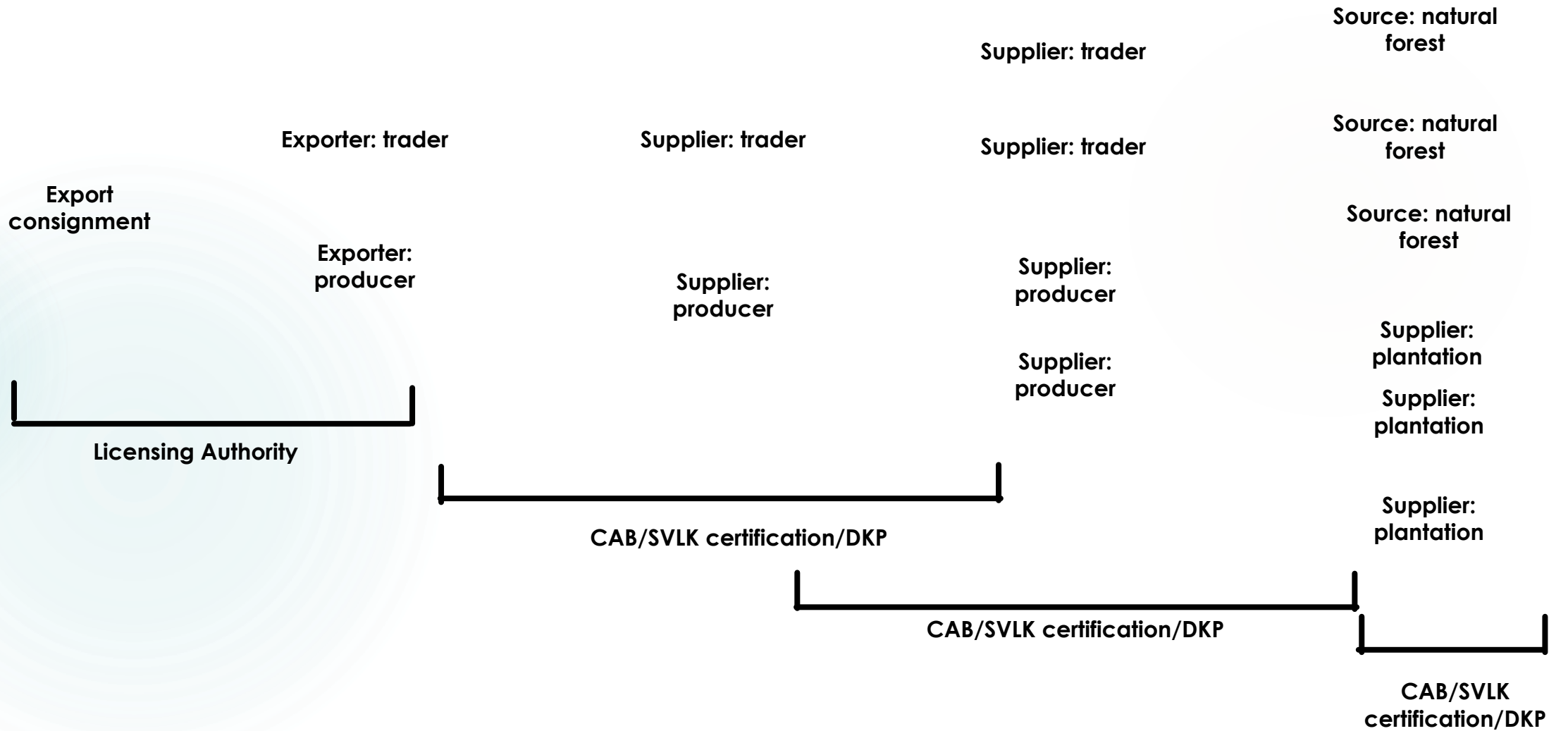
# Layer “Province”

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- ▶ Production of timber
  - Natural forests
  - Plantations
- ▶ Trade in logs between provinces
- ▶ Primary processing of timber
  - ▶ Logs arrived at mills
  - ▶ Inputs / outputs (processing)
  - ▶ Product deliveries
- ▶ Secondary processing
  - Raw material arrived at mills
  - Inputs / outputs (processing)
  - Product deliveries
- ▶ Trade in processed products
  - ▶ Products
    - ▶ Transported/ sold to other provinces
    - ▶ Exported with V-Legal Documents
  - ▶ Products used within province

**RECONCILIATION OF SUPPLY CHAIN DATA BY PE 2**

Layer "Supply chain"



## Data collection (at national level)

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- ▶ **Procedures of CABs, Licensing Authorities...**
- ▶ **Records of implementation**
  - **V-Legal Documents issues;**
  - **Accreditation of CABs, S**
  - **VLK certification,**
  - **non-compliances issued, suspension/withdrawal of certification;**
  - **IM activities; Law enforcement**
  - **Import licenses, and due diligence processes, etc.**
- ▶ **Information management systems**
  - **Supply chain controls (SIPUHH, RPBBI)**
  - **SILK, etc.**

## The proposed evaluation matrix for the effectiveness of supply chain controls

Criteria	Indicators	Sources of information	Threshold	Sampling frame	Findings
Element 1: Systems to control the supply chain must provide credible assurance that timber products can be traced throughout the supply chain from harvesting or point of import to the point of export.					
1.1. Rights of use					
1.1.1 The TLAS control system ensures that only timber originating from a forest area with valid use rights enters the supply chain. 1.1.2.....	List of types of timber sources. Legality requirements for each timber source.	TLAS document. MoEF (Forest Planning). Land Title for private land.	Types and legal requirements of all sources of timber are covered within the supply chain of the TLAS		PE 1; PE 2 :
1.2. Methods for controlling the supply chain: Effective mechanisms for tracing timber throughout the supply chain from harvesting to the point of export.					
1.2.1.All legal sources of timber identified are described in the control system 1.2.2.....	Identification and description of all source of timber in the TLAS documents Exclusion of impounded timber Guidance for recycled material Guidance for recycled imported timber	TLAS Documents	All sources of timber must be identified and described in the control system		PE 1; PE 2

# Thank you

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Explore different  
options of



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