



FREQUENTLY ASKED QUESTION

TIMBER LEGALITY VERIFICATION SYSTEM (SVLK) AND THE VOLUNTARY PARTNERSHIP AGREEMENT (VPA)

1. What is the SVLK?

SVLK stands for *Sistem Verifikasi Legalitas Kayu*, or Timber Legality Assurance System in English. It is designed to check the legality of timber from the forest through to the point of export using independent auditors. Through multi-stakeholder consultation since 2003, finally in June 2009 the Government of Indonesia issued the Minister of Forestry Decree No. P. 38/Menhut-II/2009 on the Standards and Guidelines of Performance Evaluation of Sustainable Forest Management (SFM) and Timber Legality Verification for Permit Holders or Private Forest. This new SVLK regulation, has been in force since September 2009. At the end of 2011, the regulation was revised and improved by the issuance of Minister of Forestry Regulation No. P68/Menhut-II/2011.

2. Why is SVLK needed?

This is an Indonesian effort to assure the legality of its timber products, which is in line with the trend of major timber market globally and will meet this stronger demand for legal timber. The Government of Japan applies *Goho-wood* or *Green Konjuho* which requires that timber imported into the country comes from legal sources. The Government of the United States of America amended the *Lacey Act*, aimed at avoiding import of illegal timber into the country. The European Union issued Regulation No. 995/2010 (Timber Regulation) obliging operator to possess irrefutable proofs that timber products that they trade do not come from illegal sources and prohibiting illegal timber.

3. How does the SVLK operate?

P. 38/Menhut-II/2009 revised as P68/Menhut-II/2011 stipulates that the forestry business unit must get certified for Sustainable Forest Management (SFM), or at the minimum be certified for legality. Further, all timber-related industrial units, either primary or secondary industry, have to obtain a legality certificate. Sustainable Forest Management ("PHPL") or legality assessment or audit is conducted independently by assessor/verifier institutions accredited by the National Accreditation Body (*Komite Akreditasi Nasional* or KAN), and are monitored by NGOs or civil society. By mid 2012 auditors had assessed the sustainability of 8.3 million ha of natural and planted forest and the legality of 1.7 million ha of natural and planted forest. In addition auditors have assessed the legality of 3,972 ha of community forests in 9 sites in Java, Sumatra and Sulawesi. By the same time a total of 302 timber-based factories have passed the SVLK chain of custody assessment. It should be noted that the sustainability assessment now includes the legality standard, so all SFM timber products can be considered legal. .

This progress is broken down as follows:

- SFM Performance Evaluation on Natural Forest HPH/IUPHHK: 40 Units, total area 4,801,262 Ha.
- SFM Performance Evaluation on Plantation Forest HTI/IUPHHK: 38 Units, total area 3,475,931 Ha.
- Legality verification on Natural Forest HPH/IUPHHK: 12 units, total area 924,419 Ha.
- Legality verification on Plantation Forest HTI/IUPHHK: 10 unit of 803,191 Ha.
- Legality verification on Right Forest: 9 unit of 3,972 Ha
- Legality verification on timber processing industries: 302 Units.

4. What is the relationship between the SVLK and the VPA?

The European Union adopted the Timber Regulation to halt the circulation of illegal timber in the European market. The *Timber Regulation* will become effective in March 2013. From then on all imports of timber into any member state of the European Union will have to pass a *due diligence* assessment to prevent illegal timber from entering the market in European Union. However importers will not have to apply this due diligence assessment on FLEGT licensed timber products from an exporting country like Indonesia that has signed a Voluntary Partnership Agreement (VPA) with the European Union, once this Agreement is implemented. Such timber is considered zero risk of being illegal under the EU Timber Regulation.

5. How does the SVLK related to the VPA?

For the last four years, Indonesia and European Union have been negotiating a VPA. There have been three Senior Official Meetings, seven Technical Working Group meetings and seven expert level consultations. At the third and last Senior Official Meeting in Brussels in April 2011 both side concluded the VPA text and its 9 annexes in which the SVLK was approved as the system to be applied to prove the legality of Indonesian timber. The process to finalize the agreement, including the so-called *legal scrubbing*, has now been completed. The European Union must translate all these documents into different languages of its member states before starting the ratification process.

6. When was the negotiation on the VPA finished?

Technical discussions were concluded on the 15th April 2011 meeting at the European Commission in Brussels, and then the Indonesian Minister of Forestry Zulkifli Hasan and the EU Trade Commissioner Karel De Gucht initialed the FLEGT VPA on the 4th May 2011 in Jakarta. With this Indonesia followed several African countries (Ghana, Cameroon, Congo PRC) that had already signed a VPA with European Union. Indonesia is the first Asian country with a VPA with the European Union, (and the biggest in terms of the size of the timber trade) although negotiations between Malaysia and Vietnam and the European Union are showing some recent progress.

7. What is the benefit to Indonesia of signing the VPA?

By signing the VPA all licensed timber exports from Indonesia to the EU will be considered zero risk of illegality under the EU Timber Regulation and will also not have to go through any due diligence assessment process, saving time and money. The EU Timber Regulation has a specific clause that recognizes FLEGT licensed timber coming from VPA countries as legal. This will increase EU importers confidence in Indonesian timber products and make their products more attractive compared with non-VPA timber.

8. How about BRIK's endorsement?

To complement the regulation of SVLK, through coordination with the Ministry of Trade, Ministry of Industries, the Directorate General of Customs, the National Accreditation Committee (KAN), timber associations and other parties including representatives from NGOs, Indonesia is currently in the final phase of formulating a regulation to replace the role, function and mechanism of the Forest Industries Revitalization Body (*Badan Revitalisasi Industri Kehutanan* or BRIK) which is the institution that endorses the export of timber products in Indonesia. Previously export of timber products was regulated by Ministry of Trade Regulation No P.20/2008. Then, through Minister of Trade Decree No. Kep 405/2008, BRIK was given the mandate to endorse 11 customs codes (Harmonised System) for forestry products. This regulation will also be revised because SVLK is considered to have much more credibility and acceptance in international markets because the system independently gives evidence of the legality Indonesian timber through physical verification in the forest or factory. "Endorsement" will be replaced by the "publication of timber legality documents" or V-Legal document, by the Conformity Assessment Bodies (auditors) for industry with the SVLK legality certificate.

9. What is V-Legal document?

An SVLK (TLAS) certificate guarantees that the operator / timber industry has complied with legality standards and criteria. Companies that comply with the SVLK need to attach a V-Legal Document to their shipments for export. The V-Legal Document specifies that the timber products being shipped comply with the legality standard as stipulated in the Indonesia regulation. Thus the V-Legal Document provides assurance that the timber and timber product is legal. V-Legal Documents are issued by Conformity Assessment Body (or "LVLK" in Indonesian) as for SVLK certificates.

10. How is the “V-Legal Document” applied to move towards full implementation of FLEGT VPA for European and Non-European market in 2013 ?

The application of SVLK is mandatory for all forest management units and industries and for all export destinations. Each product to be exported has to be accompanied by a V-Legal Document issued by the Conformity Assessment Body (LVLK). However the legal requirement for V-Legal documents prior to export depends on revision of Trade Regulation No. 20, which is underway but not yet completed. After that, any industry that exports its products will have to go through the legality verification process in order to obtain a V-Legal Document. If an industry has not been verified for legality then an inspection needs to be done by a Conformity Assessment Body to enable that industry to export its products.

Starting March 2013, EU importers will be subject to the requirements of the EU Timber Regulation and all exports to the European Union should be legal. It is anticipated that they will consider V-Legal timber from Indonesia as having considerable value in demonstrating compliance with Indonesian legislation, marking SVLK highly relevant for Indonesian exports to the EU market.

Once the EU-Indonesia VPA applies, all exports to the EU will have to be verified under the SVLK in order to obtain the V-Legal/FLEGT license. All these verified products will be exempt from the administrative requirements of the Due Diligence Regulation, making imports of V-Legal/FLEGT licensed Indonesian timber into the EU easier and automatically legal.

11. How is the issuance of The V-Legal Document?

The registered exporter (auditee) requests issuance of a V-Legal Document from the conformity assessment body (“LV”). The LV will submit the V-Legal Document through the License Information Unit (LIU) online system in the Directorate General of Forest Utilization, Ministry of Forestry.

An online application form of the V-Legal Document includes information such as the type of timber, volume of timber and timber product export etc. This information will be checked automatically through the LIU system and will also connect to the INATRADE system in the Directorate General of Foreign Trade at the Ministry of Trade.

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