

ITTO Project PD 80/01 Rev.6 (M)
**Consolidating Sustainable Forest Management
Certification System in Indonesia**

**EX-POST EVALUATION REPORT
[EXECUTIVE SUMMARY]**

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by
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1. Background information about the project

ITTO has been active in policy discussions on forest certification since 1991. Despite considerable initial opposition in ITTC to pursue activities in certification, ITTO nevertheless persisted, and has, over the years, published a number of reports and arranged seminars, workshops etc on the subject, e.g. Technical Series No 19 in October 2002 on "Forest Certification: Pending Challenges for Tropical Timber."

Forest management in Indonesia has for many years been plagued with problems of massive deforestation, illegal logging and corruption, collusion and nepotism. (*korupsi, kolusi dan nepotism*)(ITTO: Achieving Sustainable Forest Management in Indonesia. Report of the ITTO Mission to Indonesia 2001) FAO stipulated a deforestation of 1,3 mill ha/annum in 2001. (Global Forest Resources Assessment FRA 2001). However, the ITTO Mission to Indonesia estimated that the loss at the time was close to 2 mill. ha per annum. In 2005, the total annual loss of forest was estimated at 1.9 mill. ha. (FRA 2005).

The ITTO Mission to Indonesia in 2001 noted a number of serious structural problems facing the forestry sector in the country and forwarded numerous recommendations for improvement. Among the issues highlighted were the unsolved problems of land tenure, with overlapping rights and claims, and the distribution of concessions to members of the financial and economic elite. In fact, the entire forest sector was in the hands of a few influential persons, while local populations and indigenous peoples were deprived from access to and use of forests. Other agencies and organizations including the World Bank and particularly international NGO's have contributed similar accounts of the deplorable situation and also recommended improvement.

Lembaga Ecolabel Institute or Lembaga Ecolabel Indonesia (LEI) was initiated in 1993 under the chairmanship of the then Minister of Environment Elim Salim and the then Minister of Forestry Djamaluddin Suryohadikusumo. It was first organised as an informal Working Group, but was established as a foundation in 1998. LEI has since served as a national accreditation body for ecolabeling certification in Indonesia. LEI also develops standards for such certification. So far, LEI had developed standard for certification of Sustainable Natural Forest Management (SNFM), Sustainable Plantation Forest Management (SPFM), Community Based Forest Management (CBFM) and Chain of Custody Certification (CoC Certification).

There has never been a Forest Stewardship Council (FSC) working group (national initiative) established in Indonesia, and thus there exists no national or regional FSC-endorsed standards. Neither are there any other intentional certification accreditation bodies present in the country. The LEI certification for sustainable forest management with its own criteria and indicators was agreed to by industry, the government and NGOs in 1998. In 1999, the system was revised and its criteria and indicators had been adopted as a National Standard. LEI's C & I are largely compatible with those of ITTO and FSC, although some differences exist. Generally, the LEI system offers less protection for indigenous peoples. In 1999, LEI and FSC signed a Memorandum of Understanding which was expanded to include a Joint Certification Protocol in 2000.

A previous ITTO Project, PD 1/95 Rev. 4 (M) "Training Development on Assessment of Sustainable Forest Management in Indonesia" was executed from 1989 to 2000. It received a favourable ex-post evaluation in 2004. However, shortcomings were noted in the fulfilment of C&I in the social field and as regards land tenure. The plight of indigenous peoples was highlighted and recommendations for improvement offered. Whereas PD 1/95 Rev.4 (M) laid the groundwork for forest certification in Indonesia, PD 80/01 Rev.6 (M) could be seen as an effort to expand and consolidate the certification system and its implementation.

The aim (Development Objective) of the project was to ensure increased availability of certified timber in Indonesia. The Specific Objectives were to:

1. improve public awareness on the implementation of national and international sustainable forest management certification systems in Indonesia; and
2. establish National capacities needed to ensure implementation and monitoring of credible national and international SFM certification in Indonesia.

2. Evaluation Purpose

The Ex-Post evaluation has been carried out at the request of the ITTO Secretariat following the recommendation of the ITTO Committee on Economic Information and Market Intelligence at its Thirty-eighth Session held in Mérida, Yucatan, Mexico on 29 May- 2 June 2006. This ex-post evaluation seeks to look at the activities planned, the outputs and their contribution to attainment of project objectives, as well as the wider impact of the project, and its contribution to SFM in Indonesia. The evaluation has also reviewed the degree to which recommendations in the ex-post evaluation of PD 1/95 have been taken into account and improvements have been made.

3. Scope of Evaluation

In addition, this ex-post evaluation also seek to look at operational aspects, inputs as well as outputs, activities carried out and tangible products in terms of both efficiency and effectiveness, with emphasis on the impact and effects on the forest situation in Indonesia and to what degree certification can contribute to overcoming the many problems facing the forestry sector in that country.

Concretely, The Terms of Reference of the Evaluation include:

- i. Asses the extent to which the development objective, the specific objectives and the outputs of the project have been achieved.
- ii. Assess the relevance of the project to the ITTA and the ITTO Action Plan.
- iii. Evaluate the impact and relevance of the project and determine to what extent the project has contributed to efforts towards enhancing capacity-building in implementing forest certification in Indonesia.
- iv. Determine the effectiveness of information dissemination of project outputs and assess the overall post project situation in relation to its impact on forests and the forestry sector in Indonesia, particularly from the perspective of enhancing forest management and forest law enforcement and governance through forest certification.
- v. Define and assess any unexpected event, effect and impact, either harmful or beneficial, and offer explanation for their occurrence.
- vi. Analyze and assess the efficiency of project implementation and management, including technical, financial and managerial aspects.
- vii. Recommend follow- up action, where appropriate, in order to enhance utilization of the results of the project.
- viii. Make an overall assessment of the project relative success or failure, summarize the key lessons learned, and identify issues or problems which should be taken into account in the design and implementation of similar projects in future.

In addition to the formal TOR, the evaluation will also look at limitations and obstacles to achieving certification and SFM in Indonesia, both within the project context as well as in the wider forestry policy context of the country.

4. Conclusions of the Evaluation

The orientation and merit of the project have been laudable and well timed. But whereas the project rationale has been well founded, assessment of risks has been rather weak. The willingness of FMUs to undertake certification has been overestimated. In the project document, there is no overall analysis of the precarious forestry situation in the country and no reference to deforestation and illegal logging. Nor is there any critical analysis of structural problems within the forestry sector, let alone corruption and generally bad governance.

4.1 Efficiency

The project was scheduled to be completed on 28 February 2005. However, it suffered some delays in 2004. It was, therefore, given an extension until the end of 2005 without additional ITTO funding. The final audit report showed some minor irregularities concerning expenditures, but these had later been settled to the satisfaction of ITTO. LEI has submitted outputs of the projects, project progress reports, minutes of Steering Committee Meetings, audit reports and the Completion Report to the ITTO in a timely and satisfactory manner.

A host of substantive publications have been produced. Many of these are training materials and manuals for personnel directly involved in the certification process. Others are brochures for wider distribution and consumption. The publications are of a high professional and educational standard.

In general, the project has demonstrated a high degree of efficiency. Activities have been completed and the work plans have been carried out although with some delay as the project was extended for eight months.

4.2 Effectiveness

The achievements of the project by outputs have been high and activities have been carried out according to work plans. Among the outputs to be noted are;

- Dissemination of the LEI certification system through communication efforts to all stakeholders and the general public, both nationally and internationally,
- Development of a website for information dissemination and exchange (internet portal),
- Establishment of three new Provincial Communication Forums (PCFs) as pivotal bodies for certification and training for their personnel,
- Established training systems and training for certification of plantations conducted,
- Consolidated and operationalised Certification Review Council (CRC) as an appellate body for complaints,
- Developed and trained personnel for certification monitoring.

As for achievements of the specific objectives, public awareness of sustainable forest certification in Indonesia has been greatly expanded both in the country and internationally (Specific Objective 1). In terms of increased national capacities for certification (Specific Objective 2), the project has trained 67 assessors for certification, 39 trainers (including trainers of trainers, and 37 Expert Panel members.

As for the contribution towards the Development Objective, achievements have been more modest as a limited number of FMUs are certified. (See below). Nevertheless, in terms of certified timber, the contribution has not been negligible as one single certified operation (RAPP) processes 9 million cubic meters of certified timber. Also, as statistics of annual removal from Indonesia's forests remain allusive, it has been difficult to ascertain this aspect of the project.

4.2.1. Effectiveness of the certification of RAPP

During the evaluation, a visit was paid to the certified operation of Andalan Riau Pulp and Paper Company (RAPP). This is a large scale operation with a state of the art pulp and paper mill processing some 9 million cubic meters of softwood and producing 350,000 tonnes of high quality paper per annum. The mill is ISO certified and very energy efficient, with a power plant using refuse (bark) as energy source. Pollution emission is lower than national and international standards. The concession covers some 330,000 ha with approximately half of it is planted with acacia and eucalyptus species. Twenty-five percent of the concession has been encroached and another 20 % has been set aside as conservation forests.

This operation has many positive traits but also some problematic aspects. Conversion of natural forest to plantation is an ongoing process and the conservation areas that are set aside are mostly narrow strips along streams and in wildlife corridors. These cannot fulfil an ecological role as habitat for endangered species (like the Sumatran tiger). Also, the compartments of plantations are pure monocultures while the annual logged over clear cuts are very large (over 1000 ha). The spatial arrangements of planted areas are therefore unfortunate and plantations do not fulfil the requirements for biological diversity. Altogether, and in the view of this evaluator, the plantations do not fulfil FSC Principle 10 on plantations.

Even more serious are the many ongoing conflicts on land tenure issues, as the company in some cases has planted 80% of villagers' customary land. There are also other social problems in that most of the workers are outsiders and the company has offered limited employment for many villages. LEI's certification system has intervened through certification monitoring and the modalities and adjudication of the Certification Review Council (CRC), but conflicts have not been solved. Unless a solution is found any time soon, the certificate will be in danger of being withdrawn.

4.3. Impact

Disseminated knowledge of certification has greatly expanded in Indonesia. This is particularly true for the forest community, both within the government and private sector as well as among the NGOs. The impact of the creation of the four new and now twelve PCFs in total has already been great, and is expected to be even greater in future. However, these bodies seem to be lacking in qualified forestry personnel.

Scepticism towards certification still reigns among NGOs at the national level. This scepticism is also coupled to a deeply rooted and negative attitude towards the Forestry Service, which is seen as part of the problem and not the solution to the challenges facing Indonesia's forests. Attitudes at the local (provincial) level differ, however, at least in the Riau province. Interviews conducted there revealed that scepticism was equally acute at an initial stage. However, as these NGOs have become involved in certification monitoring through the PCF and have also kept close contact with development of conflict resolution and adjudication by the CRC, attitudes have in fact changed. These NGOs are now taking a positive attitude to the certification system and process.

There are now nine certified FMUs in country, one of them is for plantations as mentioned above. Five are for natural forests, and three are for community based forest management. In addition, one forest industry operation has received a CoC certificate. Five other FMUs have filed successful applications and have thus initiated the certification process either for full certification or through the phased approach. Four of these are plantation operations. There are a further eleven FMUs that have applied for certification but have not been successful as their applications have fallen short of the requirements. It is, however, expected that these FMUs will renew their applications after having completed some necessary preparatory tasks. Nevertheless, this constitutes a minority of forest concessions in the country.

The contribution of the project towards the Development Objective, i.e. to ensure the increased availability of certified timber from sustainable managed forest, is difficult to assess as the total amount of wood removal from Indonesian forests remains unknown and official statistics are misleading.

On policy work, LEI maintains very close contact with the Ministry of Forestry with a view to improving the facilitating conditions for SFM and in particular for forest certification in the country. These efforts have been met with some, albeit, limited success. Thus, the Ministry has passed regulations to allow certified FMUs to utilize the full Annual Allowable Cut (AAC) whereas non-certified operations will only be granted a certain percentage. Also, negotiations are ongoing to create other waivers for certified operations such as easing the red tape for annual cutting permits.

In other fields, progress is very slow. Among them is the main problem concerning the confusing and highly counterproductive land tenure system with overlapping rights and claims. There are a few examples that indigenous lands (*Adat* land) have been recognized at local government levels. What is greatly lacking is the gazetting of such lands at the central government level. This also applies to traditional village lands that are not defined as indigenous lands in the strict meaning of the term. Indonesia recognizes indigenous peoples, although the country has not ratified the ILO Convention 169 on indigenous peoples.

5. Main Recommendations

For LEI:

- Revise the C&I of the system and strengthen the social functions aspect through addressing indigenous peoples' needs specifically.
- Set concrete targets for the expansion of certification within a set time horizon.

- Increase training through the use of trained trainers to produce more assessors and other certification personnel with a view to reaching certification targets above.
- Strengthened PCFs further through capacity-building and, particularly, by recruiting foresters.
- Increase efforts in bringing national NGOs including Indigenous Peoples' Organizations together for meaningful exchange of views with the private sector and the Ministry of Forestry. Conflict resolution techniques should be applied in these exercises.
- Strengthen its capacity in conflict resolution techniques and apply these techniques in resolution of conflicts in concrete cases of certification.

For the Government of Indonesia:

- The government should respond to recommendations and advice it has received over the past few years from a number of agencies to improve the situation in the forestry sector through statutory regulations for SFM, and thereby create enabling conditions for SFM and certification.
- More efforts should be done in creating financial incentives and support for training in certification.
- The government should particularly address the confusing and highly counterproductive situation pertaining to land tenure in the country as a matter of urgency. The formalization (gazetting) of the land rights of indigenous peoples (adat land) and village customary land rights should be a priority.
- Indonesia should ratify the ILO Convention 169 on Indigenous Peoples and seek assistance in the rationalization of land rights from that Convention as well as from FAO and other relevant agencies.
- The government should consider revoking all natural forest concessions as an element in the total overhaul of the land tenure system in the country.
- The forest industry should be rationalized and scaled back in accordance with the AAC and also to cater more for the domestic market rather than for export. Small scale local industries should be encouraged and supported.
- The Forestry Service needs to improve efforts to regain trust in the country.

For ITTO:

- ITTO should continue policy discussion on certification, both in Indonesia and beyond with a view to enhancing certification, and should, in particular, explore the relationship between certification and statutory regulations.
- A scientific study should also be undertaken on the existing and potential premium benefits of certification, as these remain uncertain.
- ITTO should disseminate the results of the LEI system and experiences in Indonesia, including its potentials, limitations and obstacles.