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*Committee on Development*

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**2013/0205(NLE)**

18.12.2013

# **OPINION**

of the Committee on Development

for the Committee on International Trade

on the draft Council decision on the conclusion of the Voluntary Partnership Agreement between the European Union and the Republic of Indonesia on forest law enforcement, governance and trade in timber products to the European Union

(11767/1/2013 – C7-0344/2013 – 2013/0205(NLE))

Rapporteur: Kriton Arsenis

PA\_Leg\_Consent

## SHORT JUSTIFICATION

The voluntary partnership agreement (VPA) between the Republic of Indonesia and the European Union was signed on 30 September 2013 and its purpose is to tackle trade in illegal timber by establishing a licencing system to verify the legality of timber imported into the EU under the FLEGT (The Action Plan on Forest Law Enforcement, Governance and Trade) partnership.

Amongst the partnership agreement that the European Union establishes, FLEGT agreements are the most transparent ones. FLEGT is a valuable tool in forest governance as it establishes proper consultation processes that encourage the effective participation of a wide range of stakeholders, including civil society organizations in partner countries, in policy-making and implementation. In this way, FLEGT processes strengthen the dialogue among stakeholders, defend the interests of forest and indigenous communities, increase transparency and fight corruption. At the same time FLEGT also respects the sovereign rights of producer countries, treating them as equal partners in the process.

Illegal logging undermines responsible forest management, encourages corruption and reduces income of the producer country (by estimations Indonesia lost about USD 7 billion between 2007 and 2011); it has serious economic and social implications for the poor and disadvantaged. VPA aims to tackle the root causes of illegality, which include corruption and lack of clarity about land rights.

Indonesia hosts the third largest rainforest in the world, which covers more than half of the country's land area (944 000 km<sup>2</sup>). It includes some of the last intact forests in the world which have remained free of roads. This renders Indonesian forests of global importance due to their biodiversity. At the same time, Indonesian forests are highly important for the global fight against climate change due to carbon sequestration and storage. Yet, Indonesia's annual net loss of forest area is the third highest in the world. Rapid deforestation and peat land destruction has also made it the world's third largest greenhouse gas emitter. As climate change is increasingly becoming a source of hunger, poverty, disease and emigration, this agreement is of special significance for the Committee on Development.

VPA sets new standards for the management of Indonesian forests, but its impact on deforestation may remain limited as only about 10% by the value of exports are destined to the EU. However, Indonesia is planning to use its timber legality assurance system for all exports (also outside EU) of commercial timber and timber products. Separate controls to verify the legality of imported timber are still to be developed.

Indonesia began implementing its Indonesian timber legality assurance system SVLK in September 2010 when it started a programme of audits and capacity building across the industry. The Committee on Development emphasizes the importance of SVLK being fully operational before FLEGT export licences are issued. At present, it does not live up to the standards needed to ensure the performance and integrity of the system. Wood certified under the SVLK system should be able to be traced back to a licensed forest concession or a privately-owned forest operating in compliance with Indonesian law. Indonesia's concession-granting process has been criticised by green groups and human rights organisations, which

they say has led to the conversion of valuable primary forests. At the moment, the SVLK system is not auditing forest conversions which might legitimise the process.

A recent Human Rights Watch report, “The Dark Side of Green Growth,” pointed to major shortfalls in the SVLK system, particularly its inability to protect against land tenure rights abuse as the audit process does not guarantee that permits were issued by the government on land without pre-existing land claims or that companies compensated communities for lost land or obtained free, prior and informed consent before beginning operations. Land conflicts linked to logging and plantation concessions are common in Indonesia, and this oversight represents a significant gap in the SVLK certification.

A key strength of the Indonesian SVLK system is the responsibility given to civil society groups and individuals to raise objections about the audit. However, there is a need to improve the monitoring skills and ensure the security of people undertaking this task.

The Committee on Development would like to encourage the Government of Indonesia to show a strong political will in implementing VPA in order to achieve improved forest governance and recognition of tenure rights of forest and indigenous communities.

The Committee on Development calls on the European Commission to ensure that the deficiencies of the SVLK system are eliminated and SVLK is fully operational before any FLEGT license for Indonesian timber products is issued. It is only under this condition that the Committee on Development recommends consenting to the VPA.

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The Committee on Development calls on the Committee on International Trade, as the committee responsible, to propose that Parliament give its consent.

## RESULT OF FINAL VOTE IN COMMITTEE

<b>Date adopted</b>	18.12.2013
<b>Result of final vote</b>	+: 18 -: 1 0: 0
<b>Members present for the final vote</b>	Ricardo Cortés Lastra, Véronique De Keyser, Catherine Grèze, Mikael Gustafsson, Filip Kaczmarek, Miguel Angel Martínez Martínez, Gay Mitchell, Norbert Neuser, Bill Newton Dunn, Birgit Schnieber-Jastram, Michèle Striffler, Alf Svensson, Ivo Vajgl, Daniël van der Stoep, Anna Záborská
<b>Substitute(s) present for the final vote</b>	Kriton Arsenis, Santiago Fisas Ayxela, Isabella Lövin
<b>Substitute(s) under Rule 187(2) present for the final vote</b>	Jolanta Emilia Hibner