



Contesting national and international forest regimes: Case of timber legality certification for community forests in Central Java, Indonesia[☆]



Dodik Ridho Nurrochmat^{a,*}, Arya Hadi Dharmawan^b, Krystof Obidzinski^c, Ahmad Dermawan^c, James Thomas Erbaugh^d

^a Laboratory of Forest Policy, Department of Forest Management, Bogor Agricultural University (IPB), Kampus IPB Darmaga, Bogor 16680, Indonesia

^b Center for Agriculture and Rural Development Studies (PSP3), Bogor Agricultural University (IPB), Indonesia

^c Center for International Forestry Research (CIFOR), Bogor, Indonesia

^d School of Natural Resources and Environment, University of Michigan, Ann Arbor, USA

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ABSTRACT

The Government of Indonesia (GoI) and the European Union (EU) have signed a Voluntary Partnership Agreement on Forest Law Enforcement Governance and Trade (FLEGT-VPA), which aims to prevent illegal timber products from entering the EU. This agreement recognizes a certification for timber products exported from Indonesia based on FLEGT-VPA standards and implemented through the timber legality verification system, *Sistem Verifikasi Legalitas Kayu* (SVLK). While the implementation of SVLK complies with the FLEGT-VPA, it has not dissolved pre-existing national systems for forest management and timber trade. Implementing SVLK standards amid multiple forest regimes causes redundancy of administrative procedures in forest management and timber trade in Indonesia. This redundancy, in turn, leads to decrease in cost efficiency, weak legitimation, and low effectiveness of the system, especially in community forests.

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1. Introduction

The global value of illegal logging, including timber processing, is worth between USD 30 and 100 billion, or 10% to 30% of the global wood trade (Nellemann and INTERPOL Environmental Crime Programme, 2012). Within Indonesia, illegal logging estimates vary based on the method of estimation, the source of data, and the timeframe of analysis (Dermawan et al., 2013). The direct economic loss from illegal timber and the accompanying tax evasion cost approximately IDR 25 trillion per year or about USD 2.1 billion¹ per year (Nurrochmat, 2005; Nurrochmat et al., 2012); however, there are higher estimates of total economic loss, ranging from USD 600 million to 8.7 billion annually (Luttrell et al., 2011).

Multiple studies estimate that 40% of timber products imported into the European Union (EU) from Southeast Asia (including Indonesia) and China originate from illegal sources (Giurca, 2013; Hirschberger, 2008). To curb illegal timber circulation in the European market, the Government of Indonesia (GoI) and the EU signed a Voluntary Partnership Agreement on Forest Law Enforcement Governance and Trade

(FLEGT-VPA) on September 30th, 2013. The FLEGT-VPA aims to prevent the trade of illegal timber by ensuring that the EU imports only verified legal timber and timber products. This partnership agreement includes a licensing system for timber products exported from Indonesia to any of the twenty-eight EU member states, based on the timber legality verification system named *Sistem Verifikasi Legalitas Kayu* (SVLK). SVLK is thus a contemporary policy mechanism by which the international forest regime implements timber legality verification in Indonesia.

Referring to the argument of different interests in forest management (Krott, 2005), though SVLK is a product of the international forest regime, its effectiveness needs to be evaluated alongside existing governance systems for forest management and timber trade. We define the international forest regime as the totality of norms, rules, principles, standards and procedures, expressed through international instruments and other acts (Humphreys, 1996, 2006; Tarasofsky, 1999). Recent scholarship considers three different alternatives with regard to the international forest regime (Giessen, 2013). The first interpretation is that an international forest regime does not yet exist. The second interpretation is that there exists an international forest regime, comprised of hard regulatory instruments, soft law, and private international law. The third interpretation is that in place of an international forest regime, there is a more fragmentary set of overlapping laws and policy instruments collectively titled an international forest regime complex. Following the dominant interpretations in recent discussions on the

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* Corresponding author. Tel./fax: +62 251 8623805.

E-mail addresses: dnurrochmat@ipb.ac.id, dnrochmat@yahoo.com (D.R. Nurrochmat).

¹ Using the exchange rate of 1 USD = IDR 12,195.

international forest regime (Glueck et al., 2010; Rayner et al., 2010), this study discusses the implication of forest regime complex in Indonesia.

The FLEGT-VPA agreement requires internationally supported and approved timber verification regulation within Indonesia (The European Union and the Republic of Indonesia, 2013). The SVLK policy instrument exists and operates among several other regulatory instruments for governing forest management and timber trade in Indonesia. These existing instruments include the sustainable production forest management certification system (*Pengelolaan Hutan Produksi Lestari/PHPL*), the log legality note (*Surat Keterangan Sahnya Kayu Bulat/SKSKB*), and the timber origin note (*Surat Keterangan Asal Usul Kayu/SKAU*). An assessment of SVLK effectiveness must also consider existing private forest governance systems (voluntary certifications) for sustainable forest management, including the Indonesian Ecolabel Institute (*Lembaga Ekolabel Indonesia/LEI*) and the Forest Stewardship Council (FSC).

This proliferation of regulatory instruments stems from the difficulty in addressing illegal timber production. Formulating an appropriate policy to combat illegal logging is not easy because of the multiple definitions of illegal timber production. Illegal logging is defined by Smith (2002) as timber harvesting-related activities that are inconsistent with national or sub-national laws. However, “illegal logging” could also encompass other illegal practices throughout the range of activities from wood harvesting and transport to industrial processing and trade (Chan, 2010; Tacconi, 2007). Within the Indonesian context, these definitions of illegal timber production are intended to address logging concessions or “unmanaged” state forests. To date, more than 40 millions ha of state forests have been deforested (Ministry of Forestry, 2011), and a large part of them are not properly managed or lacking supervision (Indrarto et al., 2012; Nurrochmat et al., 2012). Counter to this trend, forest area in Java is increasing.

The Island of Java is undergoing a period of afforestation, led by the efforts individuals who plant trees on their own land for economic and ecological reasons (Kallio et al., 2011, 2012; Roshetko et al., 2013). This afforestation is accompanied by increased development for community forests, and it has been traced to better prices for locally produced wood and processes of deregulation that simplify procedures for bringing timber to market (Dharmawan et al., 2013; Nurrochmat et al., 2013; Putri, 2013; Roshetko et al., 2013). In this text, “community forest” refers also to small-scale private forests (*Hutan Rakyat/HR*) and community based forest management (*Pengelolaan Hutan Berbasis Masyarakat/PHBM*).² The most common forms of community forests found in Central Java are small scale, private forests (HR); in the last two decades, the number of small-scale private forests (HR) in Java have increased from 1.9 million ha in 1993 to 2.7 million ha in 2009 (Suprpto, 2010). Timber from HR contributed to more than 75% of the wood for the major timber industries within Jepara, Central Java (Hadiyati, 2011). While the community forests of Java represent an increasingly important source of Indonesian timber, they are outside the context in which the above definitions of illegal logging are most often applied (Nomura, 2008).

Illegal logging is not the main concern for community forests in Central Java, mainly due to stronger forest property rights and better supervision than forest areas in the outer islands (Nomura, 2008; Nurrochmat et al., 2013, 2014). In many cases, however, timber produced from community forests goes unrecorded, and is thus considered illegal, because the term “illegal timber” also refers to timber traded without formal documents (Nurrochmat et al., 2013; Smith, 2002). This definitional confusion is an important issue for debates over policing illegal timber from community forests (Dharmawan et al., 2013). Further, differences between the legal needs of community forests in Java, contemporary Indonesian forestry policy, and the implementation of SVLK create regulatory difficulties. This research addresses those difficulties through an

examination of Indonesian forest policy, as enacted within community forests of Java.

In this text, we evaluate three questions to consider how the FLEGT-VPA interacts with pre-existing systems of forest governance within Indonesia. These questions are: (1) What are stakeholders’ perceptions of and conflicts of interests for on-the-ground implementation of SVLK? (2) What are the dialectics of legality and legitimacy of SVLK as a mandatory certification policy compared to the existing national policies regulating community timber trade? and (3) Is SVLK, as a forest policy introduced by the international forest regime, effectively implemented amid the local contexts of community forests and timber trade in Central Java, Indonesia?

2. Theoretical background and methodology

2.1. Theoretical background

2.1.1. Legality, legitimacy, and effectiveness of forest governance

“Raised public concern in the EU about the legality of its timber imports has pushed the European Commission to raise its standards and legality demands for timber imports” (Giurca et al., 2013, p. 730). As a forest governance regime, SVLK is comprised of “policy approaches and instruments by which governments regulate forest management to protect environmental and other forest values” (Wilkinson et al., 2014, p. 1). Thus, issues of compliance and enforcement of SVLK are central to its effectiveness and “are critical to closing the gap between policy intent and on-ground outcomes in forest management” (Wilkinson et al., 2014, p. 1).

The success of any forest regulatory system is principally determined by the relevance of its prescribed policies and practices to regulatory objectives. It is also important to consider the values (e.g. norms, culture, social behavior) which shape these prescriptions, the costs of regulation, and the degree to which society and markets have trust and confidence in the system (Wilkinson et al., 2014).

The term legality mostly addresses the role of the state and focuses on law enforcement; however, a broader interpretation of legality can include issues of participation and sustainability (van Heeswijk and Turnhout, 2013). Understanding legitimization processes for private (or international) governance initiatives requires a multi-dimensional approach. Three aspects provide an improved understanding of such governance process: “legality, moral justifications, and consent/acceptance” (Schouten and Glasbergen, 2011, p. 1891). These aspects are applied in an analysis of the process for creating legitimacy of certain private (or international) governance initiatives. The institutionalization of private (or international) governance creates new global governing patterns, which raises questions about their legitimacy. Legitimacy refers to “justifications of authority” (Schouten and Glasbergen, 2011, p. 1891). It is, according to Suchman (1995, p. 574), “a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed systems of norms, values, beliefs and definitions”. Legitimacy contributes to the effectiveness and stability of institutions, and is regarded as a fundamental condition for rule acceptance. Thus, assessing the effectiveness of SVLK requires an evaluation of its role in resolving the problem of illegal logging and the broader consequences the instrument has for on-the-ground practices (see Auld et al., 2008). Considering Auld et al. (2008) and following Schouten and Glasbergen (2011), Suchman (1995), and Wilkinson et al. (2014), this research evaluates three factors that measure the effectiveness of forest governance regimes: first, the relevance of regulatory policies (legality); second, the degree of trust and confidence toward the system (legitimacy); and third, the cost of regulation (profitability).

2.1.2. Conflicting interests of different forest regimes

As part of an international forest regime, FLEGT-VPA is not immune to political interests. Referring to Glueck’s theory, Krott (2005, p. 8)

² The PHBM is applied in the district of Randublatung, Blora. Therefore, this research considered to refer “community forest” as a broader term for “private forest” and PHBM.

argues that interest is a driving force of politics. He states, “interests are based on action orientation, adhered to by individuals or groups, and they designate the benefits (an individual or a group) can receive from a certain object”. Krott further explains: “In many cases forest products are intended to make a profit, and the socio-political field is called upon to fairly distribute the burden of forest maintenance”.

SVLK provides a good example of the realization of interests in timber production and trade. It requires “both a correct estimate of the ecological production potential of the forest and a financial evaluation of the economic productivity of timber sales” (Krott, 2005, p. 9). These interests can be traced back to certain stakeholders, because they indicate benefits from which a stakeholder can profit. Considering Maslow's theory, Krott (2005, p. 11) argues that interests are also highly influenced by individual needs, which are “derived from the psychological and biological factors of humankind.” Thus, interest in SVLK changes according to an individual's needs; buyers' (EU consumers), timber industries', timber traders', and timber tree growers' (farmers) interests will vary according to how SVLK affects their needs.

Forest certification is one of the most important contemporary tools to measure forest management sustainability. Correia (2010, p. 69) states that forest certification is not always associated with increasing the profitability of forest business, but has “emerged as a form of green branding of forest management and forest products.” That is, in practice forest certification can be used as a method to reinforce control over production processes rather than increasing financial benefits. In Indonesia, SVLK is implemented together with the existing national forest governance and other certifications that, to some extent, are not fully compatible (Nurrochmat et al., 2013; see also Cashore and Stone, 2012). The conflicts among different forms of certification reflect the struggle to define standards of forest governance and “the political legitimacy and authority to remake (or defend) production practices” (Correia, 2010, p. 69). Conflicts are not only related with the standards of forest governance, but also with the contestation between private and public goals (Auld et al., 2008) as well as local and global interests (Cashore and Stone, 2012). The private goals of actors might conflict with public goals, potentially leading to an accountability conflict. “Additional complications arise when private (or international) governance initiatives designed in one part of the world address issues in another part of the world” (Schouten and Glasbergen, 2011, p. 1891).

2.2. Methodology

2.2.1. Selection of research area

We conducted research in the three regencies of Wonosobo, Wonogiri, and Blora in the province of Central Java. The majority of the forest estate within Central Java is covered by teak plantation forest, managed by the state owned forestry company (*Perhutani*) and various types of community forests (Ministry of Forestry, 2012a). The number of community forests has increased over the last decade, due in part to the greening movement and forest rehabilitation programs that have existed since the 1970s (Suprpto, 2010). We selected Central Java because of its large population, increase in forest rehabilitation programs, and importance to the Indonesian timber trade. All of these factors may become standard across Indonesia, as populations increase and further efforts are made to rehabilitate Indonesian forests. Further, the unique qualities of Central Java have led to the co-existence of multiple forest certification options that are, and will be, implemented across the Indonesian Archipelago.

2.2.2. Methods of data collection

We collected primary and secondary data for this research from January to August 2012. Primary data was gathered through key-informant interviews and Focus Group Discussions (FGDs). We conducted key-informant interviews with forest farmer households (HH), timber traders (T), and timber industries (I). We sampled interviewees via snowball sampling. We conducted FGDs in two steps: first, a discussion

at the site level (in six locations) and second, a discussion at regency level (in three regencies). The stakeholders who participated in FGDs represent forest farmers, timber traders, timber industries, the state owned forestry company (*Perhutani*), forest farmer group representatives, village leaders, cooperatives, and forest administrations. The secondary data within this study is comprised of official reports, documents from statistical bureaus, and other relevant data sources used to cross-check and inform primary data.

In each regency, we conducted research in two locations with different “statuses” of forest management certifications. Community forests in the district of Blora (Blora) and Jonggolsari (Wonosobo) were regulated according to SVLK standards, Randublatung (Blora) was regulated by FSC standards, and LEI standards guide regulation in Giriwoyo (Wonogiri). Community forests in Batuwarno (Wonogiri) and Besani (Wonosobo) were not yet certified. In total, we interviewed 240 farmers (eighty respondents in each regency, forty respondents in each location) and forty key stakeholders (twenty in a regency, ten in each location) active in timber trading and timber industries. In addition, we conducted nine FGDs, one in a specific location and once in each regency (Fig. 1).

2.2.3. Measuring legality and legitimacy of forest regimes

SVLK and the existing regulations for forest management certifications of PHPL, LEI, and FSC (on forest procedures), as well as timber trade administrative procedures of SKSKB, SKAU, and FAKO (off forest procedures) are forest regimes that we have selected to evaluate. We evaluate legality and legitimacy of those forest regimes using the position of each system in a cross-sectional matrix, which connects the level of legality and the level of legitimacy. The level of legality is measured by criteria using a Likert scale (Table 1).

The level of legitimacy measures how acceptable stakeholders consider the different forest regimes to be. A low score indicates less acceptance (Table 2).

3. Results and discussions

3.1. Results

SVLK simultaneously regulates multiple systems of forest management (on forest) and timber trade (off forest). Prior to the SVLK, the GoI has been implementing several instruments to examine the sustainability of forest management practices and the legality of timber trade.³

3.1.1. Stakeholders' perceptions of SVLK as a sustainable forest management instrument

There are two basic approaches that implement regulations for sustainable forest management in Indonesia: mandatory and voluntary instruments. Starting in 2002, the Indonesian Government adopted a mandatory certification approach based on independent assessments of criteria and indicators (Giurca, 2013; International Tropical Timber Organization, 2011b), named sustainable production forest management (PHPL) (Nurrochmat et al., 2013). This certification is mandatory for logging concessions, but not for community forests. Although this instrument is not an obligation for community forests, the principles of PHPL have to be practiced for community forest management units which are interested to implement SVLK.

Besides mandatory instruments, there are a host of voluntary certifications based on both national and international standards of sustainable forest management. The Indonesian Ecolabel Institute (LEI) is a reputable national agency that began in the 1990s and promotes national standards for sustainable forest management. For actors within forest

³ According to Forestry Law 41/1999 Paragraph 50 (3), point h, the legality of forest products is embedded with the “*surat keterangan sahnya hasil hutan*” (the legality note of forest products) along the processes of transporting, holding, and possessing forest products.

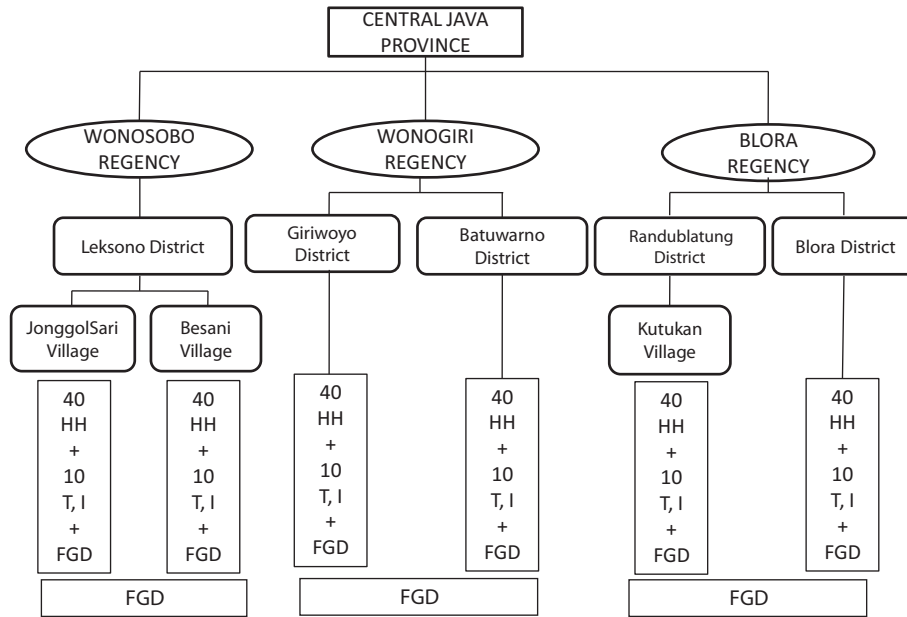


Fig. 1. Distribution of interviewed respondents and Focus Group Discussions.

management units who want to implement internationally recognized voluntary certification for sustainable forest management, the Forest Stewardship Council (FSC) provides a viable option (Table 3).

The forest administration in Blora considered PHPL to be very important because it is mandatory for teak forests managed by *Perhutani*. PHPL is also important for Wonosobo's administration because it is required for the SVLK certification applied there. The forest administration in Wonogiri considered PHPL to be fairly important because it supports the existing system of LEI certification. However, the direct actors in Wonosobo, Wonogiri, and Blora believe that the instruments of PHPL are unimportant because they aren't mandatory. In addition to the existing mandatory and voluntary instruments for forest management, SVLK has been officially used as a mandatory instrument for examining the legality of all forest management units, including community forests, since 2012 (MoFor Reg. No. 45/2012 (Ministry of Forestry, 2012d)). The Ministry of Forestry (MoFor) holds that SVLK is a pivotal instrument to ensure the legality of forest management practices, and this will improve the legitimacy of Indonesian timber products within the international market, especially EU countries. However, local forest administrations at the regency level do not always share the MoFor's beliefs. Local forest administrations opine that SVLK certification is fairly important because, though timber legality verification for community forests (all trees that grow in private lands) is beyond the tasks of official forest authority, these forests support the sustainability of ecosystem and contribute timber resources (Table 4).

Except for the two farmer groups that attained the SVLK certificate in Wonosobo and Blora, other stakeholders considered SVLK to be unimportant. Forest administrations are implementing or going to implement SVLK just because they required to by the central regulation.

They believe that SVLK will give them unnecessary, additional tasks. Most stakeholders believed that SVLK is actually less important (not or fairly important) because it causes many redundancies with the existing administrative procedures (see also Cashore and Stone, 2012; van Heeswijk and Turnhout, 2013). Giurca et al. (2013, p. 739), also found that respondents from Indonesia believed the EU has “too many regulations”. These Indonesian respondents preferred to focus on local markets or, “Indonesia will see other potential countries to trade their timber with less regulation but continuously buying the products”. Monument (2012) reported that in 2012 totally more than 1.4 million ha of Indonesia forests were certified by FSC, the second largest certified forest area in Asia after China. Although “the certified forest area in Indonesia was growing, exports to the EU were decreasing” (Giurca, 2013, p. 20).

3.1.2. Legality and legitimacy status of forest governance systems in Indonesia

The GoI has introduced several instruments to govern community forests and its timber trade. The first instrument, SKAU, is a note issued by Village Head and is intended to document timber originating from community forests. The second instrument, SKSKB-Cap KR, was proposed to regulate teak and mahogany originating from community forests in order to differentiate them from the same kinds of timber planted in state-owned forests. However, SKSKB-Cap KR created a high cost economy and became a disincentive for smallholders. Therefore, on July 20th, 2012 the GoI dissolved the SKSKB-Cap KR in the MoFor Reg. No. 30/2012 (Ministry of Forestry, 2012c). These regulations set several procedures for community timber trade (Table 5).

Table 1
Criteria for measuring legality of forest governance systems.

Criteria for high legality	Point	Criteria for low legality	Point
Explicitly stated in the national constitution	5	Standards and institution are registered nationally	-1
Directly regulated by laws	4	Institution is registered nationally	-2
Regulation derived from laws	3	Institution is not registered but the standards support the national legal system	-3
Regulation derived indirectly from laws	2	Institution is not registered and the standards do not support the national legal system	-4
Regulated by other national regulations	1	Institution and/or the standards go against the national legal system.	-5

Table 2
Criteria for measuring legitimacy of forest governance systems.

Criteria for a high legitimacy	Point	Criteria fo a low legitimacy	Point
All stakeholders accept the system	5	One kind of stakeholder is against the system	–1
One kind of stakeholder does not accept the system	4	Two kinds of stakeholders are against the system	–2
Two kinds of stakeholders do not accept the system	3	Three kinds of stakeholders are against the system	–3
Three kinds of stakeholders do not accept the system	2	Four kinds of stakeholders are against the system	–4
More than three kinds of stakeholders do not accept the system	1	More than five kinds of stakeholders are against the system	–5

These new administrative procedures give more authority to Village Heads and farmer group leaders, who are the authorities that issue notes of origin for a community's timber trade (Ministry of Forestry, 2012c; Nurrochmat et al., 2013). According to the Village Law No. 6/2014 (Government of Indonesia, 2014), in certain cases a village leader could be also being a traditional leader. When this exists, the recognition of the role of traditional leaders as custodians of forest communities by the state is necessary for minimizing overlapping responsibilities and decreasing the conflicts and ambiguities that continue to propagate illegality within the system (Alemagi and Kozak, 2010).

Both direct actors and forest administration perceive existing national governance systems of timber trade (SKAU, SKSKB, and FAKO) as having a strong or moderate legitimation, because they contain strong legal basis and are currently in use. It is worth noting, however, that local forest administrations commonly prefer using SKSKB for teak and mahogany, as these species are also planted in state-owned forest of *Perhutani*, rather than SKAU. On the contrary, SVLK, as a newly introduced set of regulations, is generally perceived as less legitimate. Perceptions within Wonosobo and Blora serve as exceptions to the general belief in the illegitimacy of SVLK; Wonosobo and Blora

Table 3
Stakeholder perceptions of the existing sustainable forest management instruments in Indonesia.

Instrument	Substance	Regency	Stakeholder	Perception ^a
PHPL	Practicing sustainable management of forest	Wonosobo	Direct actors:	Fairly important
			– Farmers	Not relevant
			– Traders	Fairly important
		Wonogiri	Forest administration	Important
			Direct actors:	Not relevant
			– Farmers	Not relevant
		Blora	– Traders	Not important
			– Industries	Fairly important
			Forest administration	Fairly important
FSC	International market access for timber from sustainable forest	Wonosobo	Direct actors:	Fairly important
			– Farmers	Not relevant
			– Traders	Not relevant
		Wonogiri	– Industries	Not relevant
			Forest administration	Very important
			Direct actors:	Not important
		Blora	– Farmers	Not important
			– Traders	Not important
			– Industries	Not important
LEI	Nationally recognized sustainable forest management	Wonosobo	Forest administration	Not important
			Direct actors:	Not important
			– Farmers	Not important
		Wonogiri	– Traders	Not important
			– Industries	Not important
			Forest administration	Not important
		Blora	Direct actors:	Fairly important
			– Farmers	Not important
			– Traders	Not important
	– Industries	Not important		
	Forest administration	Fairly important		
	Direct actors:	Not important		
	– Farmers	Not important		
	– Traders	Not important		
	– Industries	Not important		
	Forest administration	Not important		

^a Notes: Actors report “very important” if the respective standard is part of the existing system, “important” if the standard is requested for implementation within the existing system, “fairly important” if the standard supports the existing system, “not important” if the standard is unnecessary, and “not relevant” if the standard is not proposed for use in the existing system.

Table 4
Stakeholder perceptions of SVLK as a sustainable forest management instrument.

Instrument	Substance	Regency	Stakeholder	Perception ^a
SVLK as a sustainable forest management instrument	Practicing sustainable forest management to obtain market access to EU member states	Wonosobo	Direct actors:	
			– Farmers	Fairly important
			– Traders	Not important
			– Industries	Fairly important
		Wonogiri	Forest administration	Fairly important
			Direct actors:	
			– Farmers	Not important
			– Traders	Not important
		Blora	– Industries	Not important
			Forest administration	Fairly important
			Direct actors:	
			– Farmers	Fairly important
	– Traders	Not important		
	– Industries	Fairly important		
	Forest administration	Fairly important		

^a Notes: Actors report “very important” if the respective standard is part of the existing system, “important” if the standard is requested for implementation within the existing system, “fairly important” if the standard supports the existing system, “not important” if the standard is unnecessary, and “not relevant” if the standard is not proposed for use in the existing system.

both have marketing agreements with export-oriented timber industries to trade SVLK certified timber. Actors other than those already involved in export-oriented agreements reported SVLK as having low legitimation.

3.1.3. The current status of the SVLK implementation in the research sites

The forest farmer association of “Jokomadu” in Jonggolsari (Wonosobo) and “Jati Mustika” in Blora are the only two community forest groups within the research site that received SVLK certification. Although they were not (yet) implementing SVLK, some community forests were participating in a voluntary certification for sustainable community forest management based on national standards of LEI in Giriwoyo (Wonogiri), and some community forests are adhering to internationally recognized forest management standards of FSC in Randublatung (Blora) (Table 6).

3.2. Discussions

3.2.1. Conflict of interests toward SVLK

Krott (2005) argues that prior to evaluating the implementation of political regulations, it is important to understand the formal and informal interests of stakeholders. As a political regulation, SVLK would be implemented well if and only if it has high acceptability from stakeholders. Stakeholders include, but are not limited to, actors within the Ministry of Forestry (MoFor), local government officials, forest farmers, forest farmer groups, timber traders, employees and owners of timber processing industries, and employees within Non-Governmental Organizations (NGOs).

The MoFor considers SVLK to be the best way to continue access for Indonesian timber products in the EU countries. Thus, SVLK is obligatory for all forest management units and timber industries, including timber originating from community forests. In direct opposition to the MoFor, local governments are generally not interested in SVLK implementation. They accepted SVLK simply because it is centrally mandated. Accepting SVLK due to its mandatory status reflects the most common formal interest regions have for its implementation. This formal interest often differs from informal interests. Local government usually supports the trial phase of SVLK in order to maintain a “positive image”, in addition to the “hidden agenda” of collecting financial benefits from the central government’s subsidiary SVLK scheme. The regency officials may also have an informal interest in increasing grassroots support for the next election, as SVLK trial projects usually come with community empowerment programs. Further, many local governments did not object to SVLK trial projects because, at this stage, the local government doesn’t bear the cost for these projects. Despite their initial support, however, local

governments generally object to SVLK when they have to bear financial responsibilities for its implementation.

Farmers who accept SVLK usually argue that, as good citizens, they have to obey government rules. Farmers also express that participating in SVLK improves awareness of the environment, updates information about group activities, improves knowledge, and/or strengthens their networks. Besides those formal interests, farmers often expressed informal interest in SVLK, seeking to increase income and self-actualization. However, like local governments, farmers generally object to SVLK projects if there are extra costs they have to bear.

Similar to individual farmers, forest farmer groups who want to implement SVLK also seek to increase their knowledge. These groups also seek to foster a spirit of togetherness through participation in SVLK training programs. Forest farmer groups have an informal interest in SVLK projects, as they receive financial subsidies for participating in these projects. Without financial support, they report not wanting to participate in SVLK certification.

Traders in Wonosobo, Wonogiri, and Blora typically sell their timber products in local markets, and so are not interested in SVLK. In local markets, the price of timber is determined only by volume and quality. While some traders will accept SVLK certified timber and pay a slightly higher price for it, in order to foster a “better company image” (see also Giurca, 2013, p. 21), this formal interest is subject to some doubt. The informal interests these traders have for SVLK are, perhaps, more reasonable. Traders receive timber of higher quality through SVLK certified producers; most traders do not want to pay more for timber of same quality, regardless of company image. Thus, the SVLK certificate has very little influence on the selling price of timber within the local market.

The timber processing industries, which are mostly oriented toward local markets, cared little about the SVLK certificate. However, a small number of export-oriented timber processing industries did report that SVLK certification is important. These export-oriented industries will buy SVLK certified timber at a higher price because they have to meet the requirements from overseas buyers. While this formal interest seems benign, it is also subject to hidden interests. Mandatory enforcement of SVLK may change the structure of the timber market, where only a small number of timber processing industries that are willing to buy certified timber at a higher price can continue to operate. This situation may significantly reduce the number of industries, and may lead local oligopsony, or monopsony. In a market dominated by oligopsony or monopsony, smallholders have a weak bargaining position (Nurrochmat et al., 2013; Putri, 2013). These hidden interests of the certified timber processing industries seem to be more important than their formal interests.

Table 5
Legality and legitimacy of forest governance systems in Indonesia.

Documents	Substance	Regency	Stakeholder	Legitimacy ^a	Legal basis
SKAU	Recognizing origin of timber produced from community forests	Wonosobo	Direct actors:		Forestry Minister Regulation, following Forestry Law 41/1999
			– Farmers	Strong	
			– Traders	Strong	
		Wonogiri	– Industries	Strong	
			Forest administration	Moderate	
			Direct actors:		
		Blora	– Farmers	Strong	
			– Traders	Strong	
			– Industries	Strong	
SKSKB	Recognizing log legality produced from state forests	Wonosobo	Direct actors:		Forestry Minister Regulation, following Forestry Law 41/1999
			– Farmers	Not relevant	
			– Traders	Strong	
		Wonogiri	– Industries	Strong	
			Forest administration	Strong	
			Direct actors:		
		Blora	– Farmers	Not relevant	
			– Traders	Strong	
			– Industries	Strong	
FAKO	Recognizing origin of processed timber	Wonosobo	Direct actors:		Forestry Minister Regulation, following Forestry Law 41/1999
			– Farmers	Not relevant	
			– Traders	Not relevant	
		Wonogiri	– Industries	Strong	
			Forest administration	Strong	
			Direct actors:		
		Blora	– Farmers	Not relevant	
			– Traders	Not relevant	
			– Industries	Strong	
SVLK as an additional legal attribute for timber	Recognizing timber legality to obtain market access to EU member states	Wonosobo	Direct actors:		Forestry Minister Regulation, according to Voluntary Partnership Agreement (VPA) with EU at ministerial level (without parliament ratification).
			– Farmers	Moderate	
			– Traders	Weak	
		Wonogiri	– Industries	Moderate	
			Forest administration	Moderate	
			Direct actors:		
		Blora	– Farmers	Weak	
			– Traders	Weak	
			– Industries	Weak	
Blora	Forest administration	Moderate			
	Direct actors:				
	– Farmers	Moderate			
Blora	– Traders	Weak			
	– Industries	Moderate			
	Forest administration	Moderate			

^a Notes: Actors report “strong” legitimacy if the system is fully accepted, “moderate” if the system is partly unaccepted, “weak” if the system is mostly unaccepted, and “not relevant” if the system is not applied.

NGOs support SVLK because it seems to combine an eco-friendly scheme of forest management with attention to community empowerment. This is the most common formal interest NGOs provide for their support of SVLK. However, informal NGO interests are probably based on different reasons. NGOs which are involved in preparing SVLK certification for community forests usually receive funding. They use these funds to deliver capacity development for the farmers, to prepare them for SVLK eligibility. Also, some NGO activists use empowerment programs to increase local popularity and use this popularity to support

politicians sympathetic to their organization; this is especially significant, with the 2014 local parliament elections. These informal interests help explain why environmentally friendly schemes and good community empowerment programs associated with SVLK do not, in some cases, continue beyond a funding or election period.

3.2.2. Contesting the legality and legitimacy of SVLK

The FLEGT was adapted within the Indonesian Legal System (ILS) and served as a basis for the agreement between EU and the Republic

Table 6
The current status of SVLK implementation in Wonosobo, Wonogiri, and Blora.

Regency	Instrument	Location	Status
Wonosobo	Forest management	Jonggolsari Besani	Certified-SVLK Not certified
	Timber legal attributes	Jonggolsari Besani	SKAU SKAU
	SVLK	Jonggolsari Besani	Valid Not valid
Wonogiri	Forest management	Giriwoyo	Certified-LEI
	Timber legal attributes	Batuwarno	Not certified SKAU
	SVLK	Batuwarno Giriwoyo	SKAU Not valid
Blora	Forest management	Randublatung	Certified-FSC
	Timber legal attributes	Blora	Certified-SVLK
	SVLK	Randublatung Blora	SKSKB, SKAU SKAU
		Randublatung Blora	Not valid Valid

of Indonesia (RI) for SVLK implementation. The SVLK is a mandatory instrument that assures the legality of timber from Indonesia entering the EU market. On the supply side, Indonesia is the most important timber producing country in Southeast Asia, and so is an important export partner that supplies different markets throughout Europe (Giurca, 2013; International Tropical Timber Organization, 2011a). Ministry of Forestry (2012a) reports that total production of logs is about 42.4 million m³. This is equivalent to approximately 30.6 million m³ or 29.0 million tons of timber products, considering an average efficiency of 0.72 for timber processing (Alviya, 2011) and the conversion index of 1.052 (m³ per ton) for mixed woods (Ministry of Forestry, 2010). According to the Ministry of Trade (2013), Indonesia exported 12.3 million tons of timber products in 2012, worth USD 10.02 billion. Of that total export, 596.28 thousand tons went to the EU, worth USD 934.86 million. In terms of volume, timber products exported to EU account for only 2.1% of the total market share for processed Indonesian timber (Fig. 2).

Problems with SVLK arise not because it regulates timber products exported to EU countries, but because it is a mandatory regulation system for all forest management units and timber processing industries. This national enforcement results in a high cost economy, which decreases product competitiveness and forces the domestic consumer to pay more (compare to Cashore and Stone, 2012). The effectiveness of SVLK as a mandatory certification scheme for non-EU market is thus questionable, especially because the existing national forest governance systems – PHPL, SKAU, and FAKO – remain valid. Thus, the real problem

is not an absence of national forest governance systems, but the weak trust EU policymakers and consumers have for Indonesian legal systems. SVLK, as an internationally approved policy regime, fills the gap of trust between EU policymakers and consumers and Indonesia's governance systems for forest management and timber trade. Since SVLK is recognized by FLEGT-VPA, Indonesian timber products will be in compliance with the EU Timber Regulation and, therefore, there is no need to conduct additional due diligence processes on timber legality when exporting to EU countries. In this way, SVLK strengthens the legitimacy of legality for Indonesian timber products in the EU market.

The legitimization of SVLK in the local market is, however, opposite international perspectives. Farmers, traders, and timber industries widely believe that SVLK will not be applied within the local timber market, especially for timber originating from community forests. They agree that legality is of primary importance, but believe that legality verification for forest management and timber products is not singularly contingent upon SVLK regulation. They argued that, with or without SVLK, all timber cutting and trading must follow the existing legal policy, as per national laws. Instead of an SVLK certificate, legal documents from SKAU, SKSKB, or FAKO must accompany timber products that are traded within the domestic market. Traders can be punished for selling timber from community forests without SKAU documentation, just as timber industries that sell products without FAKO can also face penalties. These infractions are clearly stated in Indonesia Forestry Law No. 41/1999 (Government of Indonesia, 1999) and related regulations, e.g. MoFor Reg. No. 8/2009 (Ministry of Forestry, 2009a), MoFor Reg. No. 17/2009 (Ministry of Forestry, 2009b), MoFor Reg. No. 9/2012 (Ministry of Forestry, 2012b), and MoFor Reg. No. 30/2012 (Ministry of Forestry, 2012c). Thus, the level of legality for existing governance systems is currently stronger than that of SVLK.

SKAU, SKSKB, and FAKO are the legal regulatory instruments of forest governance systems that refer to, or are derived from, laws enacted by the central government after the approval of national parliament. From the view of the national legal system, the legality of SVLK, which refers to the ministerial level agreement, is of lesser importance than those regulatory requirements derived from laws (Fig. 3).

Only export-oriented timber industries believe that the existing national forest governance systems are illegitimate; they may therefore see SVLK regulation as a worthwhile regulatory instrument for strengthening legitimization of timber products. Other stakeholders are mostly opposed to mandatory SVLK certification. This low legitimization of SVLK reflects weak trust from the majority of stakeholders toward the internationally sanctioned governance system. The level of legality suggested in Fig. 3 is based on the conformity of each regime to the national legal frame. Legitimacy refers to the acceptability of each regime according to the local stakeholders. In this context, legitimization cannot

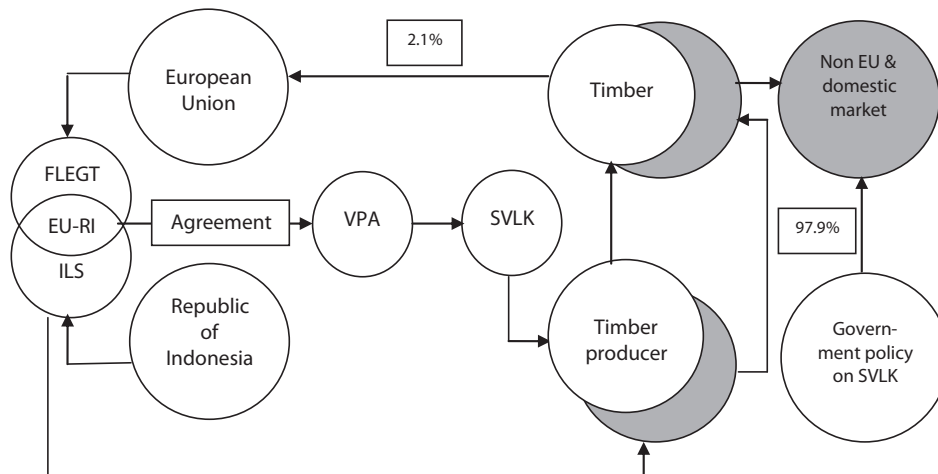


Fig. 2. Implication of SVLK as an introduced international forest regime in Indonesia.

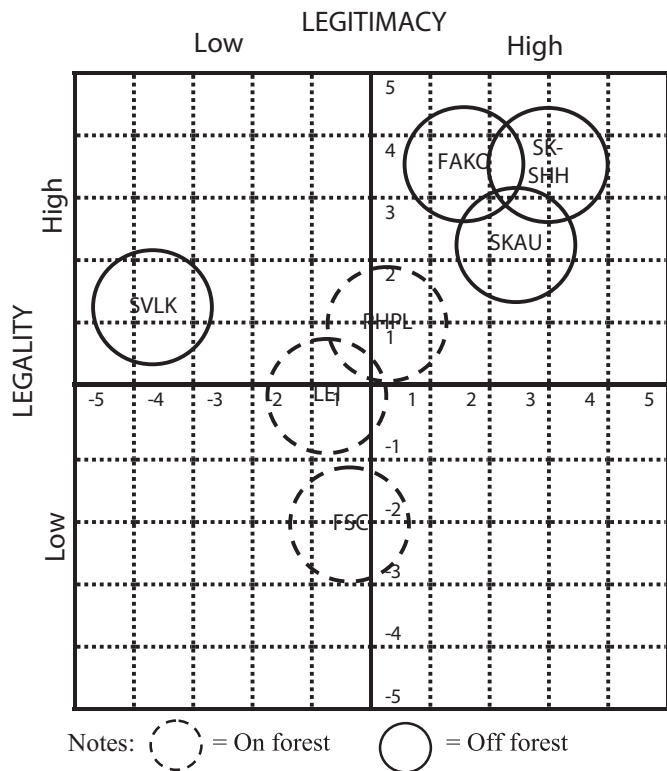


Fig. 3. Levels of legality and legitimacy of SVLK and the existing legal attributes of Indonesian forest management and timber trade.

be explained by the need for local stakeholders to reaffirm commitment to national sovereignty because of meta-governance processes, e.g. the definition of norms and the rules of the game, of these certification regimes are defined without them and outside their preferences and influence arena.

3.3. Evaluation toward the effectiveness of SVLK

There are three main factors influencing the effectiveness of SVLK: (1) profitability, (2) legality, and (3) legitimacy. This research evaluates the position of both legality and legitimacy of SVLK as compared to existing regulatory procedures for forest management (PHPL, LEI, FSC) and timber trade (SKSKB, SKAU, FAKO). In addition to the level of legality and legitimacy, if the benefits of SVLK are higher than the costs spent for the mandatory certification, it may also be considered effective (Fig. 4).

One of the most common reasons for why SVLK has low legitimization in the local market is because it results in greater costs. Subsidies are required to make SVLK feasible for timber products bought and sold in local markets. These subsidies can come from international donors, as well as from a budget allocation from central or local government. The MoFor has subsidized 53 forest farmer groups and small scale timber industries who were preparing for SVLK in the year 2013, providing IDR 40 million (USD 3280) per group.⁴ The MoFor also issued the MoFor Reg. No. 13/2013, which allocates a budget of approximately IDR 20 million (USD 1640) for the SVLK certification to each forest farmer's group (Ministry of Forestry, 2013). However, the total ministerial budget for subsidies is not yet sufficient to finance all certification costs. SVLK certification ranges in price from IDR 50–80 million (USD 4100–6560) and is valid for ten years. The cost for surveillance (re-auditing) is about IDR

10 million biennially (MoFor Reg. 45/2012 (Ministry of Forestry, 2012d); Putri, 2013). Additionally, these estimates do not include the costs of preparation prior to SVLK certification, including the completion and filing of legal documents for land ownership, officially registering a forest farmer group as a formal organization, administering documents and transportation, and the costs of capacity building and maintenance. To meet these preparatory burdens, local governments may have to provide financial support for the implementation of SVLK for community forests. However, allocating subsidies for SVLK in the regional government budget (APBD) is not easy because it requires approval from local parliament (DPRD). This approval can be difficult to obtain, as members and political parties within local parliament would have to approve the expenditure. Allocating subsidies for SVLK may sacrifice other, potentially more popular or attractive, budget allocations.

Cost is not the only reason for farmers to refuse SVLK. SVLK implementation requires group approval of a forest management system. Many farmers do not approve of a group management system because they grow and harvest trees as a financial safety net, selling timber when they need cash. The harvesting time and number of trees that will be sold often depends on the amount of money needed by individual farmer, not on management decisions made by the forest farmer group. Some forest farmer groups in Bora and Wonosobo have taken the initiative to form a cooperative that provides funding to buy immature trees from farmers who urgently needs cash. These trees are then sold by the cooperative when they have reached maturity (usually 30 cm in diameter), and the cooperative will share the profit with the respected farmer at the time of sale. Although this scheme does not burden farmers, it is subject to substantial barriers. First, it is hard to secure the required financial resources to fund such an effort. Second, an accurate estimate is needed to calculate the increment of trees that will be sold in the coming years, compared to the inflation rate. Third, the potential inability of cooperatives to find buyers who will buy trees at a fair price can provide an additional barrier.

SVLK has the potential to alter the pattern of farmers' cash flow. The assumption is that by using SVLK, certified farmers will collaborate directly with industry through a supply-chain partnership, where previously timber traders served as intermediaries between farmers and industry. One consequence of this shortened supply chain is that certain local businesses that facilitate the distribution of timber from the farmers to industries become unnecessary. This may result in a financial loss for farmers, as the trading process between farmers and small traders is usually an immediate exchange of timber for hard currency. Alternatively, trading between farmers and industries is usually done on consignment, which requires more time for payment. This change in cash-flow is another reason some farmers are reluctant to participate in SVLK.

In addition to these problems of increased costs, untenable harvesting requirements, and an inappropriate payment system, the premium price offered for the SVLK certified timber is not tempting enough for farmers. Moreover, farmers will not participate in SVLK because requirements are often too complicated. In sum, the current practice and requirements of SVLK certification render it less effective for community forest management and for timber products allocated for local market than pre-existing regulation arrangements.

4. Concluding remarks

In answer to the first research question, this research confirms that most stakeholders have less trust in, and doubt about the sustainability of, SVLK implementation in community forests. Due to the lack of stakeholder confidence, mandatory SVLK requirement seems ineffective and does not promote the policy goal of combating illegal timber production and trade in Javanese community forests. This conclusion is based on the fact that SVLK is ill-suited to address the needs of Javanese community forests, where illegal timber circulation is less of a concern.

Relating to the second research question, concerning the level of legality and legitimacy of SVLK as a mandatory certification policy

⁴ This information has been confirmed by personal interview with an official of MoFor (31.01.2014).

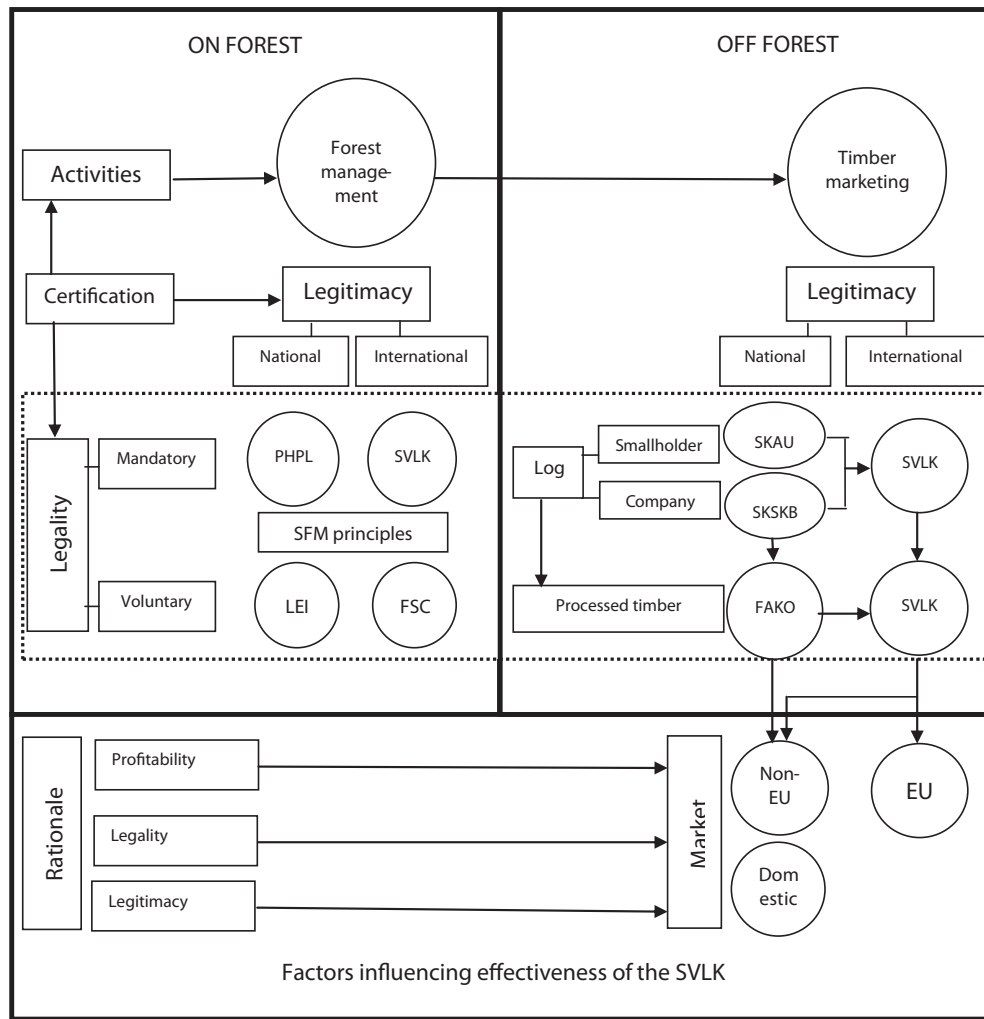


Fig. 4. Factors influencing legality, legitimacy, and effectiveness of SVLK.

compared to the existing national forest governance, we found that SVLK is largely considered to be a weaker and less legitimate legal instrument than those within existing governance systems. Due to the ministerial agreement that currently enforces it, SVLK has a lower legal standing compared to existing national governance systems for timber products circulated in the local market. This low legal standing and the manner in which SVLK addresses governance problems that are not associated with community forests combine to make it ineffective for these areas. Perhaps related to this ineffective match, low legitimacy accompanies the implementation of SVLK for community forests and timber products allocated for local market. This research confirms that farmers are not ready to self-finance the SVLK process and maintenance without subsidies. Economically, SVLK certification for community forests faces an odd logic. SVLK certification shortens the supply chain for timber production. This shortened supply chain has the potential to negatively impact many small scale timber industries, which may result in their closing and further negative consequences for farmers.

Also in relation to the second research question, we found that the trial phase of SVLK has benefited certain actors by improving knowledge of forest management, strengthening farmer's organizations, providing opportunities for networking, and other non-financial benefits. While it provides some promising benefits, SVLK remains financially unfeasible for these same actors. The implementation of SVLK in community forests is not profitable, since the SVLK certificate does not seem to affect timber prices in the local markets. The premium price for other certified timber in the local market is also (almost) non-existent. This

indicates that the implementation of SVLK could result in high costs to the economy within community forestry. Ultimately, SVLK is not as attractive for forest businesses in rural areas, because of the lower profit margin as compared to other land-uses; this makes timber production, itself, less desirable and may serve to decrease the amount of land reserved for community forests throughout rural Java.

Finally, this research concludes that, in reference to the third research question, the implementation of SVLK for community forests and timber trade in local market is less effective in terms of profitability, legality, and legitimacy. We provide two policy options to improve national regulation of forest governance. The first option is the dissolution of existing national forest governance systems into a single system of SVLK to avoid cost inefficiency from the redundancy of mandatory procedures. However, this option will be difficult to execute because the current legal status of SVLK is lower than the existing regulations for national forest governance systems. The second policy option would establish the SVLK as a "private" forest governance system, among other private certifications, including LEI and FSC. Since the SVLK has been enacted as a mandatory certification, the system became a form of "state" forest governance. Consequently, the implementation of SVLK should follow opt-in "enforcement basis" instead of mandatory "compliance basis". As was discussed, the "enforcement basis" of SVLK for community forest and its timber trade is less legitimate and ineffective than existing systems. Considering community forests in Java, shifting the mandatory certification of SVLK into a voluntary scheme appears to be the best policy option.

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