



**MINISTRY OF ENVIRONMENT AND FORESTRY  
DIRECTORATE GENERAL OF SUSTAINABLE PRODUCTION FOREST  
MANAGEMENT  
DIRECTORATE OF FOREST PRODUCT PROCESSING AND  
MARKETING**

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**To: Directors of Timber Legality Verification Agency**

**CIRCULAR LETTER**

NUMBER: SE. 2/PPHH/NEIP/HPL.3/5/2018

ON

**GUIDELINES FOR INSPECTING DUE DILIGENCE AND MAKING FORESTRY  
PRODUCT IMPORT DECLARATIONS**

**1. Purpose and Objectives**

Since 1 January 2016, the importing of forest products has been regulated through Minister of Trade Regulation No. 97/M-DAG/PER/11/2015 on Provisions for Importing Forest Products, which obliges importers of forest products to carry out due diligence in order to secure an Import Recommendation from the Ministry of Environment and Forestry. An Import Recommendation constitutes one of the Ministry of Trade's requirements for issuing an Import Approval. Director General of Sustainable Production Forest Management Regulation No. P.7/PHPL-SET/2015 requires every supplier (industry/manufacturer) supplying forestry products to importers to carry out due diligence for inspection and evaluation by the Ministry of Environment and Forestry.

Beginning from 1 February 2018, the supervisory mechanism for forestry product imports, previously conducted using a Border mechanism, changed to become a Post Border mechanism as stipulated by Minister of Trade Regulation No. 97/M-DAG/PER/11/2015 in conjunction with No. 91/2017 and No. 13/2018. This legislation stipulates that Import Recommendations are no longer a requirement for issuing Import Approvals, and that an Import Declaration is sufficient for doing so. In respect to this change, the Ministry of Environment and Forestry issued Director General of Sustainable Production Forest Management Regulation No. P.3/PHPL/PPHH/HPL.3/I/2018 on Procedures for Carrying Out Due Diligence and Making Forestry Product Import Declarations to replace Director General of Sustainable Production Forest Management Regulation No. P.7/PHPL-SET/2015.

Among other things, Director General of Sustainable Production Forest Management Regulation No. P.3/PHPL/PPHH/HPL.3/I/2018 stipulates that with this change to the supervisory mechanism, due diligence checks will be carried out by Timber Legality Verification Agency (*Lembaga Verifikasi Legalitas Kayu* (LVLK)).

With respect to the above, guidelines are necessary to supplement Director General of Sustainable Production Forest Management Regulation No. P.3/PHPL/PPHH/HPL.3/I/2018 in order to provide direction and guidance for V-Legal/FLEGT License Issuing Institutions to ensure that the due diligence carried out by importers is correct, complete and consistent with provisions.

## **2. Basis**

1. Minister of Environment and Forestry Regulation No. 30/Menlhk/Setjen/PHPL.3/3/2016 on Performance Evaluations for Sustainable Production Forest Management and Timber Legality Verification by Permit Holders or in Private Forest;
2. Minister of Industry Regulation No.41/M-DAG/PER/6/2008 on Provisions and Procedures for Granting Industrial Business Licenses, Expansion Licenses and Industry Registration.
3. Minister of Trade Regulation No.27/M-DAG/PER/5/2012 on Provisions for Importer Identification Numbers.
4. Minister of Trade Regulation No.97/M-DAG/PER/11/2015 most recently amended by Minister of Trade Regulation No. 1/2018.
5. Director General of Sustainable Production Forest Management Regulation No. P.14/PHPL/SET/4/2016 on Standards and Guidelines for Implementing Sustainable Production Forest Management Performance Evaluations and Timber Legality Verification.
6. Director General of Sustainable Production Forest Management Regulation No. P.3/PHPL/PPHH/HPL.3/1/2018 on Procedures for Carrying Out Due Diligence and Making Forestry Product Import Declarations.

## **3. Establishes**

Guidelines for Inspecting Due Diligence and Making Forestry Product Import Declarations, as per the attached annex.

For your attention and future implementation.

Promulgated in : Jakarta  
Date : 18 May 2018

Director

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## **GUIDELINES FOR INSPECTING DUE DILIGENCE AND MAKING FORESTRY PRODUCT IMPORT DECLARATIONS**

### **1. Introduction**

Section Three, Article 4 of Director General of Sustainable Production Forest Management Regulation No. P.3/PHPL/PPHH/HPL.3/1/2018 on Procedures for Carrying out Due Diligence and Making Forestry Product Import Declarations charges Timber Legality Verification Institutions (*Lembaga Verifikasi Legalitas Kayu* (LVLK) with auditing imports by importers. In the framework of carrying out this task, it was necessary to prepare Guidelines for Inspecting Due Diligence and Making Forest Product Import Declarations as a guide for LVHKs for conducting audits.

### **2. Requirements and Conditions**

The implementation of due diligence inspections refers to Director General of Sustainable Production Forest Management Regulation No. P.3/PHPL/PPHH/HPL.3/1/2018 on Procedures for Carrying Out Due Diligence and Making Forestry Product Import Declarations.

### **3. Inspections**

**A.** LVLKs collect secondary information in the form of documentation relevant to importing. Types of documents requested and inspected are as follows:

1. Copies of Import Approvals
2. Copies of Import Declarations/Import Recommendations
3. Copies of Timber Import/Timber Product Supplier Conformity Declarations (*Deklarasi Kesesuaian Pemasok* (DKP))
4. Due diligence tables complete with:
  - a. Proof of exporter legality
  - b. Proof of producer legality
  - c. Proof of origin traceability and legality of the timber raw material/product being imported
5. Goods Import Notifications (*Pemberitahuan Impor Barang* (PIB))
6. Invoices
7. Packing Lists (P/L)
8. Bills of Lading (B/L)
9. Import realization reports
10. Log Stock Reports (*Laporan Mutasi Kayu Bulat* (LMKB))
11. Processed Wood Stock Reports (*Laporan Mutasi Kayu Olahan* (LMKO))
12. Production Reports
13. Export Reports for goods that use imported raw materials
14. Proof of payment of import duties (if the imported goods are subject to import duties)
15. Other relevant documents for timber species where trading is restricted (including under CITES)

- B.** LVLKs have the right to access the SILK system to cross check documents submitted by importers by looking at the due diligence data in the SILK system
- C.** LVLKs conduct inspections of due diligence carried out by importers, where due diligence is carried out for every product based on the Tariff Heading/HS Code and for every raw material species for the product in question.

**1) Check Table 1 (Exporter and Producer Legality) to determine whether:**

- |                                    |   |  |
|------------------------------------|---|--|
| 1. Importer's name                 | = | Is filled in with the importer company name  |
| 2. Exporter's name                 | = | Is filled in with the name of the export company that will export goods to Indonesia.  |
| Exporter's address                 | = | Is filled in with the export company's address   |
| Exporter's legality                | = | a) Is filled in with the exporter's license/registration number and period of validity (filled in with company legality (similar to a SIUP/TDP in Indonesia)).<br>b) Scanned proof of legality uploaded (maximum 1MB)<br>c) If proof of legality is still in the language of the country of export, it must be translated before hand into Indonesian or English |
| Country of Export                  | = | Is filled in with the name of the country where the exporter is based  |
| 3. Producer's name                 | = | Is filled in with the name of the company producing the item to be exported to Indonesia.  |
| Producer's address                 | = | Is filled in with the producer company's address   |
| Producer's legality                | = | a) Is filled in with the producer's license/registration number and period of validity (similar to an IUI/TDI in Indonesia)<br>b) Scanned proof of legality uploaded (maximum 1MB)<br>c) Proof of legality still in the language of the country of export has been translated into Indonesian or English   |
| Producing Country                  | = | Is filled in with the name of the country where the producer is based  |
| 4.Port of Loading Name and Country | = | a) Is filled in with the name(s) of port(s) of loading and countries for goods that will be exported to Indonesia.<br>b) More than one port may be filled in, e.g. Vancouver, Canada; Shanghai, China, etc.  |
| 5. One-Year Import Plan            | = | a) Is filled in with the planned number of items/timber products to be imported in one year (filled in per item description and HS Code in metric tonnes)<br>b) The number that will be imported is adjusted to the installed production capacity or warehouse capacity written in the license; with an additional quota tolerance of 30%                        |

**2) Check contents of Table 2 (Legality of Product(s) to be Imported), to determine whether:**

1. Column A (Number) = Is filled in with entry numbers starting from 1 (one).
2. Column B (Item description) = Is filled in with the name(s) of item(s)/product(s) to be imported.
3. Column C (8-digit Tariff Heading) = Is filled in with the Tariff Heading(s) of the item(s)/product(s) to be imported, in reference to provisions in Minister of Trade Regulations pertaining to forestry product imports.

**4. Column D (Trade Name and Scientific Name)**

- Description :
- (1) Is filled in with the trade name(s) and scientific name(s) of the timber species of the item(s)/product(s) to be imported.
  - (2) For composite products, is filled in with the 3 (three) dominant species – with due diligence carried out for each species.
  - (3) For recycled products where species cannot be determined, Column D is filled in with N/A (Not Applicable).

- Risk Analysis :
- (1) Is filled in with 'NR' (Negligible Risk) together with the justification (literature/information source link address) if it is a species that does not grow in or is not found in Indonesia; or
  - (2) Is filled in with 'SR' (Significant Risk) together with the justification (literature/information source link address) if it is a species that grows in or is found in Indonesia.

- Mitigation Outcome Notes :
- (1) Are filled in with methods and data used for mitigating the risk of illegally harvested and/or traded raw materials being used for the item(s)/product(s);
  - (2) If the Risk Analysis shows the species is also found in Indonesia, then it is filled in with the methods and data used for ensuring the species in question did not originate from Indonesia.

- Mitigation Outcome :
- (1) Is filled in with a 'B' (*Baik* (Good) if:
    - (a) The Risk Analysis outcome is NR with justification and correct and corroborated Mitigation Outcome Notes; or
    - (b) The Risk Analysis outcome is SR, but Mitigation Outcome Notes can show the

species in question has not originated from Indonesia.

- (2) Is filled in with a 'T' (*Tidak Baik* (Bad) if:
  - (a) The Risk Analysis outcome is NR, but is not supported with justification and correct and corroborated Mitigation Outcome Notes; or
  - (b) The Risk Analysis outcome is SR; and Mitigation Outcome Notes cannot show the species in question has not originated from Indonesia.

## 5. Column E (Country of Harvest)

- |                          |   |  |
|--------------------------|---|--|
| Description              | : | <ul style="list-style-type: none"> <li>(1) Is filled in with the country of harvest of the item(s)/product(s) raw material species being imported.</li> <li>(2) Is filled in with N/A (Not Applicable) if the item(s)/product(s) raw material has been recycled and its species cannot be determined.</li> </ul>   |
| Risk Analysis            | : | <ul style="list-style-type: none"> <li>(1) Is filled in with 'NR' together with the justification (literature/information source link address) if there is a distribution or population of the species constituting the raw material for the item(s)/product(s) in the country in question; or</li> <li>(2) Is filled in with 'SR' together with the justification (literature/information source link address) if the species constituting the raw material for the item(s)/product(s) in question does not grow in or is not found in the country of harvest.</li> </ul> |
| Mitigation Outcome Notes | : | Are filled in with mitigation notes together with the methods and data used for mitigating the risk of illegally extracted/harvested and traded forest products being imported, so the Mitigation Outcome may be concluded in terms of country of harvest/producer, and can corroborate the risk analysis.   |
| Mitigation Outcome       | : | <ul style="list-style-type: none"> <li>(1) Is filled in with a 'B' if:               <ul style="list-style-type: none"> <li>(a) The Risk Analysis outcome is NR with justification and correct mitigation outcome; or</li> <li>(b) The Risk Analysis outcome is SR, but the mitigation notes show the raw material species for the item(s)/product(s) genuinely originates from the country of harvest in question.</li> </ul> </li> <li>(2) Is filled in with a 'T' if:</li> </ul>  |

- (a) The Risk Analysis outcome is NR, but is not supported by justification and a correct and corroborated mitigation outcome; or
- (b) The Risk Analysis outcome is SR; and mitigation notes are not filled in, or the steps and justification relayed in the notes are incorrect or inappropriate and cannot show the item(s)/product(s) genuinely originates from the country of harvest in question.

6. Column F (Region of Harvest) = Obligatory if the item(s)/product(s) being exported to Indonesia take the form of round wood or logs.

Description : Is filled in with the name of the region of harvest (region/province) for logs that will be exported to Indonesia.

Risk Analysis : (1) Is filled in with 'NR' together with the justification (literature/information source link address) if the species is distributed in the region or province in question; or  
(2) Is filled in with 'SR' together with the justification (literature/information source link address) if there is no distribution of the species in the region or province in question.

Mitigation Outcome Notes : Are filled in with mitigation notes based on the methods and data used for verifying log species origin congruity so it may be concluded that the log species exported to Indonesia is found in the region or province in question.

Mitigation Outcome : (1) Is filled in with a 'B' if:  
(a) The Risk Analysis outcome is NR with justification and a correct and corroborating mitigation outcome; or  
(b) The Risk Analysis outcome is SR, but the mitigation notes show there is a distribution or population of the species in the region or province in question.  
(2) Is filled in with a 'T' if:  
(a) The Risk Analysis outcome is NR, but it cannot be supported with justification and a correct and corroborating mitigation outcome; or  
(b) The Risk Analysis outcome is SR; and the mitigation notes are not filled in with steps, and the justification submitted is incorrect or inappropriate so that it cannot show the logs originated from the country of harvest in question.

7. Column G (Concession Holder/Owner) = Obligatory if the item(s)/product(s) being exported to Indonesia take the form of round wood or logs.

Description	:	<ul style="list-style-type: none"> <li>(1) Is filled in according to the name concession holder/owner of the place of harvest (proof of ownership); the concession license including number and period of validity as well as the issuer of proof of legality for the concession/owner of the place of origin of logs being exported to Indonesia.</li> <li>(2) Scanned proof of ownership, concession license uploaded (maximum 1MB).</li> </ul>
Risk Analysis	:	<ul style="list-style-type: none"> <li>(1) Is filled in with 'NR' together with justification if the name of the concession holder/owner of the place of harvest, number and period of validity as well as the issuer of proof of legality of logs to be exported to Indonesia are congruous and valid; or</li> <li>(2) Is filled in with 'SR' together with justification if the name of the concession holder/owner of the place of harvest, number and period of validity as well as the issuer of proof of legality of raw materials to be exported to Indonesia are incongruous and invalid.</li> </ul>
Mitigation Outcome Notes	:	Are filled in with mitigation notes based on the methods and data used for verifying the congruity and validity of the legality of the concession of origin/owner of logs that will be exported to Indonesia so it may be concluded that the log species being exported to Indonesia are found in the region or province in question.
Mitigation Outcome	:	<ul style="list-style-type: none"> <li>(1) Is filled in with 'B' if the Risk Analysis outcome is NR with justification and a correct and corroborating mitigation outcome; or</li> <li>(2) Is filled in with a 'T' if: <ul style="list-style-type: none"> <li>(a) The Risk Analysis outcome is NR, but it cannot be supported with justification and a correct and corroborating mitigation outcome; or</li> <li>(b) The Risk Analysis outcome is SR and risk mitigation notes are filled in with incorrect or inappropriate steps and justification that cannot show the validity of concession of origin/owner of logs that will be exported to Indonesia.</li> </ul> </li> </ul>



***LVLKs check whether uploaded documents meet raw material legality and traceability aspects.***

8. Column H (Statement Letter from the Authority in the Country of Harvest or Country of Product Origin)

Description	:	<p>If Column H is the choice for submitting proof of legality, then it should be filled in as follows:</p> <ol style="list-style-type: none"><li>(1) With the number and date of the statement letter from the authority in the country of harvest for logs as well as its period of validity, or the statement letter from the authority in the producer country for goods other than logs, as well as the scope of the statement letter.</li><li>(2) Statement letters can be issued by:<ol style="list-style-type: none"><li>a) Government institutions, associations or agencies granted the authority to do so by government; or</li><li>b) Guarantee letters from suppliers regarding the legality and traceability of forestry product raw materials if they only originate from the supplier in question.</li></ol></li><li>(3) If the item(s)/product(s) is/are made from recycled raw materials, then the authority statement letter and/or LS (Surveyor Institution) report should include information on the recycled product(s);</li><li>(4) The statement letter is in English</li><li>(5) Scanned statement letter from the authority in the country of harvest or country of product origin uploaded (maximum 1MB)</li></ol>
Mitigation Notes	Outcome :	<p>Are filled in with mitigation notes based on the methods and data used for verifying the scope of the authority statement letter and validity of the authority legality statement letter, so that it may be concluded that state authority statement letter covers timber products that will be exported to Indonesia and is valid.</p>

***LVLKs check whether uploaded authority statement letters meet raw material legality and traceability aspects.***

9. Column I (Certificate from Certification body) =

Description	:	<p>If Column I is the choice for submitting proof of legality, check the following.</p> <ol style="list-style-type: none"><li>(1) That it is filled in with the name of the certification scheme, number, scope and validity of the certificate from the certification body.</li><li>(2) If logs are being exported to Indonesia, the</li></ol>
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certificate being used is the concession holder or land owner's certificate;  
(3) Scanned certificate uploaded (maximum 1MB).

Mitigation Outcome : Are filled in with mitigation notes based on the  
Notes methods and data used for verifying the scope and validity of the certificate so it may be concluded that the certificate covers the timber products that will be exported to Indonesia and is valid. Include the certificate validity address link

***LVLKs check whether uploaded certificates from certification bodies meet raw material legality and traceability aspects.***

10. Column J (Country Specific Guideline (CSG))

Description : If Column J is the choice for submitting proof of legality, check whether the name of the CDG country is filled in.

Mitigation Outcome : -  
Notes

11. Column K (Mutual Recognition Arrangement MRA country) =

Description : If Column K is the choice for submitting proof of legality, check whether the name of the MRA country is filled in.

Mitigation Outcome : -  
Notes

12. Column L (FLEGT License country) =

Description : If Column L is the choice for submitting proof of legality, check whether the name of the FLEGT-VPA country is filled in.

Mitigation Outcome : -  
Notes

13. Column M (Congruity with Rules in the Country of Export) = Obligatory if the item(s)/product(s) being exported to Indonesia is/are not round wood or logs.

Description : (1) Is filled in with the name and number of the export country regulation governing forestry product trading and covering

restrictions/coverage of the species and/or products; and

(2) Is filled in and congruous with rules in the country of export, with the following stipulations:

(a) Is filled in with '*Sesuai*' (congruous) if the product being exported (product and species) is not prohibited and is congruous with regulations in the country of export.

(b) Is filled in with '*Tidak Sesuai*' (incongruous) if the product being exported (product and species) is prohibited and incongruous with regulations in the country of export.

Mitigation Outcome : (1) Are filled in mitigation notes based on the  
Notes methods and data used so it may be concluded that the product being exported to Indonesia has complied with requirements in the country of export.  
(2) Include justification (literature/information source link address)

14. Column N (Congruity with Rules in the Country of Harvest) = Obligatory if the item(s)/product(s) being exported to Indonesia is/are in the form of round wood or logs.

Description : (1) Is filled in with the name and number of the country of harvest regulation governing timber trading and/or forest product harvesting.  
(2) Is filled in and congruous with rules in the country of harvest, with the following stipulations:  
(c) Is filled in with '*Sesuai*' (congruous) if the product being exported (log and species) is not prohibited and is congruous with the country of harvest regulation; or  
(d) Is filled in with '*Tidak Sesuai*' (incongruous) if the product being exported (log and species) is prohibited and incongruous with regulations in the country of harvest.

Mitigation Outcome : (1) Are filled in with mitigation notes based on  
Notes the methods and data used so it may be concluded that the logs exported to Indonesia have complied with requirements in the country of harvest.  
(2) Include justification (literature/information source link address)

## **D. LVLKs conduct inspections of Import Declarations made by importers**

### **1) Inspect the Importer Legality Table to determine whether:**

Importer Name	=	Is filled in with name of the importer company
Office Address	=	Is filled in with address of the importer company
Factory/WorkshopAddress	=	Is filled in with the factory/workshop address
IUIPHHK/IUI/TDI number	=	Is filled in with industry license number
Tax File Number (NPWP)	=	Is filled in with importer's NPWP
Importer Identification Number (API-P)	=	Is filled in with the API-P number and period of validity
Customs Registration Number (NIK)	=	Is filled in with the NIK and period of validity
Timber Legality Certificate (S-LK) Number (for those obliged to have one)	=	Is filled in with the S-LK number and period of validity
Due Diligence Dates	=	Is filled in with the dates due diligence was carried out from gathering information up to when due diligence implementation was submitted to the SILK timber legality information system
Name of port of unloading	=	Is filled in with the name of the port of unloading and the province it is located in (can be more than one, e.g. Tanjung Priok, DKI Jakarta; Tanjung Perak, East Java).

### **2) Inspect the Import Declaration Annex (Information on Imported Raw Material) to determine whether:**

- Column A** = Is filled in with entry numbers starting from 1 (one)
- Column B** = Is filled in with the due diligence number
- Column C** = Is filled in with exporter's name
- Column D** = Includes description of the timber raw material/timber product(s) and derivatives imported (e.g. 1. Logs, 2. Sawn Timber, 3. Handles, 4. Furniture, etc.)
- Column E** = Is filled in with the Tariff Heading (8 digit) raw material/timber product(s) and derivatives imported in accordance with Column D.
- Column F** = Is filled in with the common trade name(s) of the raw material/timber product(s) and derivatives imported (e.g. teak, sonokeling, etc.)
- Column G** = Is filled in with the scientific name(s) of the raw material/timber product(s) and derivatives imported (e.g. *Tectona grandis*, *Dalbergia latifolia*, etc.)
- Column H** = Is filled in with the country of origin of the raw material/timber product(s) and derivatives imported
- Column I** = Is filled in with the country of export for the raw material/timber product(s) and derivatives imported
- Column J** = Is filled in with the producer country of the raw material/timber product(s) and derivatives imported
- Column K** = Is filled in with the number of raw materials/timber products and derivatives imported (in metric tonnes)

**E. LVLKs conduct inspections of Import Monthly Realization Reports**

Monthly Realization Reports are available in the “*Laporan Realisasi*” menu under the “*Data Rekomendasi Impor*” (Import Recommendations Data) menu.

**F. LVLKs conduct inspections of timber/timber product import supplier Suitability Declarations (*Deklarasi Kesesuaian Pemasok* (DKP) in order to monitor, record and trace the distribution of the imported goods.**

**G. LVLKs conduct analyses and risk mitigation on possible import violations by cross checking import realization reports, log/processed timber stock reports, production reports and the issuing of V-Legal Documents/FLEGT Licenses.**

**4. Reporting Procedures**

The results of Due Diligence and Forestry Product Import Declaration Checks become one part of the overall inspection submitted to the Ministry of Environment and Forestry.