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## [FSC dilemmas in the heart of Borneo: step-wise sand bag or sell out?](#)

Another new FSC certificate of a major logging operation, this time in Indonesia, has got forest watchers scratching their heads. Near the top of the Mahakam River in East Kalimantan one of four logging operations of the Jakarta-registered company PT Sumalindo Lestari Jaya has been awarded an FSC certificate by SmartWood, the forest certification arm of the New York-based Rainforest Alliance, (as well as a complementary certificate issued under the Joint Certification Protocol by the Indonesian certification body, PT Mutuagung Lestari, under the national Lembaga Ekolabel Indonesia certification scheme).

Sumalindo Lestari Jaya (SLJ) is a large corporation with four active logging concessions, additional areas of timber plantations, a plywood mill and a facility producing medium-density fibreboard (MDF). The company is 75% owned by PT Sumber Graha Sejahtera, which is part of a major plywood manufacturing conglomerate, the Hasko Group. The other 25% of SLJ is shared between PT Barito Pacific, another major timber company, and the general public.

Whether the SLJ II certificate is seen as great news for the forests of Borneo, or not, in part depends on your vision of what is possible and what you think the main threats to the region are. Borneo has already experienced extensive deforestation through ill-regulated and plainly illegal logging, and clearance for agriculture, timber plantations and oil palm estates. Over half of the areas that have already been cleared are now 'abandoned' land, though much of these areas are still encumbered with claims from communities. The large chunks of remaining forest in Borneo are, for the most part, now in the more remote upland regions, in the headwaters. Although most of these areas have long been allocated to loggers, until now they have been only lightly exploited because of the prohibitive costs of access and transport and the availability of more accessible and lucrative areas downstream.

The major international conservation agencies active in Indonesia are trying to save 'the heart of Borneo' by establishing as a mosaic of protected forests, national parks and large forest concessions under 'sustainable forest management', while keeping to a minimum land clearance for community and industrial use.

The threat of massive forest clearance in the headwaters is not imaginary. Indeed in July 2005, the Indonesian President announced plans to establish the world's largest oil palm plantation in the area. According to the announcement some 1.8 million hectares of forests all along the border between Sarawak (Malaysia) and Kalimantan (Indonesian Borneo) are to be converted to oil palm plantations financed by China's International Development Bank. The SLJ II concession lies astride this proposed oil palm corridor. The local government in Malinau district also has plans to convert large chunks of forests there to oil palm. Conservation organisations like WWF, which has loudly denounced the oil palm plans, and The Nature Conservancy (TNC) are keen to encourage companies to invest in long term logging in these forests rather than see them permanently cleared. The question is how credible are these plans for sustainable logging by large corporations? Can you 'sand bag' frontier forests against the rising tide of forest clearance by certifying logging operations or will this just encourage further pillage in the interior first by loggers and then others?

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## A quest for sustainability:

Industrial scale logging on Indonesia's outer islands got going on a large scale in the 1970s and since then has contributed to a massive depletion of the country's forests. Over-harvesting, poor forest management, lack of replanting or managed natural regeneration, and plainly illegal operations and clear-cutting have been widespread. Timber production has rocketed to five to six times the annual allowable cut, driven by massive over-capacity in pulp, wood chip and saw mills, while illegal raw log exports continue. The combination of ill-regulated forestry, logging roads, government promoted migration and conversion to plantations and tree crops has driven rates of deforestation to as high as 1.5 million or even 3 million hectares per year, though exact figures are contested.

In recent years, Indonesia has experienced an overall shift towards increasingly illegal logging and smaller scale operations. The national environmental forum, WALHI (Friends of the Earth-Indonesia) has called for a moratorium on all large-scale logging, and the promotion of certified community-based operations in their stead. The larger conservation NGOs, however, have been working with a small handful of the larger logging companies, like SLJ, that are trying to buck the trend to illegality, by helping them get certified.

For a number of years, SLJ has been seeking to upgrade its forest management standards to meet the demand from the US market, notably The Home Depot, for certified timber, with a focus on the largest of its four concessions, the so-called SLJ II concession, which it commenced logging in 1991. The 270,000 hectare concession is currently being logged from its southern end near the Mahakam river in West Kutai district, from the log pond near the community of Long Bagun, but the majority of the concession stretches over into the headwaters of the Kayan river in Malinau district, reaching almost to the border with Malaysia. As its logging advances, SLJ plans to extend its network of logging roads northwards over the watershed into the major part of its concession in Malinau.

In SLJ II, Sumalindo has been using high tech timber inventory techniques, zoning its concession for High Conservation Value Forests and applying reduced impact logging, as part of a coordinated effort by TNC and WWF-Indonesia called the Alliance to Promote Forest Certification and Combat Illegal Logging in Indonesia, mainly funded by USAID and The Home Depot. The system was also designed to complement an existing programme of collaboration between TNC and large-scale timber corporations, aimed at promoting responsible forestry by building market incentives for good practice.

Since the SLJ plywood and MDF processing plants in Samarinda use timbers from a number of concessions, developing a technique that can distinguish between the SLJ II timbers and other woods is crucial to the success of this sustainable management and marketing effort. To this end TNC and SLJ, with technical advice from SGS and URS, have been experimenting with bar-coding to assist timber tracking. The idea is that the bar codes can be stapled onto the logs when timbers are cut, traced by bar code-reading devices all along the 'chain of custody', applied to products made only from these timbers in the processing plants, and so allow timbers to be securely traced from stump to the point of import in the USA.

In January 2005, local forest watchers in Kalimantan calling themselves the 'East Kalimantan Working Group on Forests' (Pokja Hutan Kaltim - EKWGF), who have links with local communities at the headwaters of the Mahakam, alleged that timbers from outside the SLJ II concession were being laundered through the log pond and getting bar codes stapled in inappropriately. Whereas in its audit report, SmartWood notes how it looked carefully into these concerns and assured itself that the timber tracing procedures are now being adequately applied, EKWGF asserts that timber mixing is still going on.

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## Community concerns:

Competition between loggers and planters for control of Kalimantan's forest lands has been carried out with relatively little regard for the rights and priorities of the indigenous peoples who are the rightful owners of these forests. However, the whole of the SLJ II concession lies in the traditional territories of indigenous Borneans, now commonly referred to as Dayaks. Those in the south of the concession now resident near Long Bagun, used to be referred to as Long Glats, while in the north the peoples are Kenyah and Punan, who have been living in these headwater forests since the earliest historical records, but who apparently settled in their present five villages, currently only accessible by week-long canoe rides or by missionary planes, between the 1950s and 2002.

FSC Principles and Criteria require that forestry operations are legal, recognise and respect the legal and customary rights of indigenous peoples and only go ahead with their free and informed consent. A detailed look at the SmartWood audit of SLJ II shows that the company still has a long way to go before it can be said to be meeting these conditions fully.

In common with most logging operations in Indonesia, the boundaries of the 'State Forest Areas' in which the SLJ II concession has been granted have not yet been duly surveyed, agreed and gazetted. This is important as the boundary delineation process is the main way that the government checks that proposed forest concessions do not overlap communities' lands. In the case of SLJ II, only a very small part of the boundary has yet been gazetted, making the concession technically illegal. SmartWood however has decided that the company has done its best to persuade the government to regularise these boundaries and has granted the certificate on condition that the company continues to use its best efforts to get them sorted out.

Likewise, instead of waiting for SLJ II to comply with other FSC requirements, the auditors instead decided to grant the company its certificate as long as, within the next six months or two years, it sorts out its arrangements with the communities - including finalising maps of community territories, agreeing areas of community tenure, negotiating agreements about employment and compensation for the use of traditional knowledge and agreeing methods of conflict resolution. All this seems very back to front.

In effect, the FSC certificate is being awarded to Sumalindo for its SLJ II operation not so much because the operation already complies with the FSC standards but in order to encourage the company to gradually bring itself up to the mark. 'Step wise certification' it seems is being introduced by the back door.

Some may argue that in the circumstances this is not altogether a bad thing. The major threat to the forests in the 'heart of Borneo' now come from plans to clear the forests for oil palm estates, compared to which logging operations may seem like a better land use choice. But shouldn't the decision to waive legality requirements, for example to gazette, be made at a policy level rather than pushed through by certifiers acting on their own? And how can indigenous peoples negotiate from a position of strength with the company if the auditors have already shown they are reluctant to insist on full compliance with protections of community rights if that will delay certification?

It seems a pity that these issues were not candidly discussed through debate with civil society, or FSC and LEI members, before the certificate was granted. It is now almost inevitable that the new certificate will become the focus of a protracted dispute between different NGOs, the auditors and the FSC.

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By: Marcus Colchester, Forest Peoples Programme, e-mail: [marcus@forestpeoples.org](mailto:marcus@forestpeoples.org)

For details of the audit see: SmartWood, 5th January 2006, Forest Management Public Summary for PT Sumalindo Lestari Jaya II. <http://www.rainforest-alliance.org/programs/forestry/smartwood/public-summary-reports.html#indonesia>