

GUARANTEE FOR SUSTAINABLE SUPPLY OF RAW MATERIAL AND PLAN FOR FULFILLMENT OF RAW MATERIAL OF PRIMARY FOREST-PRODUCT INDUSTRY

(Decree of the Minister of Forestry No. 326/Kpts-II/2003 dated September 19, 2003)

THE MINISTER OF FORESTRY,

the Government and Authority of Provinces as Autonomous Regions;

Considering:

- a. that based on the provision in Article 59 paragraph (1) of Government Regulation No. 34/2002, application for business license of primary forest-product industry and/or expansion must be completed by guarantee for sustainable supply of raw material;
- b. that in the framework of guaranteeing forest conservation, guarantee for sustainable supply of raw material to primary forest-product industry needs to be adjusted to the supporting potential of forest resources;
- c. that based on the provision in Article 66 of Government Regulation No. 34/2002, holders of business licenses of primary forest-product industry are obliged to formulate and convey plan for fulfillment of raw material every year;
- d. that in connection with the above mentioned matters, it is deemed necessary to stipulate guarantee for sustainable supply of raw materials and annual plan for fulfillment of raw materials of the industry by a decree of the Minister of Forestry;

In view of:

- 1. Law No. 5/1984 on Industry;
- 2. Law No. 5/1990 on Conservation of Biological Resources and their Ecosystems;
- 3. Law No. 9/1995 on Small-scale Business;
- 4. Law No. 22/1999 on Regional Administration;
- 5. Law No. 41/1999 on Forestry;
- 6. Government Regulation No. 25/2000 on Authority of

- 7. Government Regulation No. 28/1985 on Forest Protection;
- 8. Government Regulation No. 34/2002 on Forest Arrangement and Formulation of Plan for Managing Forest, Exploiting Forest and Using Forest Area;
- 9. Presidential Decree No. 102/2001 on Status, Tasks, Organizational Structures and Working Arrangements of Ministries;
- 10. Presidential Decree No. 228/M/2001 on the Establishment of Mutual Cooperation Cabinet;
- 11. Decree of the Minister of Forestry No. 123/Kpts-II/2001 on the Organization and Working Arrangement of the Ministry of Forestry;
- 12. Decree of the Minister of Forestry No. 6884/Kpts-II/2002 on Criteria and Procedures for Evaluating Primary Timber Forest-Product Industry;
- 13. Decree of the Minister of Forestry No. 6887/Kpts-II/2002 and Decree of the Minister of Forestry No. 10031/Kpts-II/2002 and No. 59/Kpts-II/2003 on Procedures for Imposing Administrative Sanction on Violation of Business License to Utilize Forest Products, License to Collect Forest Products and Business License of Primary Forest Product Industry;

D E C I D E S :

To stipulate :

**THE DECREE OF THE MINISTER OF FORESTRY ON
GUARANTEE FOR SUSTAINABLE SUPPLY OF RAW MATERIAL AND PLAN FOR FULFILLMENT OF RAW MATERIAL OF PRIMARY FOREST-PRODUCT INDUSTRY**

CHAPTER I
GENERAL PROVISION

Article 1

Referred to in this decree as:

1. Primary Forest Product Industry (IPHH) shall be the processing of logs and/or chip materials into semi-finished goods or finished goods.
2. Primary Non-Timber Forest-Product Industry shall be the processing of non-timber forest products into semi-finished goods or finished goods.
3. Kind of Industry shall be part of an industry branch having specific characteristics with certain products resulting from production.
4. Forest Products shall be biological materials, non-biological materials and their derivatives as well as service coming from forest.
5. Raw Material of Industry shall be forest product processed or not processed and usable as production materials in industry.
6. Guarantee for Supply of Raw Material of Industry shall be a plan containing guarantee for supply of raw material in primary forest-product industry.
7. Plan for Fulfillment of Raw Material of Primary Forest-Product Industry, hereinafter abbreviated to RPBBI, shall be a plan containing the need of raw material and supply of raw material in accordance with the permitted capacity of primary forest-product industry and availability of guarantee for supply of raw material for one year.
8. Permitted Capacity is the annual maximum production capacity permitted on the basis of license from the authorized official.
9. Installed Capacity shall be capacity of the main production machines stipulated in layout of the primary forest-product industry, which is submitted and stipulated in business license of industry.

10. Director General shall be the Director General in charge of Forestry Production Development.

11. Provincial Service shall be service in charge of forestry affairs in a province.

12. Regental/Municipal Service shall be service in charge of forestry affairs in a regency/city.

13. Center shall be the Forest Product Inspector Certification Center (BPSHH).

CHAPTER II
GUARANTEE FOR
SUSTAINABLE SUPPLY OF RAW MATERIAL

Article 2

- (1) Every applicant of business license of primary timber or non-timber forest-product industry shall formulate and convey proposal of guarantee for sustainable supply of raw material.
- (2) The proposal of guarantee for sustainable supply of raw material as meant in paragraph (1) shall be in the form of book as meant in the format in Attachment I to this decree.
- (3) The book of the guarantee for sustainable supply of raw material as meant in paragraph (2) shall be the main requirement, which must be enclosed in the proposal of the establishment of business license of new primary forest-product industry and/or expansion.

Article 3

The book of the guarantee for sustainable supply of raw material shall be formulated by considering:

- a. raw material from legal source or origin;
- b. kind of industrial products;
- c. permitted capacity and installed capacity of primary forest-product industry for the respective kinds of products.

Article 4

- (1) The raw material from the legal source or origin as meant in Article 3 letter a shall come from production of:
- natural forest;
 - timber estate; and/or
 - concession forest also called communal forest.
- (2) Besides the raw material as meant in paragraph (1), source of raw material as supporting can come from:
- result of utilization of timber coming from renewal of plantation plants;
 - import; and/or
 - auction of confiscated, found and/or seized forest products.

CHAPTER III

ANNUAL PLAN FOR

FULFILLMENT OF RAW MATERIAL OF INDUSTRY

Part One

Proposal of RPBBi

Article 5

- (1) Every holder of business license of primary timber and non-timber forest-product industry shall formulate and convey proposal of RPBBi for the current year, starting from January 1 to December 31.
- (2) The proposal of RPBBi as meant in paragraph (1) shall be received by the authorized official in not later than October 31 of the previous year for evaluation and legalization.
- (3) The authorized official as meant in paragraph (2) shall be:
- governors in the case of primary timber forest-product industry having a production capacity of up to 6,000 (six thousand) cubic meters per annum or large/medium/small-scale non-timber forest-product industry; or
 - the Director General in the case of primary timber forest-product industry having a production capacity of above 6,000 (six thousand) cubic meters per annum.

Article 6

The proposal of RPBBi as meant in Article 5 shall be conveyed to:

- governors, in the case of primary timber forest-product industry having a production capacity of up to 6,000 (six thousand) cubic meters per annum or large/medium/small-scale non-timber forest-product industry with a copy made available to:
 - the Director General;
 - Head of Provincial Service;
 - Head of Regental/Municipal Service;
 - Head of Center.
- the Director General in the case of primary timber forest-product industry having a production capacity of above 6,000 (six thousand) cubic meters per annum with a copy made available to:
 - Governor;
 - Head of Provincial Service;
 - Head of Regental/Municipal Service;
 - Head of Center.

Part Two

Formulation of RPBBi

Article 7

- (1) The proposal of RPBBi shall be formulated properly in accordance with the format stipulated in this decree on the basis of:
- Book of guarantee for sustainable supply of raw material;
 - Potential of natural forest referring to sustainable forest exploitation;
 - Potential of timber estate;
 - Stipulation of annual felling quota and annual production allotment;
 - Permitted capacity of primary forest-product industry.
- (2) The proposal as meant in paragraph (1) shall be accompanied/enclosed with documents supporting guarantee for raw material in the form of:
- transaction contract of raw materials with management of source of raw material from both state forest and concession forest;
 - in the case of raw material coming from business license to utilize result of timber forest or non-timber forest in the previous year, the proposal is accompanied by copy of decision on annual action plan or annual working chart in the previous year and Protocol of Stock Opname in not later than one month before RPBBi is submitted.

- c. In the case of raw material coming from business license to utilize timber forest products in natural forest in the current year, the proposal is accompanied by stipulation of annual felling quota and/or annual production allotment based on report on result of cruising of felling in the current year from Regental/Municipal Service and in the case of raw materials coming from the previous year, the proposal is accompanied by Protocol of Stock Opname.
- d. In the case of source of raw material coming from other legitimate license, the proposal is accompanied by copy of decision on other legitimate license, namely license to utilize timber resulting from other utilization area, business license to utilize timber from the use of forest area and/or area having its status (designation) changed from forest area into non-forest area.
- e. In the case of source of raw material coming from area of concession right or non-forest area (plantation), source of the raw material should be acknowledged by Regental/Municipal Service.
- f. In the case of source of raw material coming from auction in the previous year, the proposal needs to be accompanied by evidence of auction participants and auction winners fortified by minutes of auction from the local State Receivership and Auction Board.
- g. In the case of source of raw material coming from the import, the proposal needs to be accompanied by agreement on import contract in the current year, which is legalized by executive of primary forest-product industry and/or evidence of supply of imported raw material in the previous year, acknowledged by the Head of Local Provincial Service.

Article 8

- (1) The proposal of RPBBi shall be formulated in the form of a book containing:
 - a. General data about the relevant primary forest-product industry;
 - b. Kind of industry, permitted capacity and installed capacity;

- c. Resume of guarantee for supply of raw material;
- d. Production plan;
- e. Plan for fulfillment of raw material;
- f. Realization of waste resulting from the utilization of raw material;
- g. Marketing plan;
- h. Remainder of stock of raw material;
- i. Remainder of production stock;
- j. The planned number of permanent and daily employees, in the case of expatriate, it must be accompanied by certificate from the institution authorized to issue license;
- k. Educational and training plan for forest product inspectors.

- (2) The format of book of proposal of RPBBi as substance of evaluation and ratification of RPBBi shall be as contained in Attachment II to this decree.

Part Three

Evaluation and Ratification of RPBBi

Article 9

- (1) Based on copy of the proposal of RPBBi as meant in Article 6 letter a point 3 (three), the Head of Regental/Municipal Service, in not later than November 30 of the previous year, shall have conveyed technical consideration to the Head of Provincial Service.
- (2) Based on the proposal of RPBBi and technical consideration from the Head of Regental/Municipal Service, the Head of Provincial Service shall subsequently evaluate RPBBi.
- (3) In the case of the technical consideration from the Head of Regental/Municipal Service being not conveyed in the deadline already stipulated in paragraph (1), the Head of Provincial Service shall continue evaluating.
- (4) Result of the evaluation, in not later than December 15 of the previous year shall be conveyed to governor with a copy made available to the Director General.

(5) Based

(5) Based on the result of the evaluation and after fulfilling the requirement in accordance with the provisions in this decree, governor shall issue decision on approval or ratification of RPBBi in not later than December 31 of the previous year with a copy made available to:

- 1) the Director General;
- 2) Head of Provincial Service;
- 3) Head of Regental/Municipal Service;
- 4) Head of Center.

(6) Governor can assign the Head of Provincial Service to issue approval or ratification of RPBBi.

Article 10

(1) Based on copy of the proposal of RPBBi as meant in Article 6 letter b point 2 (two), the Head of Provincial Service, in not later than November 30 of the previous year, shall have conveyed technical consideration to the Director General.

(2) Based on the proposal of RPBBi and technical consideration from the Director General shall subsequently evaluate RPBBi.

(3) In the case of the technical consideration from the Head of Provincial Service being not conveyed in the deadline already stipulated in paragraph (1), the Director General shall continue evaluating.

(4) Based on the result of the evaluation and after fulfilling the requirement in accordance with the provisions in this decree, the Director General shall issue decision on approval or ratification of RPBBi in not later than December 31 of the previous year with a copy made available to:

- a. Governor;
- b. Head of Provincial Service;
- c. Head of Regental/Municipal Service;
- d. Head of Center.

(5) The Director General can assign the Director in charge of processing and marketing of forest products to issue approval or ratification of RPBBi.

Part Four Change/Revision of RPBBi

Article 11

(1) Any change/revision for RPBBi can be submitted by holders of business license of primary timber and non-timber forest-product industry if source of raw material changes with the provision that the total volume does not exceed the volume of raw material contained in RPBBi already approved/ratified.

(2) Proposal of change/revision for RPBBi as meant in paragraph (1) shall be submitted in accordance with the provision in Article 6 letters a and b and only permitted once in the current year period.

(3) Format of book of proposal of revision for RPBBi as substance of evaluation and ratification shall be as contained Attachment III to this decree.

(4) The change in source of raw material usable in revision for RPBBi shall be as contained in Article 4 paragraphs (1) and (2).

Article 12

(1) Based on copy of proposal of revision for RPBBi, the Head of Regental/Municipal Service in not later than 14 (fourteen) working days after receiving the copy of proposal of revision shall convey technical consideration to the Head of Provincial Service.

(2) In not later than 14 (fourteen) working days after receiving the proposal of revision for RPBBi and technical consideration from the Head of Regental/Municipal Service as meant in paragraph (1), the Head of Provincial Service shall evaluate RPBBi and the result shall be conveyed to governor with a copy made available to the Director General.

(3) In the case of the Head of Provincial Service not receiving technical consideration from the Head of Regental/Municipal Service after 30 working days as from the date of receipt of proposal of revision for RPBBi, the Head of Provincial Service shall continue evaluating.

(4) In not later than 14 (fourteen) working days after receiving result of evaluation and fulfilling the requirement in accordance with the provisions in this decree, Governor shall issue decision on approval or ratification of revision for RPBBi with a copy made available to:

- 1) the Director General;
- 2) Head of Provincial Service;
- 3) Head of Regental/Municipal Service;
- 4) Head of Center.

(5) Governor can assign the Head of Provincial Service to issue approval or ratification of revision for RPBBi.

Article 13

(1) Based on copy of proposal of revision for RPBBi, the Head of Provincial Service in not later than 14 (fourteen) working days after receiving the copy of proposal of revision shall convey technical consideration to the Director General.

(2) In not later than 14 (fourteen) working days after receiving the proposal of revision for RPBBi and technical consideration from the Head of Provincial Service as meant in paragraph (1), the Director General shall evaluate RPBBi.

(3) In the case of the Director General not receiving technical consideration from the Head of Provincial Service after 30 working days as from the date of receipt of proposal of revision for RPBBi, the Director General shall continue evaluating.

(4) Based on result of evaluation and after fulfilling the requirement in accordance with the provisions in this decree, the Director General shall issue decision on approval or ratification of revision for RPBBi with a copy made available to:

- 1) Governor;
- 2) Head of Provincial Service;
- 3) Head of Regental/Municipal Service;
- 4) Head of Center.

(5) The Director General can assign the Director in charge

of processing and marketing of forest products to issue approval or ratification of revision for RPBBi.

Part Five

Reporting of Realization of RPBBi

Article 14

Holders of license of primary forest-product industry shall make monthly report on the realization of fulfillment and use of raw materials in not later than the 10th of the ensuing month, to be conveyed to:

- a. governors in the case of the Head of Provincial Service, in the case of primary timber forest-product industry having a production capacity of up to 6,000 (six thousand) cubic meters per annum or large/medium/small-scale non-timber forest-product industry with a copy made available to the Director General, Head of Provincial Service, Head of Regental/Municipal Service and Head of Center.
- b. the Director General in the case of primary timber forest-product industry having a production capacity of above 6,000 (six thousand) cubic meters per annum with a copy made available to Governor, Head of Provincial Service, Head of Regental/Municipal Service and Head of Center.

Part Six

Fostering and Controlling

Article 15

(1) The Director General and/or Head of Provincial Service shall undertake technical control and fostering related to source of raw material for holders of license of primary forest-product industry.

(2) The Head of Regental/Municipal Service and/or Head of Center shall provide technical counseling for formulation of guarantee for sustainable supply of raw material and RPBBi for holders of license of primary forest-product industry.

(3) The Director General shall monitor and evaluate the implementation of RPBBi for Timber IPHH having a production capacity of 6,000 (six thousand) cubic meters per annum by referring to guarantee for sustainable supply of raw material, monthly report on

fulfillment as well as the use of raw material of Timber IPHH and report result to the Minister of Forestry.

- (4) The Head of Provincial Service on behalf of the governor shall monitor and evaluate the implementation of RPBBI for primary timber forest-product industry having a production capacity of up to 6,000 (six thousand) cubic meters per annum or large/medium/small-scale non-timber forest-product industry by referring to guarantee for sustainable supply of raw material and monthly report on fulfillment as well as the use of raw material of the primary forest-product industry and report the result to governor, and the Minister of Forestry in this case the Director General of Forestry Production Development with a copy made available to Regent/Mayor, Head of Regental/Municipal Service and Head of Center.

Article 16

- (1) The Director General and/or Head of Provincial Service can issue written warning maximally three times at a time interval of 30 (thirty) working days if on the basis of monitoring of RPBBI as well as report on monthly realization, holders of license of primary forest-product industry really deviate from the formulated plan.
- (2) Based on the written warning as meant in paragraph (1), holders of license of IPHH can give response in writing in not later than seven working days before the deadline of warning expires.
- (3) The Director General or governor can issue nullification of SPBBI unilaterally, unless holder of IPHH follows up until the deadline of warning expires.
- (4) The Head of Provincial Service and/or Head of Regental/Municipal Service can take legal action and follow up in accordance with legislation in force for primary forest-product industry not implementing RPBBI in accordance with the provisions in this decree.

Part Seven Sanction Article 17

- (1) In the case of the provision as meant in Article 2 and Article 5 being violated, holders of primary forest product industry shall be liable to sanction in accordance with the provisions stipulated in Government Regulation No. 34/2002 Jls Decree of the Minister of Forestry No. 6887/Kpts-II/2002, No. 10031/Kpts-II/2002 and No. 50/Kpts-II/2003 until the license holders fulfill their obligations as regulated in this decree.
- (2) Violation related to forestry crime shall be reported to the authorized institution in accordance with the provisions of legislation in force.

Part Eight Transitional Provision Article 18

In the framework of industrial restructuring, primary forest-product industry already operating but not yet formulating guarantee for sustainable supply of raw material shall formulate and convey to the authorized party before December 31, 2003 so that it can be used as reference in the formulation of RPBBI in 2004.

Part Nine Conclusion Article 19

- (1) With the issuance of this decree, Decree of the Minister of Forestry No. 594/Kpts-II/1996 on Plan for Fulfillment of Raw Materials of Industry and derivatives shall be declared null and void.
- (2) The decree shall come into force as from the date of stipulation.

Stipulated in Jakarta
On September 19, 2003
THE MINISTER OF FORESTRY
Sgd
MUHAMMAD PRAKOSA

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