



# GOVERNMENT REGULATIONS

## FOREST ARRANGEMENT AND FORMULATION OF FOREST MANAGEMENT PLAN AS WELL AS FOREST EXPLOITATION

(Government Regulation No. 6/2007 dated January 8, 2007)

BY THE GRACE OF GOD ALMIGHTY,

of the Constitution of 1945;

THE PRESIDENT OF THE REPUBLIC OF INDONESIA,

2. Law No. 41/1999 on Forestry (Statute Book of 1999 No. 167, Supplement to Statute Book No. 3888) as already amended by Law No. 19/2004 on Stipulation of Government Regulation in Lieu of Law No. 1/2004 on the Amendment to Law No. 41/1999 regarding Forestry to Become A Law (Statute Book of 2004 No. 86, Supplement to Statute Book No. 4412);

Considering:

- a. that in the framework of implementing the provisions of Articles 22, 39, 66 and 80 of Law No. 41/1999 on Forestry and following the promulgation of Government Regulation No. 34/2002 on Forest Arrangement and Formulation of Forest Management, Forest Exploitation and Forest Area Utilization Plans;
- b. that in the framework of driving up the growth of sustainable national development, it is necessary to take strategic measures capable of boosting the growth of investments, accelerating timber estate development, controlling forest degradation and enhancing national economy, including economy of communities inside and around forests through deregulation and debureaucratization on the basis of the principles of good governance and sustainable forest management;
- c. that Government Regulation No. 34/2002 on Forest Arrangement and Formulation of Forest Management, Forest Exploitation and Forest Area Utilization Plans has not been fully capable of facilitating the need as meant in letter b;
- d. that based on the considerations as meant in letters b and c, it is necessary to stipulate a new government regulation on forest arrangement and formulation of forest management plan as well as forest exploitation;

In view of:

1. Article 5 paragraph (2) and Article 33 paragraph (3)

DECIDES :

To stipulate:

THE GOVERNMENT REGULATION ON FOREST ARRANGEMENT AND FORMULATION OF FOREST MANAGEMENT PLAN AS WELL AS FOREST EXPLOITATION.

### CHAPTER I GENERAL PROVISION

#### Article 1

Referred to in this government regulation as:

1. Forest Management Totality hereinafter called KPH is a forest management area in accordance with the basic function and designation, which can be managed efficiently and in a sustainable manner.
2. Head of KPH shall be leader, holder of authority and personnel in charge of forest management in the managed area.
3. Forest Arrangement is an activity of designing forest management unit, covering activities of classification of forest resources in accordance with the types of ecosystem and potentials contained inside with a view of obtaining maximal benefit for the people in a sustainable manner.

4. Forest Exploitation is an activity of utilizing forest area, environmental services, timber and non-timber forest products optimally and fairly for the people's welfare by preserving the sustainability.
5. Area Exploitation is an activity of utilizing the growth space so as to obtain environmental, social and economic benefits optimally without reducing the main function.
6. Utilization of Environmental Service is an activity of utilizing potentials of environmental services without destroying the environment and reducing the main function.
7. Utilization of Timber Forest Products is an activity of utilizing and exploiting forest products in the form of timber without destroying the environment and reducing the main function.
8. Utilization of Non-Timber Forest Products is an activity of utilizing and exploiting forest products in the form of non-timber without destroying the environment and reducing the main function.
9. Collection of Timber and/or Non-Timber Forest Products is an activity of taking forest products in the form of either timber and/or non-timber with certain limit, size and/or volume.
10. License to Exploit Forest is a license issued by the authorized official consisting of business license to utilize area, business license to utilize environmental service, business license to utilize timber and/or non-timber forest products and license to collect timber and/or non-timber forest products in forest areas already stipulated.
11. Business License to Utilize Area, hereinafter abbreviated to IUPK is a business license granted to utilize area in protected forests and/or production forests.
12. Business License to Utilize Environmental Service, hereinafter abbreviated to IUPJL is a business license issued to utilize environmental services in protected forests and/or production forests.
13. Business License to Utilize Timber Forest Products, hereinafter called IUPHHK and/or Business License to Utilize Non-Timber Forest Products, hereinafter called IUPHHBK is a business license issued to utilize forest products in the form of timber and/or non timber inside natural forests in production forests through activity of harvesting or felling, enrichment, preservation and marketing.
14. IUPHHK of Ecosystem Restoration Inside Natural Forest is a business license issued to build area inside natural forest in production forest having important ecosystem so that the function and representation can be preserved through activities of maintaining, protecting and restoring forest ecosystem including planting, enrichment, separation, animal breeding, wild release of flora and fauna to restore biological substances (flora and fauna) as well as non-biological substances (soil, climate and topography) in an area to the original kind so that biological equilibrium and their ecosystems can be achieved.
15. IUPHHK and/or IUPHHBK inside timber estate is a business license issued to utilize forest products in the form of timber and/or non-timber inside timber estate in production forest through activities of land preparation, seedling, planting, maintaining, harvesting and marketing.
16. License to Collect Timber Forest Products, hereinafter abbreviated to IPHHK is a license to take forest products in the form of timber in production forests through activities of harvesting, transporting, and marketing for a specified period and in a specified volume.
17. License to Collect Non-Timber Forest Products, hereinafter abbreviated to IPHHK is a license to take forest products in the form of non-timber in protected forests and/or production forests, among others, rattan, honey, fruits, resins, medicinal herbs for a specified period and in a specified volume.

18. Industrial Timber Estate, hereinafter abbreviated to HTI is timber estate in production forest, which is built by groups of forestry industry to enhance potential and quality of production forests by applying silviculture in the framework of fulfilling the need of forest product industries for raw materials.
19. Smallholder Timber Estate, hereinafter abbreviated to HTR is timber estate in production forest, which is built by groups of communities to enhance potential and quality of production forests by applying silviculture in the framework of assuring the conservation of forest resources.
20. Timber Estate Resulting from Rehabilitation, hereinafter abbreviated to HTHR is timber estate in production forest, which is built through activity of rehabilitating land and forest in production forest area to restore, preserve and enhance function of land and forest in the framework of maintaining their supporting potential, productivity and role as life buffer system.
21. Silviculture system is a forest cultivation system or system of forest planting techniques, starting from selecting seeds, sowing, planting, maintaining plant and harvesting.
22. Concession Forest is forest located in land charged with land title.
23. Communal Forest is a state forest with the main utilization directed to empower communities.
24. Rural Forest is a state forest not yet charged with license/right, which is managed by village and utilized for welfare of the village.
25. Contribution to Forest Utilization Business License, hereinafter abbreviated to IIUPH is a levy imposed on holder of business license to utilize forest in a certain forest area.
26. Forest Royalty, hereinafter called PSDH is a levy imposed on licensee as compensation for the intrinsic value of forest products collected from the state forests.
27. Reforestation Fund, hereinafter abbreviated to DR is a certain amount of fund collected from holders of IUPHHK inside natural forest in production forests to reforestate and rehabilitate forests.
28. Individuals are Indonesian citizens capable of acting legally.
29. Certificate of Legitimacy of Forest Product is documents which constitute evidences of legality of forest products in every segment of activity in administration of forest products.
30. Primary Industry of Timber Forest Product is the processing of logs and/or timber chip raw-materials into semi-finished goods or finished goods.
31. Primary Industry of Non-Timber Forest Product is the processing of forest products in the form of non-timber into semi-finished goods or finished goods.
32. Minister is the Minister in charge of forestry affairs.

#### Article 2

Forest arrangement in the formulation of forest management plan as well as forest exploitation constitutes part of forest management.

#### Article 3

- (1) Forest arrangement and formulation of forest management plan as well as forest exploitation throughout forest areas constitute authority of the government and regional governments.
- (2) The whole forest areas as meant in paragraph (1) consist of 3 (three) main functions of forests, namely:
  - a. conservation forest;
  - b. protected forest; and
  - c. production forest.
- (3) The forest areas as meant in paragraph (2) are divided into KPH, which becomes part of fortification of the national, provincial and regental/municipal forest management system.

## Article 4

- (1) The government can delegate the implementation of forest management as meant in Article 2 to state-owned enterprises operating in the forestry sector.
- (2) Directors of the state-owned enterprises operating in the forestry sector that secure delegation of authority to implement the forest management as meant in paragraph (1) establish organizations of KPH and appoint heads of KPH.
- (3) The implementation of forest management by state-owned enterprises excludes from the public authority.
- (4) The implementation of forest management by state-owned enterprises in the forest sector as meant in paragraph (1) is ruled in a special government regulation.

## CHAPTER II

## FOREST MANAGEMENT TOTALITY

## Article 5

The forest management totality (KPH) as meant in Article 3 paragraph (3) covers:

- a. Conservation KPH (KPHK);
- b. Protected KPH (KPHL);
- c. Production KPH (KPHP).

## Article 6

- (1) KPH as meant in Article 5 is stipulated in one or several main functions of forest and in an administration territory or inter-administrative territory of administration.
- (2) In the case of one KPH consisting of more than one main function of forest, stipulation of KPH as meant in paragraph (1) is based on the function which is dominant in the size.

## Article 7

- (1) The Minister stipulates the size of KPH area by observing efficiency and effectiveness of forest management in one territory of river stream area (DAS) or one territorial totality of ecosystem.

- (2) Further provisions on procedures for stipulating the size of one KPH as meant in paragraph (1) are regulated by a regulation of the Minister.

- (3) Provisions on the establishment and procedures for stipulation of KPH as meant in Article 6 are regulated on the basis of provisions of legislation.

## Article 8

- (1) The government and/or provincial governments and/or regental/municipal governments in accordance with their respective scopes of authority stipulate organizations of KPH.
- (2) The organizations of KPH stipulated by the government as meant in paragraph (1) cover organizations of:
  - a. KPHK; or
  - b. KPHL and KPHP having inter-provincial working area.
- (3) The organizations of KPH stipulated by the provincial governments as meant in paragraph (1) cover organizations of KPHL and inter-regental/municipal KPHL.
- (4) The organizations of KPH stipulated by the regental/municipal governments as meant in paragraph (1) cover organizations of KPHL and KPHP inside regental/municipal territory.
- (5) The establishment of organizations of KPH as meant in paragraphs (1), (2) and (3) is based on guidance, criteria and standards.
- (6) Further provisions on the guidance, criteria and standards of the establishment of organization of KPH as meant in paragraph (5) are stipulated by a regulation of the Minister.

## Article 9

- (1) Organizations of KPH have the following tasks and functions:
  - a. performing forest management, which covers:

## Article 11

1. forest arrangement and formulation of forest management plan;
  2. forest exploitation;
  3. utilization of forest area;
  4. forest rehabilitation and reclamation; and
  5. forest protection and natural conservation.
  - b. elaborating national, provincial and regental/municipal forestry policies for implementing;
  - c. undertaking activities of forest management in their respective territories, starting from the planning, organization, implementing, and supervision as well as controlling;
  - d. monitoring and evaluating the implementation of activities of forest management in their respective territories;
  - e. opening investment opportunities for supporting the accomplishment of forest management objectives.
- (2) Further provisions on tasks and functions of the organizations of KPH as meant in paragraph (1) letter a point 1 and point 2 are regulated by a regulation of the Minister on the basis of this government regulation.
- (3) Further provisions on tasks and functions of the organizations of KPH as meant in paragraph (1) letter a points 3, 4 and 5 are regulated separately in another government regulation.

## Article 10

- (1) The government, provincial governments and regental/municipal governments in accordance with their respective scopes of authority are responsible for the development of KPH and their infrastructure.
- (2) The development fund of KPH comes from:
- a. APBN;
  - b. APBD; and/or
  - c. Other non-binding fund in accordance with the provisions of legislation.

## CHAPTER III

FOREST ARRANGEMENT AND FORMULATION OF  
FOREST MANAGEMENT PLAN

## Article 12

- (1) Activities of forest arrangement in KPH consist of:
- a. border arrangement;
  - b. forest inventorying;
  - c. division into block or zone;
  - d. division into cluster and sub-cluster; and
  - e. mapping.
- (2) Results of the activities as meant in paragraph (1) are in the form of inventorying of forest arrangement formulated in the form of book and map of KPH arrangement.
- (3) The activities as meant in paragraph (1) are executed by organizations of KPH.

## Article 13

- (1) Heads of KPH formulate forest management plans on the basis of results of the activities as meant in Article 12 paragraph (2) by referring to national, provincial and regental/municipal forestry plans and paying attention to aspirations, cultural values of local communities as well as environmental condition.
- (2) The forest management plan as meant in paragraph (1) includes:
- a. long-term forest management plan; and
  - b. short-term forest management plan.
- (3) The long-term forest management plan as meant in paragraph (2) letter a is formulated by heads of KPH.

(4) The . . . . .

- (4) The long-term forest management plan as meant in paragraph (3) contains the following elements:
- objectives to be achieved by KPH;
  - encountering condition; and
  - strategies as well as feasibility of forest management development, covering forest arrangement, exploitation and the use of forest areas, forest rehabilitation and reclamation and forest protection and nature conservation.

- (5) The short-term forest management plan as meant in paragraph (2) letter b is formulated by officials appointed by heads of KPH.

- (6) The short-term forest management plan as meant in paragraph (5) contains the following elements:
- objectives of sustainable forest management in the scale of the said KPH;
  - evaluation of results of the previous short-term plan;
  - targets to be achieved;
  - database and information;
  - activities to be implemented;
  - status of balance of forest resources;
  - monitoring, evaluation and controlling of activities; and
  - participation of parties.

- (7) The short-term forest management plan is formulated on the basis of the long-term forest management plan.

#### Article 14

- (1) The Minister, governors or regents/mayors or appointed officials in accordance with their respective scopes of authority ratify the long-term forest management plan formulated by heads of KPH as meant in Article 13 paragraph (3).
- (2) Heads of KPH ratify the short-term forest management plan formulated by the officials appointed by heads of KPH as meant in Article 13 paragraph (5).

#### Article 15

- (1) The long-term forest management plan as meant in

Article 14 paragraph (1) must be ratified by the Minister in not later than 5 (five) years as from the date of establishment of organizations of KPH.

- (2) In the territory of KPH already having the long-term forest management plan as meant in paragraph (1), activities of forest exploitation can be executed by license to exploit forests.

- (3) In the territory of KPH not yet having the long-term forest management plan as meant in paragraph (1) in 5 (five) years, activities of forest exploitation can be executed on the basis of national forestry plan.

- (4) Further provisions on the forest management plan as meant in paragraph (1) are regulated by a regulation of the Minister.

#### Article 16

The Minister appoints forestry institutions to formulate plans and activities of forest arrangement in KPH territories where organization of KPH has not been established.

### CHAPTER IV FOREST EXPLOITATION

#### Part One Forest Exploitation

#### Article 17

- (1) Forest exploitation assumes at obtaining benefits of forest products and services optimally, fairly and in a sustainable manner for the people's welfare.
- (2) The forest exploitation as meant in paragraph (1) can be executed through activities of:
- utilization of areas;
  - utilization of environmental services;
  - utilization of timber and non-timber forest products;
  - collection of timber and non-timber forest products.
- (3) Forest exploitation is executed on the basis of the forest management plans as meant in Articles 13, 14, 15 and 16.

## Article 18

The forest exploitation as meant in Article 17 can be executed in the whole forest areas as meant in Article 3 paragraph (2), namely areas of:

- a. conservation forests, excluding wildlife reserve, jungle zone, and core zone in national park;
- b. protected forests; and
- c. production forests.

## Article 19

Every activity of the forest exploitation as meant in Article 17 paragraph (2) must be accompanied by licenses to exploit forest, covering:

- a. IUPK;
- b. IUPJL;
- c. IUPHHK;
- d. IUPHHBK;
- e. IPHHK; and
- f. IPHHBK.

## Article 20

- (1) The licenses to exploit forest as meant in Article 19 can be transferred after securing written approval from licensors.
- (2) The areas of licenses to exploit forests cannot be used as guarantee, collateral or guaranteed for other parties.

## Article 21

- (1) In certain territories, the Minister can assign heads of KPH to implement forest exploitation, including sales of upright.
- (2) The implementation of forest exploitation, including sales of upright in the certain territories as meant in paragraph (1) is based on guidance, criteria and standards of forest exploitation of certain territories.
- (3) Further provisions on the guidance, criteria and standards of forest exploitation of certain territories as meant in paragraph (1) are regulated by a regulation of the Minister.

## Part Two

## Forest Exploitation in Conservation Forest

## Article 22

In conservation forests, the issuance of the licenses to exploit forests as meant in Article 17 must be in accordance with provisions of legislation.

## Part Three

## Forest Exploitation in Protected Forest

## Paragraph 1

## General

## Article 23

- (1) Forest exploitation in the protected forest as meant in Article 17 can be executed through activities of:
  - a. utilization of areas;
  - b. utilization of environmental services; or
  - c. collection of non-timber forest products.
- (2) Inside protecting blocks in protected forests, the activities of forest exploitation as meant in paragraph (1) cannot be executed.

## Paragraph 2

## Utilization of Areas in Protected Forest

## Article 24

- (1) Utilization of areas in the protected forests as meant in Article 23 paragraph (1) letter a is executed through, among others, business activities of:
  - a. cultivation of medicinal herbs;
  - b. cultivation of decorative plants;
  - c. cultivation of mushrooms;
  - d. cultivation of honey;
  - e. breeding of wild animals;
  - f. rehabilitation of animals; or
  - g. cultivation of feed graneries.
- (2) The business activities of utilization of areas in the protected forests as meant in paragraph (1) are executed with the provision:
  - a. not reducing, changing or eliminating their main functions;
  - b. limited land processing;
  - c. not resulting in negative impacts on biophysics and socio economy;
  - d. not using mechanical equipment and heavy equipment; and/or
  - e. not building facilities and infrastructure changing landscape.

- (3) Further provisions on the business activities of utilization of areas in the protected forests as meant in paragraph (1) are regulated by a regulation of the Minister.

### Paragraph 3

#### Utilization of Environmental Services in Protected Forest

##### Article 25

- (1) The utilization of environmental services in the protected forests as meant in Article 23 paragraph (1) letter b is executed through, among other, business activities of:
- utilization of water current service;
  - utilization of water;
  - eco tourism;
  - protection of biological diversity;
  - rescue and protection of environment; or
  - absorption and/or storage of carbon.
- (2) Business activities of environmental service utilization in the protected forests are executed with the provision that the activities are not:
- reducing, changing or eliminating the main function;
  - changing landscape; and
  - affecting equilibrium of environmental components.
- (3) Holders of licenses, in undertaking business activities of utilization of water current services and water in the protected forests must pay compensation for the government.
- (4) Further provisions on business activities of utilization of environmental services in the protected forests as meant in paragraphs (1), (2) and (3) are regulated by a regulation of the Minister.

### Paragraph 4

#### Collection of Non-Timber Forest Products in Protected Forest

##### Article 26

- (1) Non-timber forest products collected in the protected forests as meant in Article 23 paragraph (1) letter c are, among others:

- rattan;
- honey;
- resin;
- fruits;
- mushroom; or
- swallow nest.

- (2) The collection of non-timber forest products in the protected forests is executed with the provision that:
- the collected non-timber forest products must have been available naturally;
  - the activity does not damage the environment; and
  - the activity does not reduce, change or eliminate the main function.
- (3) The collection of non-timber forest products in the protected forests may be executed by only communities around the forests.
- (4) In the protected forests, prohibition applies to:
- collection of non-timber forest products in a quantity exceeding the sustainable productivity;
  - collection of forest products protected by the law.
- (5) Further provisions on collection of non-timber forest products in the protected forests as meant in paragraphs (2), (3) and (4) are regulated by a regulation of the Minister.

### Paragraph 5

#### License to Utilize Forest in Protected Forest

##### Article 27

- (1) One license to utilize area in the protected forests as meant in Article 23 paragraph (1) letter a can include several business licenses to cultivate medicinal herbs, decorative plants, mushroom and bee.
- (2) Licensors are prohibited from issuing more license in locations of utilization of area or environmental services in the protected forests as meant in Article 23 paragraph (1) letters a and b, already securing license to utilize forests, unless otherwise license to collect non-timber forest products (IPHHBK) as means in Article 23 paragraph (1) letter c can be issued with different commodities.

## Paragraph 6

Validity Period of License to Exploit Forests in  
Protected Forest

## Article 28

- (1) The validity period of IUPK in the protected forests as meant in Article 23 paragraph (1) letter a, in accordance with business line, is maximally 10 (ten) years.
- (2) IUPK in the protected forests as meant in paragraph (1) is extendable, based on periodical (annual) evaluation by licensors.
- (3) IUPK as meant in paragraph (1) is issued with the provision as follows:
  - a. maximally 50 (fifty) hectares for every license;
  - b. maximally 2 (two) licenses for every individual or cooperative in every regency/city.

## Article 29

- (1) The validity period of IUPJL in the protected forests as meant in Article 23 paragraph (1) letter b is distinguished by business activities:
  - a. in the case of the utilization of water current service, maximally 25 (twenty five) years;
  - b. in the case of the utilization of water, maximally 10 (ten) years with maximum volume 20% (twenty percent) of the debit;
  - c. in the case of eco-tourism, maximally 35 (thirty five) years with the maximum area 10% (ten percent) of the utilization block;
  - d. in the case of protection of biological diversity, maximally 50 (fifty) years with the size according to the investment need;
  - e. in the case of environmental rescue and protection, the period and size are in accordance with the need;
  - f. in the case of carbon absorption and/or storing, maximally 30 (thirty) years with the size according to the investment need.
- (2) IUPJL in the protected forests as meant in paragraph (1) letter a up to letter f can be extended on the basis of periodical (annual) evaluation by licensors.

## Article 30

- (1) The validity period of IPHHBK in the protected forests as meant in Article 23 paragraph (1) letter c, in accordance with location, quantity and kind of the collected non-timber forest products is maximally one year, except the collection of swallow nest, the validity period is maximally 5 (five) years.
- (2) IPHHBK in the protected forests as meant in paragraph (1) can be extended on the basis of evaluation executed every six months, except the collection of swallow nest wherein the periodical evaluation is executed every year.

## Part Four

## Forest Utilization in Production Forest

## Paragraph 1

## General

## Article 31

- (1) In the production forests, the forest utilization as meant in Article 17 paragraph (1) is executed on the basis of principles to manage forest in sustainable manner and enhance their main function.
- (2) Utilization of forests in the production forests as meant in paragraph (1) is executed through, among others:
  - a. Business activities to utilize area;
  - b. Business activities to utilize environmental-services;
  - c. Business activities to utilize timber forest products in natural forests;
  - d. Business activities to utilize non-timber forest products in natural forests;
  - e. Business activities to utilize non-timber forest products in timber estate;
  - f. Collection of timber forest products in natural forests;
  - g. Collection of non-timber forest products in natural forests;
  - h. Collection of non-timber forest products in timber estate.

## Paragraph 2

## Utilization of Area in Production Forest

## Article 32

- (1) Utilization of area in the production forests as meant in Article 31 paragraph (2) letter a is executed through, among others,;
  - a. business activity to cultivate medicinal herbs;
  - b. business activity to cultivate decorative plants;
  - c. business activity to cultivate mushroom;
  - d. business activity to cultivate honey;
  - e. business activity to breed animal; and
  - f. business activity to cultivate swallow nest.
- (2) Utilization of area in the production forests as meant in paragraph (1) is not limited and can be granted in the form of other businesses with the provision that:
  - a. the size of processing area is limited;
  - b. the activity does not bring about negative impact on biophysic and socio economy;
  - c. mechanical equipment and heavy equipment are not used; and
  - d. the license holders do not build facility and infrastructure changing landscape.
- (3) Further provisions on the utilization of area in the production forest as meant in paragraphs (1) and (2) are regulated by a regulation of the Minister.

## Paragraph 3

Utilization of Environmental Services in  
Production Forest

## Article 33

- (1) The utilization of environmental services in the production forests as meant in Article 31 paragraph (1) letter b is executed through, among other, business activities of:
  - a. utilization of water current service;
  - b. utilization of water;
  - c. eco tourism;
  - d. protection of biological diversity;
  - e. rescue and protection of environment; or
  - f. absorption and/or storage of carbon.
- (2) The utilization of environmental service in the production forests as meant in paragraph (1) is not limited and can be granted in the form of other business with the provision that the activity is not:
  - a. changing landscape;

- b. affecting equilibrium of environmental components; and/or
- c. reducing the main function.

- (3) Holders of licenses, in undertaking business activities of utilization of water current services and water in the production forests must pay compensation for the government.
- (4) Further provisions on business activities of utilization of environmental services in the production forests as meant in paragraphs (1), (2) and (3) are regulated by a regulation of the Minister.

## Paragraph 4

Utilization of Timber Forest Products  
Inside Natural Forest in Production Forest

## Article 34

- (1) Utilization of timber forest products inside natural forest in the production forests as meant in Article 31 paragraph (2) letter c can be executed through business activities:
  - a. utilization of timber-forest products; or
  - b. utilization of timber forest product of ecosystem restoration.
- (2) Utilization of timber forest products inside natural forest in the production forests as meant in paragraph (1) can be done one silviculture system or more in accordance with characteristics of forest resources and their environments.

## Article 35

- (1) Utilization of timber forest products inside natural forest in the production forest as meant in Article 34 paragraph (1) letter a covers activities of harvesting, enrichment, planting, maintenance, security and marketing of output, in accordance with the stipulated forest management plan.
- (2) Utilization of timber forest products of ecosystem restoration inside natural forest in the production forest as meant in Article 34 paragraph (1) letter b cover activities of maintenance, protection and restoration of forest ecosystem, including planting,

enrichment, selection, animal breeding, wild release of flora and fauna.

- (3) Further provisions on the utilization of timber forest products and utilization of timber forest products of ecosystem restoration inside natural forests in the production forest as meant in paragraphs (1) and (2) are regulated by a regulation of the Minister.

#### Article 36

- (1) The utilization of timber forest products of ecosystem restoration inside natural forest in the production forests as meant in Article 34 paragraph (1) letter b only can be executed with the provision that:
- the production forest must be located in one forest area totality;
  - the size and location of production forest area remain productive but it's not feasible to utilize for one unit of business license; and
  - unproductive production forest area must be in the form of empty land, grasses and/or bushes.
- (2) In the case of ecosystem restoration inside natural forest not yet resulting equilibrium, IUPK, IUPJL or IUPHHBK in production forest can be issued.
- (3) In the case of ecosystem restoration inside natural forest already resulting equilibrium, IUPHHK in production forest can be issued.
- (4) IUPK, IUPJL, IUPHHK or IUPHHBK as meant in paragraphs (2) and (3) is issued to private business entities (BUMS).
- (5) Further provisions on the utilization of timber forest products of ecosystem restoration inside natural forest as meant in paragraphs (2), (3) and (4) are regulated by a regulation of the Minister.

#### Paragraph 5

Utilization of Timber Forest Products inside  
Timber Estate in Production Forest

#### Article 37

Utilization of timber forest products inside

timber estate in the production forests as meant in Article 31 paragraph (2) letter d can be done in:

- HTI;
- HTR; or
- HTHR.

#### Article 38

- (1) In the production forests, utilization of timber forest products in HTI inside the timber estate as meant in Article 37 letter a can be done by one silviculture system or more, in accordance with characteristics of forest resources and their environments.
- (2) Utilization of timber forest products in HTI inside timber estate covers activities of land preparation, seedling, planting, maintenance, harvesting and marketing.
- (3) Utilization of timber forest products in HTI is done in unproductive production forests.
- (4) Plants resulting from IUPHHK in HTI constitute assets of holders of business licenses and can be used as collateral as long as their business licenses remain valid.
- (5) The government, in accordance with provisions of legislation, can set up financial institutions to support the building of HTI.
- (6) Further provisions on the utilization of timber forest products in HTI inside the timber estate as meant in paragraphs (1) and (2) are regulated by a regulation of the Minister.

#### Article 39

- (1) In production forests, the utilization of timber forest products in HTI inside timber estate as meant in Article 38 can be in the form of:
- plants of the same kind; and
  - plants of various kinds.
- (2) Further provisions on the plants of the same kind and various kinds as meant in paragraph (1) are regulated by a regulation of the Minister.

## Article 40

- (1) The Minister, inside timber estate in production forests, allocates and stipulates certain areas to build HTR on the basis of recommendations of KPH or the appointed officials.
- (2) In production forest, the utilization of timber forest products in HTR inside the timber estate as meant in Article 37 letter b can be done by one silviculture system or more, in accordance with characteristics of forest resources and their environments.
- (3) The utilization of timber forest products in HTR inside the timber estate as meant in paragraph (2) covers activities of land preparation, seedling, planting, maintenance, harvesting and marketing.
- (4) The utilization of timber forest products in HTR inside the timber estate as meant in paragraph (2) is done in unproductive production forests.
- (5) Plants resulting from IUPHHK in HTR constitute assets of holders of business licenses and can be used as collateral as long as their business licenses remain valid.
- (6) The government, in accordance with provisions of legislation, can set up financial institutions to support the building of HTR.
- (7) Further provisions on the utilization of timber forest products in HTR inside the timber estate as meant in paragraph (2) up to paragraph (6) are regulated by a regulation of the Minister.

## Article 41

- (1) In production forests, the utilization of timber forest products in HTR inside the timber estate as meant in Article 40 paragraph (2) can be in the form of:
  - a. plants of the same kind; and
  - b. plants of various kinds.
- (2) In order to protect rights of HTR inside timber estate, the Minister stipulates the basic selling price of timber in HTR.

- (3) Further provisions on the plants of the same kind and various kinds as well as stipulation of the basic price are regulated by a regulation of the Minister.

## Article 42

- (1) In production forests, based on KPH Management Plan, the utilization of timber forest products in HTR inside the timber estate as meant in Article 37 letter c is realized through the sales of upright.
- (2) The selling of upright as meant in paragraph (1) includes activities of harvesting, security and marketing.
- (3) The selling of upright as meant in paragraph (1) is done in one totality of cluster size recommended by heads of KPH or officials appointed by the Minister.
- (4) Inside forest area in HTR where upright has been sold, the Minister or the appointed officials can issue IUPHHK in HTI or IUPHHK in HTR to individuals, cooperatives, BUMN and BUMS.
- (5) The utilization of timber forest products in HTI or HTR by individuals, cooperatives, BUMN or BUMS is done in accordance with the activities as meant in Article 38 or Article 40.
- (6) BUMN, BUMS, BUMD, cooperatives or individuals as license holders must pay the collected upright price in accordance with provisions of legislation.
- (7) In case of members of cooperatives having investment upon rehabilitation, the collected upright price as meant in paragraph (6) must be paid by the respective members in accordance with the respective amounts of investment after operating profit is shared proportionally with the government, provincial governments or regental/municipal governments.
- (8) Further provisions on the sales of upright, payment of upright price and sharing of the profit as meant in paragraph (1) and paragraph (7) are regulated by a regulation of the Minister.

## Paragraph 6

Utilization of Non-Timber Forest Products Inside  
Natural Forest In Production Forest

## Article 43

- (1) Utilization of non-timber forest products inside natural forest in the production forest as meant in Article 31 paragraph (2) letter e is, among others, the utilization of:
- rattan, sago, thatch palm, bamboo, covering the activities of planting, harvesting, enrichment, maintenance, security and marketing of output;
  - resin, wood bark, leaf, fruit or seed, gaharu, covering the activities of harvesting, enrichment, maintenance, security and marketing of output.
- (2) Further provisions on the utilization of non-timber forest products in natural forests as meant in paragraph (1) are regulated by a regulation of the Minister.

## Paragraph 7

Utilization of Non-Timber Forest Products Inside  
Timber Estate In Production Forest

## Article 44

- (1) Utilization of non-timber forest products inside timber estate in the production forest as meant in Article 31 paragraph (2) letter f is, among others, the utilization of:
- rattan, sago, thatch palm, bamboo, covering the activities of planting, harvesting, enrichment, maintenance, security and marketing of output;
  - resin, wood bark, leaf, fruit or seed, gaharu, covering the activities of harvesting, enrichment, maintenance, security and marketing of output.
- (2) The utilization of non-timber forest products in the timber estate as meant in paragraph (1) also can be applied to timber estate resulting from activities of rehabilitation.
- (3) Further provisions on the utilization of non-timber forest products in timber estate as meant in para-

graph (1) are regulated by a regulation of the Minister.

## Paragraph 8

Collection of Timber Forest Products Inside  
Natural Forest in Production Forest

## Article 45

- (1) Collection of timber forest products inside natural forest in the production forest as meant in Article 31 paragraph (2) letter g is granted to meet the need for building public facilities of local community groups with the provision that the collected timber product is maximally 50 (fifty) cubic meters and is not traded.
- (2) Collection of timber forest products inside natural forest in the production forest as meant in Article 31 paragraph (2) letter g is granted to meet the need of individuals with the provision that the collected timber product is maximally 20 (twenty) cubic meters and is not traded.
- (3) Further provisions on Collection of timber forest products inside natural forest in the production forest as meant in paragraphs (1) and (2) are regulated by a regulation of the Minister.

## Paragraph 9

Collection of Non-Timber Forest Products  
Inside Natural Forest In Production Forest  
Article 46

- (1) Collection of non-timber forest products inside natural forest in the production forests as meant in Article 31 paragraph (2) letter h aims at fulfilling the need of local communities and the products can be traded.
- (2) The collected non-timber forest products inside natural forest in the production forests as meant in paragraph (1) can be in the form of rattan, honey, resin, fruits or seeds, leafs, gaharu, wood barks, medicinal herbs and tubers with the provision that the collected products are maximally 20 (twenty) tons per every family.

(3) Collection of non-timber forest products inside the natural forest as meant in paragraph (1), which is applied to wild plants and/or animals must be in accordance with the provisions of legislation.

(4) Further provisions on the collection of non-timber forest products inside natural forest as meant in paragraphs (1) and (2) are ruled by a regulation of the Minister.

#### Paragraph 10

#### Collection of Non-Timber Forest Products Inside Timber Estate In Production Forest

#### Article 47

(1) Collection of non-timber forest products inside timber estate in the production forests as meant in Article 31 paragraph (2) letter i aims at fulfilling the need of local communities and the products can be traded.

(2) Collection of non-timber forest products inside timber estate in the production forests as meant in paragraph (1) also can be applied to timber estate resulting from rehabilitation.

(3) The collected non-timber forest products inside timber estate as meant in paragraph (1) can be in the form of rattan, honey, resin, fruits or seeds, leaves, gaharu, wood barks, medicinal herbs and tubers with the provision that the collected products are maximally 20 (twenty) tons per every family.

(4) Collection of non-timber forest products inside the timber estate as meant in paragraph (1), which is applied to wild plants and/or animals must be in accordance with the provisions of legislation.

(5) Further provisions on the collection of non-timber forest products inside timber estate as meant in paragraphs (1) and (2) are ruled by a regulation of the Minister.

#### Paragraph 11

#### License to Exploit Forest In Production Forest

#### Article 48

(1) Every activity of utilization of forest in the production forest as meant in Article 31 paragraph (1) must be accompanied by license to exploit.

(2) Licensors are prohibited from issuing license:

- a. inside working area of state-owned companies operating in the forestry sector already securing delegation of authority to undertake the forest management as meant in Article 4.
- b. Inside forest areas already charged with the business license to utilize forest as meant in Article 31 paragraph (2) letter a up to letter f.

(3) Licensors can issue IPHHBK as meant in Article 31 paragraph (2) letters g, h and I inside forest areas already charged with business license to utilize forests with different commodities.

(4) IUPHHK can be executed by one silviculture system or more, in accordance with characteristics of forest resources and their environments.

(5) Further provisions on the licensing as meant in paragraphs (2), (3) and (4) are ruled by a regulation of the Minister.

#### Paragraph 12

#### Validity Period of License to Exploit Forests in Production Forest

#### Article 49

(1) The validity period of IUPK in the production forests as meant in Article 31 paragraph (2) letter a, in accordance with business line, is maximally 5 (five) years and can be extended.

(2) IUPK is extended on the basis of evaluation executed by licensors every year.

(3) IUPK as meant in paragraph (1) is issued with the provision as follows:

- a. maximally 50 (fifty) hectares for every license;
- b. maximally 2 (two) licenses for every individual or cooperative in every regency/city.

## Article 50

(1) The validity period of IUPJL in the production forests as meant in Article 33 paragraph (1) is stipulated as follows:

- a. in the case of the utilization of water current service, maximally 25 (twenty five) years with the maximum value 20% (twenty percent) of the available debit of surface water, provided that the utilization does not reduce public right;
- b. in the case of the utilization of water, maximally 10 (ten) years with maximum volume 20% (twenty percent) of the debit of water;
- c. in the case of eco-tourism, maximally 35 (thirty five) years with the maximum area 10% (ten percent) of the utilization block;
- d. in the case of protection of biological diversity, maximally 50 (fifty) years with the size according the investment need;
- e. in the case of environmental rescue and protection, the period and size are in accordance with the need;
- f. in the case of carbon absorption and/or storing, maximally 30 (thirty) years with the size according to the investment need.

(2) IUPJL as meant in paragraph (1) can be extended on the basis of evaluation executed by licensors every 5 (five) years.

## Article 51

(1) The validity period of IUPHHK inside natural forest in the production forests as meant in Article 34 paragraph (1) letter a, is maximally one 55 (fifty five) years.

(2) IUPHHK in the production forests as meant in paragraph (1) can be extended by the Minister on the basis of evaluation executed every 5 (five) years.

## Article 52

(1) The validity period of IUPHHK of ecosystem restoration inside natural forest in the production forests as meant in Article 34 paragraph (1) letter b is maximally 100 (one hundred) years.

(2) IUPHHK of ecosystem restoration inside natural forest is evaluated by the Minister every 5 (five) years as the basis for continuation of the license.

(3) IUPHHK of ecosystem restoration inside natural forest is only granted at once and cannot be extended.

## Article 53

(1) The validity period of IUPHHK in HTI inside timber estate in the production forest as meant in Article 37 letter a is maximally 100 (one hundred) years.

(2) IUPHHK in HTI inside timber estate is evaluated by the Minister every 5 (five) years as the basis for continuation of the license.

(3) IUPHHK in HTI inside timber estate is only granted at once and cannot be extended.

## Article 54

(1) The validity period of IUPHHK in HTR inside timber estate in the production forest as meant in Article 37 letter b is maximally 100 (one hundred) years.

(2) IUPHHK in HTR inside timber estate is evaluated by the Minister every 5 (five) years as the basis for continuation of the license.

(3) IUPHHK in HTR inside timber estate is only granted at once and cannot be extended.

## Article 55

The validity period of IUPHHK in HTHR inside timber estate in the production forests as meant in Article 37 letter c is maximally one year and can be extended by the Minister on the basis of evaluation executed every 6 (six) months.

## Article 56

The validity period of IUPHHK inside natural forest in the production forests as meant in Article 43 paragraph (1) is maximally 10 (ten) years and can be extended by licensors on the basis of evaluation executed every year.

## Article 57

The validity period of IUPHHBK inside timber estate in the production forests as meant in Article 44 paragraph (1) is maximally 10 (ten) years and can be extended by licensors on the basis of evaluation executed every year.

## Article 58

The validity period of IPHHBK inside timber estate in the production forests as meant in Article 47 is maximally 2 (two) years and can be extended by licensors on the basis of evaluation executed every 6 (six) months.

## Article 59

- (1) The validity period of IPHHK and IPHHBK inside natural forest in the production forest as meant in Articles 45 and 46 is maximally one year.
- (2) IPHHK as meant in paragraph (1) cannot be extended.
- (3) IPHHBK as meant in paragraph (1) can be extended by licensors on the basis of evaluation executed every 6 (six) months.

## Part Five

## Authority To License

## Article 60

- (1) IUPK is issued by:
  - a. regents/mayors, in forest areas located inside their jurisdiction with a copy made available to the Minister, governors and heads of KPH;
  - b. governors, in inter-regency/city forest areas inside their jurisdictions with a copy made available to the Minister, regents/mayors and heads of KPH;
  - c. the minister, in inter-provincial forest areas with a copy made available to governors, regents/mayors and heads of KPH;
  - d. the minister in areas already charged with IUPHHK of ecosystem restoration inside natural forests in the production forests not yet achieving ecosystem equilibrium with a copy made available to governors, regents/mayors and heads of KPH.

tem equilibrium with a copy made available to governors, regents/mayors and heads of KPH.

- (2) IUPK as meant in paragraph (1) is issued on the basis of guidance, criteria and standards.

- (3) Further provisions on guidance, criteria and standards of the issuance of IUPK as meant in paragraph (2) are ruled by a regulation of the Minister.

## Article 61

- (1) IUPJL is issued by:
  - a. regents/mayors, in forest areas located inside their jurisdiction with a copy made available to the Minister, governors and heads of KPH;
  - b. governors, in inter-regency/city forest areas inside their jurisdictions with a copy made available to the Minister, regents/mayors and heads of KPH;
  - c. the minister, in inter-provincial forest areas with a copy made available to governors, regents/mayors and heads of KPH;
  - d. the minister in areas already charged with IUPHHK of ecosystem restoration inside natural forests in the production forests not yet achieving ecosystem equilibrium with a copy made available to governors, regents/mayors and heads of KPH.

- (2) IUPK as meant in paragraph (1) is issued on the basis of guidance, criteria and standards.

- (3) Further provisions on guidance, criteria and standards of the issuance of IUPK as meant in paragraph (2) are ruled by a regulation of the Minister.

## Article 62

- (1) IUPHHK in natural forests is issued by the Minister on the basis of recommendation from governors, already securing consideration from regents/mayors.
- (2) IUPHHK of ecosystem restoration inside natural forest is issued by the Minister with a copy made available to governors, regents/mayors and heads of KPH.

- (3) IUPHHK in HTI inside natural forests is issued by the Minister on the basis of recommendation from governors, already securing consideration from regents/mayors.
- (4) IUPHHK in HTR inside timber estate is issued by the Minister and the issuance can be delegated to governors.
- (5) IUPHHK in HTHR inside timber estate is issued by the Minister or the appointed official on the basis of recommendation from governors, already securing consideration from regents/mayors.

#### Article 63

IUPHHBK in natural forests is issued by:

- a. regents/mayors, in forest areas located inside their jurisdiction with a copy made available to the Minister, governors and heads of KPH;
- b. governors, in inter-regency/city forest areas inside their jurisdictions with a copy made available to the Minister, regents/mayors and heads of KPH;
- c. the minister, in inter-provincial forest areas with a copy made available to governors, regents/mayors and heads of KPH

#### Article 64

IPHHK is issued by:

- a. regents/mayors, in forest areas located inside their jurisdiction with a copy made available to the Minister, governors and heads of KPH;
- b. governors, in inter-regency/city forest areas inside their jurisdictions with a copy made available to the Minister, regents/mayors and heads of KPH;
- c. the minister, in inter-provincial forest areas with a copy made available to governors, regents/mayors and heads of KPH

#### Article 65

IPHHBK inside natural forests or timber estate

is issued by:

- a. regents/mayors, in areas inside natural forests or timber estate located inside their jurisdiction with a copy made available to the Minister, governors and heads of KPH;
- b. governors, in areas inside inter-regency/city natural forests or timber estate located in their jurisdictions with a copy made available to the Minister, regents/mayors and heads of KPH.

#### Article 66

- (1) IUPK, IUPJL, IUPHHK, IUPHHBK, IPHHK and IPHHBK as meant in Article 60 up to article 65 are issued on the basis of the basis of guidance, criteria and standards.
- (2) Further provisions on guidance, criteria and standards of the issuance of IUPK as meant in paragraph (2) are ruled by a regulation of the Minister.

#### Part Six

#### Subjects of License Holders

#### Article 67

- (1) IUPK can be issued to:
  - a. individuals; or
  - b. cooperatives.
- (2) IUPJL can be issued to:
  - a. individuals;
  - b. cooperatives;
  - c. BUMS Indonesia;
  - d. BUMN; or
  - e. BUMD.
- (3) IUPHHK inside natural forest in the production forest can be issued to:
  - a. individuals;
  - b. cooperatives;
  - c. BUMS Indonesia;
  - d. BUMN; or
  - e. BUMD.

(4) IUPHHK in HTI inside timber estate can be issued to:

- a. cooperatives;
- b. BUMS Indonesia;
- c. BUMN; or
- d. BUMD.

(5) IUPHHK in HTR inside timber estate can be issued to:

- a. individuals;
- b. cooperatives.

(6) IUPHHK in HTHR inside timber estate can be issued to:

- a. individuals;
- b. cooperatives;
- c. BUMS Indonesia;
- d. BUMN; or
- e. BUMD.

(7) IUPHHK inside natural forest or timber estate in the production forests can be issued to:

- a. individuals;
- b. cooperatives;
- c. BUMS Indonesia;
- d. BUMN; or
- e. BUMD.

(8) IPHHK inside natural forest in the production forest can be issued to:

- a. individuals; or
- b. cooperatives.

(9) IPHHBK inside natural forest in the production forest can be issued to:

- a. individuals; or
- b. cooperatives.

(10) IPHHBK inside timber estate in the production forest can be issued to:

- a. individuals; or
- b. cooperatives.

## Part Seven

### Procedures and Requirements for Applying for License

#### Article 68

(1) IUPK, IUPJL, IUPHHK in natural forests, IUPHHK in timber estate, IUPHHBK, IPHHK and IPHHBK are issued by means of submitting application.

(2) IUPHHK in natural forests as meant in paragraph (1) is issued by selecting applicants and status of the requested forest areas.

(3) Further provisions on procedures for applying for the business license as meant in paragraphs (1) and (2) are ruled by a regulation of the Minister.

#### Article 69

In the case of activities of forest utilization being potential to change landscape and influence the environment, environmental impact analysis (AMDAL) needs to be executed in accordance with the provisions of legislation.

## Part Eight

### Rights and Obligations of Holders of License to Exploit Forest

#### Article 70

(1) Every holder of business license to exploit forest is righteous to undertake activities and obtain benefits from the business output in accordance with the obtained license.

(2) Holders of IUPHHK in HTI inside the timber estate as meant in Article 38, having good performance, are righteous to obtain priority to secure IUPHHK HTI in other surrounding locations and/or different locations as long as the locations have not been charged with business license to exploit forest.

(3) Holders of IUPHHK in HTR inside the timber estate as meant in Article 40 are righteous to obtain accompanying in the framework of institutional fortification by regents or the appointed official.

(4) Holders . . . . .

(4) Holders of IUPHHK in HTHR in the form of the cooperatives as meant in Article 42 paragraph (7) obtain production-sharing right in accordance with the amount of investment spent for activities of forest rehabilitation.

(5) Further provisions on rights of holders of IUPHHK as meant in paragraphs (2), (3) and (4) are ruled by a regulation of the Minister.

#### Article 71

Every holder of business license to exploit forest is obliged to:

- a. formulate action plan for the whole working area in accordance with the validity period of license on the basis of forest management plan prepared by KPH;
- b. undertake concrete activities in the field in not later than:
  - 1) 6 (six) months as from the date of issuance of business license to utilize forest area, environmental services and non-timber forest products;
  - 2) one month as from the date of issuance of license to collect forest products;
  - 3) one year in the case of IUPHHK inside natural forest, IUPHHK of ecosystem restoration inside natural forest or timber estate; or
  - 4) 6 (six) months as from the date of issuance of license to sell upright of forest products inside forests resulting from rehabilitation.
- c. arrange borders of working areas in not later than one year as from the date of issuance of IUPHHK inside natural forest and timber estate;
- d. protect forest in the working area;
- e. perform financial administration of business activity in accordance with the forestry accountancy standards in force for holders of business license to exploit forest;
- f. employ professionals in the forestry sector and other personnel fulfilling requirements in accordance with the need;

- g. implement silviculture system in accordance with local condition;
- h. pay contribution or fund in accordance with the provisions of legislation.

#### Article 72

(1) Besides fulfilling the obligations as meant in Article 72, BUMN, BUMD, BUMS, holders of IUPJL, IUPHHK and IUPHHBK are obliged to cooperate with local community cooperatives in not later than one year after the license is received.

(2) Further provisions on the cooperation as meant in paragraph (1) are ruled by a regulation of the Minister.

#### Article 73

(1) Besides executing the obligation as meant in Articles 71 and 72, holders of IUPHHK inside natural forest are obliged to:

- a. formulate long-term business plan for exploiting timber forest products (RKUPHHK) for the whole working area in not later than one year after the date of issuance of the license and submit the plan to the Minister or the appointed official for approving;
- b. formulate annual action plan (RKT) on the basis of RKUPHHK as meant in letter a for ratification by head of KPH or official appointed by the Minister;
- c. submit RKT in not later than 2 (two) months before RKT is effective;
- d. administer forest products;
- e. measure or verify forest products;
- f. provide and supply timber raw materials to primary industries of forest products; and
- g. convey report on performance of license holders periodically to the Minister.

(2) In the case of RKT as meant in paragraph (1) letter b fulfilling the criteria and indicators stipulated by the Minister, holders of IUPHHK inside natural forest can be given authority and responsibility to undertake self approval (implement the plan without ratification from the authorized official).

(3) RKUPHHK is formulated for a period of 10 (ten) years by observing long-term management plan of KPH.

(4) RKUPHHK is evaluated every 5 (five) years by license holders and reported to head of KPH or officials appointed by the Minister.

(5) Besides fulfilling the obligation as meant in Articles 71 and 72, holders of IUPHHK of ecosystem restoration inside natural forest are obliged to:

a. formulate RKUPHHK in ecosystem restoration forests inside natural forests in the production forest in accordance with the validity period of license and must be completed in not later than one year after the license is issued;

b. in areas where ecosystem equilibrium has not been achieved:

1) formulate business plan for utilizing areas, environmental services and/or non-timber forest products for the whole working areas in accordance with the validity period of license and must be completed in not later than one year after the license is issued for submitting to the Minister or the appointed official for securing approval.

2) Formulate Annual Action Plan (RKT) for the utilization of areas, environmental services and/or non-timber forest products on the basis of business plan for utilizing areas, environmental services and/or non-timber forest products and ratified by head of KPH or official appointed by the Minister.

c. in areas where ecosystem equilibrium has been achieved:

1) formulate business plan for utilizing timber forest products (RKUPHHK) for the whole working areas in accordance with the validity period of license and must be completed in not later than one year after the license is issued for submitting to the Minister or the appointed official for securing approval;

2) formulate RKT for utilizing timber forest products on the basis of RKUPHHK and ratified by head of KPH or official appointed by the Minister.

d. to implement RKT as meant in letter b point 2) and letter c point 2), which becomes their authority and responsibility if they have met the criteria and indicators stipulated by the Minister without needing ratification from the authorized official (self-approval);

e. administer forest products in the harvesting period;

f. measure or verify forest products in the harvesting period; and

g. convey performance report periodically to the Minister.

#### Article 74

Besides fulfilling the obligation as meant in Article 71, Article 72 and Article 73 paragraph (1) up to paragraph (4), holders of IUPHHK in natural forest are prohibited from:

a. felling tree exceeding the tolerable target as high 5% (five percent) of the total target of volume stipulated in RKT;

b. felling tree exceeding the tolerable target as high as 3% (three percent) of the volume per kind of tree stipulated in RKT;

c. felling tree before RKT is ratified;

d. felling tree for making corridor before license is obtained or contravening license to build corridor;

e. felling tree below the permitted diameter limit;

f. felling tree outside the permitted felling block;

g. felling tree to build road for transport lane of tree outside RKT block, unless otherwise securing license from the authorized official; and/or

h. leaving working area.

ARTICLE 75 . . . . (TO BE CONTINUED)

—==( AL )==—

# FOREST ARRANGEMENT AND FORMULATION OF FOREST MANAGEMENT PLAN AS WELL AS FOREST EXPLOITATION

(Government Regulation No. 6/2007 dated January 8, 2007)

[ Continued from Business News No. 7529 pages 1A - 20A ]

## Article 75

- (1) Besides fulfilling the obligations as meant in Articles 71 and 72, holders of IUPHHK in HTI inside timber estate are obliged to:
  - a. formulate long-term business plan for exploitation of timber forest products (RKUPHHK) for the whole working areas, which must be completed in not later than one year after the date of issuance of the license and submitted to the Minister or appointed officials to secure approval;
  - b. formulate annual action plan (RKT) on the basis of RKUPHHK for ratification by by head of KPH or official appointed by the Minister;
  - c. submit RKT in not later than 2 (two) months before RKT comes into effect;
  - d. formulate RKUPHHK for a period of ten years by observing long-term management plan of KPH;
  - e. undertake forest product administration;
  - f. measuring or verifying forest products;
  - g. undertaking silviculture system in accordance with the developed location and kind of plants;
  - h. provide and supply timber materials to forest-based product industries;
  - i. provide area maximally 5% (five percent) of the total area as life plant space for area of partnership with local communities;
  - j. plant at least 50% (fifty percent) of the planting area for holders of IUPHHK in HTI inside timber estate on the basis of circle in not later than 5 (five) years as from the date of issuance of the license; and
  - k. convey periodical performance report to the Minister.
- (2) In the case of RKT as meant in paragraph (1) letter b fulfilling the criteria and indicators stipulated by the Minister, holders of IUPHHK in HTI can be given authority and responsibility to implement the plan without ratification from the authorized official (self approval).
- (3) Besides fulfilling the obligations as meant in paragraph (1) letters e, f, g, h and j, holders of IUPHHK in HTR inside timber estate are obliged to:
  - a. formulate long-term business plan for exploitation of timber forest products (RKUPHHK) for the whole working areas, which must be completed in not later than one year after the date of issuance of the license and submitted to regents or appointed officials to secure approval;
  - b. formulate annual action plan (RKT), which is submitted in not later than 2 (two) months before the said RKT comes into effect;
  - c. implement RKT as meant in paragraph (3) letter b, becoming their authority and responsibility if the criteria and indicators stipulated by the Minister have been fulfilled, with ratification from the authorized official (self approval); and
  - d. convey periodical performance report to the Minister.
- (4) Holders of IUPHHK in HTHR inside timber estate are obliged to formulate RKT for submitting in not later than 2 (two) months after the date of issuance of the license or before the current year RKT ends for ratification by heads of KPH or officials appointed by the Minister.
- (5) Besides fulfilling the obligations as meant in Articles 71, 72 and 71 paragraph (1) and paragraph (4), holders of IUPHHK in timber estate are prohibited from:
  - a. felling tree to make corridor before the license is obtained or by ways contravening the license to make corridor; and/or
  - b. leaving the working area.

## Article 76

- Besides fulfilling the obligations as meant in Articles 71 and 72, holders of IUPHHBK are obliged to:
- a. formulate long-term action plan for exploitation of non-timber forest products (RKUPHHBK) for the whole

working . . . . .

working areas, which must be completed in not later than one year after the date of issuance of the license and submit it to governors or regents/mayors in accordance with the scopes of authority to secure approval;

- b. formulate annual action plan (RKT) based on RKUPHHBK for ratification to heads of KPH or officials appointed by governors or regents/mayors;
- c. submit RKT in not later than 2 (two) months before the said RKT comes into effect;
- d. undertake administration of non-timber forest products; and
- e. verify non-timber forest products.

#### Article 77

- (1) Besides fulfilling the obligations as meant in Article 71, holders of IPHHK are obliged to:
  - a. collect forest products in one month as from the date of issuance of the license;
  - b. collect forest products in accordance with the issued license;
  - c. protect forest from disturbances damaging forest around their settlement;
  - d. formulate plan for collection of timber forest products needed for ratification by head of KPH or officials appointed by regents/mayors; and
  - e. measure and verify forest products.
- (2) Besides fulfilling the obligation as meant in paragraph (1), holders of IPHHK are prohibited from collecting forest products in a quantity exceeding 5% (five percent) of the target of volume per kind of forest products mentioned in the license.

#### Article 78

Holders of IPHHBK are prohibited from collecting forest products in a quantity exceeding 5% (five percent) of the target of volume per kind of forest products mentioned in the license.

#### Part Nine

#### Forest Exploitation Contribution and Fund

#### Article 79

- (1) Forest-exploitation contribution and fund constitute non-tax state revenue coming from forest resources, composed of:
  - a. IIUPH;
  - b. PSDH;
  - c. DR;
  - d. Selling proceeds of uprights;
  - e. Levy on eco tourism exploitation;
  - f. Revenue from levy on tourist visit to tourism forest area, national park, wildlife reserves and marine tourism park;
  - g. Contribution to intake/catching and transport of legally unprotected wild animals and natural plants as well as looting of hunted animals;
  - h. Revenue from fine against violation of forest exploitation;
  - i. Revenue from legally protected plants and wild animals taken from the nature and breeding; and
  - j. Revenue from settlement service of forest product transport document.
- (2) IIUPH as meant in paragraph (2) letter a is imposed on holders of business license to exploit forest on the basis of size of forest stipulated in the license.
- (3) IIUPH as meant in paragraph (2) letter a is collected at once when the business license is issued.
- (4) PSDH as meant in paragraph (1) letter b is imposed on holders of:
  - a. IUPK;
  - b. IUPJL;
  - c. IUPHHK and/or UPHHBK inside natural forest;
  - d. IUPHHK and/or IUPHHBK inside timber estate; or
  - e. IPHHK and/or IPHHBK.
- (5) DR as meant in paragraph (1) letter c is imposed on holders of IUPHHK inside the natural forest as meant in Article 34.
- (6) Selling proceeds of upright is imposed on IUPHHK in HTHR inside the timber estate as meant in Article 42 paragraph (1) and KPH obtaining the assignment as meant in Article 21 paragraph (1).

- (7) Further provisions on procedures for imposition, collection, payment and remittance of the forest exploitation contributions and fund as meant in paragraph (1) are regulated by a regulation of the Minister.

#### Article 80

- (1) Collection of PSDH and DR from timber forest products resulting from natural forests and collection of PSDH from timber forest products resulting from timber estate is based on production reports.
- (2) Collection of PSDH from non-timber forest products resulting from natural forest or timber estate is based on production reports.
- (3) Collection of PSDH as meant in paragraph (2) does not apply to:
- forest products resulting from traditional forests utilized by traditional communities and not traded;
  - timber forest products directly used by local communities and not traded; or
  - timber forest products resulting from concession forests/communal forests.
- (4) DR as meant in paragraph (1) is not imposed on:
- Timber forest products resulting from timber estate;
  - Forest products resulting from traditional forests utilized by traditional communities and not traded;
  - timber forest products directly used by local communities and not traded; or
  - timber forest products resulting from concession forests/communal forests.

#### Part Ten

#### Extension and Termination of License

#### Paragraph 1

#### Extension of License

#### Article 81

- (1) IUPK, IUPJL, IUPHHK, IUPHHBK and IPHHBK can be extended, in exception for:
- IUPHHK of ecosystem restoration in natural forests;
  - IUPHHK in HTI inside timber estate;
  - IUPHHK in HTR inside timber estate.

- (2) Every application for extension must be submitted in not later than one tenth of the remaining validity period of the license.

- (3) In the case of licensee not submitting the application as meant in paragraph (2) upon the expiration of the license, licensor issues a decision on termination of the license.

- (4) In the case of the application for extension of license already fulfilling the requirement as meant in paragraph (2), the following provisions apply:

- the extension of IUPK, IUPJL, IUPHHBK and IPHHBK is issued by:
  - regents/mayors, in forest areas located in their jurisdiction, with a copy made available to the Minister, governors and heads of KPH;
  - governors, in inter-regental/municipal forest areas located in their jurisdiction, with a copy made available to the Minister, regents/mayors and heads of KPH; and
  - the Minister, in inter-provincial forest areas, with a copy made available to governors, regents/mayors and heads of KPH.
- the extension of IUPHHK inside natural forest or IUPHHK in HTHR inside timber estate is issued by the Minister or the appointed official on the basis of recommendation from governors, after securing considerations from regents/mayors.

- (5) Further provisions on procedures and requirements for the extension of license as meant in paragraph (4) are ruled by a regulation of the Minister.

#### Paragraph 2

#### Termination of License

#### Article 82

- (1) Forest exploitation license becomes void in the case of:
- validity period of license expired;
  - license is revoked by licensor as penalty against licensee;
  - license is given back by licensee by written statement to licensor before the validity period of license expires; or

d. the target of size, volume or weight permitted in the forest product exploitation license has been achieved.

(2) Before the license is declared void as meant in paragraph (1) letters a, b and c, licensor conducts audit first.

(3) The termination of the license as meant in paragraphs (1) and (2) does not exempt the licensee from the obligation to settle the whole financial liabilities as well as fulfill other obligations stipulated by the government, provincial governments, and regental/municipal governments.

(4) Upon the termination of the license as meant in paragraph (1) letters a, b and c, in the case of IUPHHK being located inside natural forests, both immovable goods and plants already planted in the working area wholly become the state asset.

(5) Upon the termination of the license as meant in paragraph (1) letters a, b and c, in the case of IUPHHK being located inside timber estate, immovable goods become the state asset, while plants already planted inside the working area become assets of the licensee.

(6) Following the termination of the license as meant in paragraph (1), the government, provincial governments or regental/municipal governments are not responsible to liabilities of the licensee to the third party.

(7) Further provisions on the termination of license as meant in paragraphs (2), (3) and (5) are ruled by a regulation of the Minister.

## Part Eleven

### Local Community Empowerment

#### Paragraph 1

#### General

#### Article 83

(1) In order to obtain benefits of forest resources optimally and fairly, local community is empowered

through development of capacity and provision of access in the framework of enhancing their welfare.

(2) The local community empowerment as meant in paragraph (1) constitutes obligation of the government, provincial governments and regental/municipal governments with the implementation becoming responsibility of heads of KPH.

#### Article 84

The local community empowerment as meant in Article 84 paragraph (1) can be realized through:

- a. rural forest;
- b. social forest; or
- c. partnership.

#### Paragraph 2

#### Rural Forest

#### Article 85

The rural forest as meant in Article 84 letter a can be provided in protected forest and production forest.

#### Article 86

(1) The Minister stipulates working area of rural forest on the basis of recommendation of regents/mayors in accordance with the criteria stipulated and management plan formulated by heads of KPH or the appointed officials.

(2) Further provisions on stipulation of the criteria and procedures for stipulating the working area of rural forest as meant in paragraph (1) are ruled by a regulation of the Minister.

#### Article 87

(1) Local community empowerment through rural forest is realized by granting exploitation right to rural institutions.

(2) The exploitation right of rural forest as meant in paragraph (1) covers activities of area arrangement, formulation of area management plan, utilization of forest as well as rehabilitation and protection of forest.

(3) The .....

- (3) The utilization of rural forest as meant in paragraph (2), which is located in:
- protected forest, covers activities of utilization of area, environmental services, collection of non-timber forest products;
  - production forest, covers activities of utilization of area, environmental services, timber and non-timber forest products, collection of timber and non-timber forest products.

- (4) Further provisions on the exploitation right of rural forest as meant in paragraphs (1) and (2) are ruled by a regulation of the Minister.

#### Article 88

- (1) In granting the exploitation right of rural forest as meant in Article 87 paragraph (1), the government, provincial governments or regental/municipal governments in accordance with their respective scopes of authority facilitate institutional development, business development, technology counseling, education and training as well as access to the market.
- (2) Further provisions on the facilitation as meant in paragraph (1) are ruled by a regulation of the Minister.

#### Article 89

- (1) Based on stipulation of the working area of rural forest as meant in Article 86 paragraph (1) and facilitation as meant in Article 88:
- the Minister issues IUPHHK inside forest area with a copy made available to governors, regents/mayors and heads of KPH;
  - governors, besides the facilitation as meant in Article 88 paragraph (1), issues exploitation right of rural forest.
- (2) In certain conditions, the Minister can delegate the issuance of IUPHHK as meant in paragraph (1) letter a to governors.
- (3) Rural institutions as holders of the exploitation right of rural forest are obliged to manage forest in accordance with the sustainable forest management principles mentioned in rural regulations.

- (4) Rural institutions formulate rural-forest management plan along with heads of KPH or the appointed officials as part of forest management plan.
- (5) Further provisions on delegation of authority to issue IUPHHK and formulation of the rural-forest management plan as meant in paragraphs (2) and (4) are ruled by a regulation of the Minister.

#### Article 90

- (1) Exploitation right of rural forest is not a proprietary right to forest area and cannot be transferred or collateralized as well as cannot change status and function of forest area.
- (2) The forest area stipulated as rural forest cannot be used for interests outside the forest management plan and must be managed on the basis of sustainable forest management principles.

#### Article 91

- (1) Every form of utilization of forest products in the exploitation right of rural forest is subject to PSDH and/or DR.
- (2) Rural institutions as holders of the exploitation right of rural forest are obliged to:
- formulate action plan for the exploitation right of rural forest during the validity period of the exploitation right of rural forest;
  - arrange borders of the exploitation right of rural forest;
  - administer forest products.
- (3) Further provisions on the obligation as meant in paragraph (2) are ruled by a regulation of the Minister.

#### Paragraph 3

#### Social Forest

#### Article 92

- (1) The social forest as meant in Article 84 letter b can be provided in:
- conservation forest, except natural reserves and core zone of national park;
  - protected forest; or
  - production forest.

- (2) Further provisions on social forest in the conservation forest as meant in paragraph (1) letter a are regulated in a specific government regulation.

#### Article 93

- (1) The Minister stipulates working area of the social forest as meant in Article 92 paragraph (1) on the basis of recommendation from regents/mayors at the request of local communities in accordance with management plan formulated by heads of KPH or the appointed official.
- (2) Further provisions on stipulation of the social forest as meant in paragraph (1) are regulated by a regulation of the Minister.

#### Article 94

- (1) Local community empowerment through the social forest as meant in Article 84 letter b is done through the issuance of business license to exploit social forest.
- (2) The business license to exploit social forest as meant in paragraph (1), which is located in:
- protected forest, covers activities of utilization of area, environmental services, collection of non-timber forest products;
  - production forest, covers activities of utilization of area, environmental services, timber and non-timber forest products, collection of timber and non-timber forest products.
- (3) Further provisions on the local community empowerment as meant in paragraphs (1) and (2) are ruled by a regulation of the Minister.

#### Article 95

- (1) In granting the exploitation right of rural forest as meant in Article 94 paragraph (1), the government, provincial governments or regental/municipal governments in accordance with their respective scopes of authority facilitate institutional development, business development, technology counseling, education and training as well as access to the market as well as foster and control.

- (2) Further provisions on the facilitation as meant in paragraph (1) are ruled by a regulation of the Minister.

#### Article 96

- (1) Based on stipulation of the working area as meant in Article 93 paragraph (1) and facilitation as meant in Article 95 paragraph (1):
- the Minister issues IUPHHK inside social forest in working area of social forest with a copy made available to governors, regents/mayors and heads of KPH;
  - governors, in working area of inter-regental/municipal social area in their jurisdiction and regents/mayors in working area of social forest inside their jurisdiction issue business license to exploit area, plant timber forest plants, utilize environmental services, utilize timber and non-timber forest products and collect timber and non-timber forest products.
  - The license issued by governors is made available to the minister, regents/mayors and heads of KPH and license issued by regents/mayors is made available to the Minister, governors and heads of KPH.
- (2) In certain conditions, the Minister can delegate the issuance of IUPHHK as meant in paragraph (1) letter a to governors.
- (3) IUPHHK inside the social forest as meant in paragraph (1) letter a is granted to groups of communities in the form of cooperatives.
- (4) The business license to exploit social forest as meant in paragraph (1) letter b is granted to local community groups.
- (5) Holders of business license to exploit social forest are obliged to manage forest in accordance with the sustainable forest management principles, besides undertaking forest exploitation.
- (6) The business license to exploit social forest as meant in paragraph (1) letter b is granted for a period of 35 (thirty five) years and can be extended.

- (7) The business license to exploit social forest is issued on the basis of guidelines, criteria and standards.
- (8) Further provisions on guidelines, criteria, standards for the issuance of the business license to exploit social forest as meant in paragraph (7) are regulated by a regulation of the Minister.

#### Article 97

- (1) Business License to exploit social forest is not a proprietary right to forest area and cannot be transferred or collateralized as well as cannot change status and function of forest area.
- (2) The forest area stipulated as rural social forest cannot be used for interests outside the forest management plan and must be managed on the basis of sustainable forest management principles.

#### Article 98

- (1) Every holder of IUPHHK inside social forest is subject to PSDH and/or DR.
- (2) Every holder of IUPHHK inside social forest is obliged to:
  - a. formulate action plan for IUPHHK inside social forest during the validity period of the license;
  - b. arrange borders of IUPHHK inside social forest;
  - c. protect forest;
  - d. administer forest products.
- (3) Further provisions on the obligation as meant in paragraph (2) are ruled by a regulation of the Minister.

#### Paragraph 4

#### Partnership

#### Article 99

- (1) Local communities can be empowered through the partnership as meant in Article 84 letter c, in the case of:
  - a. the forest area being already provided with license to exploit forest; or
  - b. the forest area being already provided with forest exploitation right for state-owned enterprise in the forestry sector.
- (2) The minister, governors or regents/mayors in accordance with their respective scopes of authority are

obliged to facilitate the establishment of partnership between local communities and holders of business license to exploit forest or holders of forest exploitation right.

- (3) The partnership as meant in paragraph (1) is realized on the basis of agreement between holders of business license to exploit forest or holders of forest exploitation right and local communities.
- (4) Local community empowerment through partnership does not change authority of holders of license to exploit forest or holders of exploitation right to local communities.
- (5) Further provisions on local community empowerment through the partnership as meant in paragraph (1) are ruled by a regulation of the Minister.

#### CHAPTER V

#### CONCESSION FOREST

#### Article 100

- (1) Concession forest can be stipulated as forest having the following functions:
  - a. conservation;
  - b. protection; or
  - c. production.
- (2) Concession forest is exploited by holders of right to the land in accordance with the function.
- (3) The exploitation of concession forest as meant in paragraph (2) aims at contributing optimal benefits to the right holders without reducing the function.
- (4) Further provision on the exploitation of concession forest as meant in paragraph (1) are ruled by a regulation of the Minister.

#### Article 101

The government stipulates concession forest having the function of conservation and protection by giving compensation.

#### Article 102

- (1) Status of concession forest having the function of conservation and/or protection can be changed into forest area.

(2) In . . . . .

- (2) In the case of concession forest being stipulated to become the protected forest area or conservation forest area as meant in paragraph (1), the government gives compensation for right holders in accordance with the provisions of legislation.

#### Article 103

The government, provincial governments or regental/municipal governments in accordance with their respective scopes of authority are obliged to develop concession forest through facilitation, institutional fortification and business system.

### CHAPTER VI FOREST-PRODUCT PRIMARY INDUSTRY

#### Part One

#### General

#### Article 104

- (1) Forest-product primary industry aims at:
  - a. increasing added value of forest products;
  - b. utilizing raw materials efficiently;
  - c. creating job opportunity;
  - d. realizing efficient, productive and highly competitive industry;
  - e. preventing forest resources from damaging and environmental pollution; and
  - f. safeguarding raw materials in the framework of sustainable forest management.
- (2) Forest-product primary industry consists of:
  - a. timber-forest-product primary industry;
  - b. non-timber-forest-product primary industry.
- (3) The license capacity of forest-product primary industry does not exceed the supporting potential of sustainable forest management.
- (4) Sources of raw materials of forest-product primary industry can come from natural forest, timber estate, concession forest, plantations in the form of timber and the import.

#### Article 105

- (1) The minister is authorized to regulate, foster and develop forest-product primary industry covering the whole industries:
  - a. processing log into sawn timber;
  - b. processing log into wood chip, veneer, plywood, laminated veneer lumber; and

- c. processing non-timber raw materials directly collected from forest.

- (2) In exercising the authority as meant in paragraph (1), the Minister coordinates with the minister in charge of industrial affairs.

#### Part Two

#### Licensing of Timber-Forest-Product Primary Industry

#### Article 106

- (1) Every timber-forest-product primary industry must have industrial business license.
- (2) Expansion of timber-forest-product primary industry must have license to expand industrial business.

#### Article 107

- (1) The industrial business license and license to expand timber and non-timber forest product primary industry as meant in Articles 108 and 111 can be granted to:
  - a. individual;
  - b. cooperative;
  - c. Indonesia private company (BUMS Indonesia);
  - d. State-owned company (BUMN);
  - e. Regional administration-owned company (BUMD).
- (2) Business license of timber sewing industry with a production capacity up to 2,000 (two thousand) cubic meters per annum can be granted to:
  - a. individual; or
  - b. cooperative.
- (3) Industrial registry number of non-timber forest product primary industry of timber estate can be issued to:
  - a. individuals; or
  - b. cooperative;
- (4) Further provisions on non-timber forest product primary industry of timber estate are ruled by a regulation of the Minister.

#### Article 108

- (1) Industrial business license and license to expand timber-forest-product primary industry are valid as long as the industry remains operating.
- (2) Timber-forest-product primary industry is evaluated every 3 (three) years at the minimum.

- (3) The evaluation as meant in paragraph (2) is based on evaluation guidelines.
- (4) Further provisions on guidelines on evaluation of the timber-forest-product primary industry as meant in paragraph (2) are ruled by a regulation of the Minister.

#### Article 109

To meet their need for raw materials, holders of business license of timber-forest-product primary industry can develop concession forest or cooperate with holders of concession forest.

#### Part Three Procedures and Requirements for Application for Business License of Timber Forest Product Primary Industry

##### Article 110

- (1) Application for industrial business license and license to expand timber-forest product primary industry as meant in Article 107 is submitted to the Minister, in the case of:
- timber sewing industry having a production capacity of above 6,000 (six thousand) cubic meters per annum with a copy made available to the Minister in charge of industrial affairs, governors, and regents/mayors;
  - timber forest product industry processing directly logs into wood chips, veneer, plywood, laminated veneer lumber (LVL) with a production capacity of above 6,000 (six thousand) cubic meters per annum with a copy made available to the Minister in charge of industrial affairs, governors, and regents/mayors.
- (2) Application for industrial business license and license to expand timber-forest product primary industry is submitted to governors, in the case of:
- timber sewing industry having a production capacity of up to 6,000 (six thousand) cubic meters per annum with a copy made available to the Minister and regents/mayors.
  - timber forest product industry processing directly logs into wood chips, veneer, plywood, laminated veneer lumber (LVL) with a production capacity of up to 6,000 (six thousand) cubic meters per annum with a copy made available to the Minister and regents/mayors.

- (3) Further provisions on requirements for application for business license and license to expand timber-forest product primary industry as meant in paragraphs (1) and (2) are ruled by a regulation of the Minister.

#### Part Four

#### Licensing of Non-Timber Forest Product Primary Industry

##### Article 111

- (1) Small-scale non-timber forest product primary industry must have industrial registry number to obtain industrial business license.
- (2) The establishment or expansion of medium- and large-scale non-timber forest product primary industry must have industrial business license or expansion license.
- (3) Further provisions on business license of non-timber forest product primary industry as meant in paragraphs (1) and (2) are ruled by a regulation of the Minister.

##### Article 112

- (1) Registry number of non-timber forest product primary industry, business license and license to expand non-timber forest product primary industry apply as long as the industry operates in accordance with the provisions in this government regulation and are evaluated every 3 (three) years at the minimum.
- (2) The evaluation as meant in paragraph (1) is based on evaluation guidelines.
- (3) Further provisions on guidelines on evaluation of the non-timber-forest-product primary industry as meant in paragraph (2) are ruled by a regulation of the Minister.

#### Part Five

#### Procedures and Requirements for Application for Industrial Business License of Non-Timber Forest Product Primary Industry Article 113

- (1) Application for registry number of non-timber-forest product primary industry, industrial business license and license to expand non-timber-forest product primary industry is submitted to regents/mayors.

- (2) The application as meant in paragraph (1) must be accompanied by the stipulated requirements.
- (3) Further provisions on the requirements for registry number of non-timber-forest product primary industry, industrial business license and license to expand non-timber-forest product primary industry are ruled by a regulation of the Minister.

#### Part Six

#### Right and Obligation of Licensee

##### Article 114

- (1) Every holder of business license of timber and non-timber forest product primary industry is entitled to service from licensor.
- (2) Further provisions on rights of the licensee as meant in paragraph (1) are ruled by a regulation of the Minister.

##### Article 115

- (1) Holders of business license of timber and non-timber forest product primary industry are obliged:
- to undertake industrial business in accordance with the license;
  - to submit expansion license if the expansion of production exceeds 30% (thirty percent) of the permitted production capacity;
  - to formulate and convey plan for fulfillment of industrial raw materials (RPBBI) every year;
  - to formulate and convey annual report on realization of fulfillment and the use of raw materials as well as production;
  - to make and convey report on mutation of log (LKMB) or report on mutation of non-timber forest product (LMHHBK);
  - to make and convey report on mutation of processed forest products (LMHHO);
  - to undertake industrial business activities in accordance with the license;
  - to report periodically activities and results of their industry to licensor and institutions authorized to foster and develop forest product primary industry;
  - to employ personnel having certificate to measure and verify forest products in the case of the industry having a capacity of up to 6,000 m<sup>3</sup> (six thousand cubic meters) per annum unless the

licensee has personnel having certificate to measure and verify forest products; and

- to have personnel having certificate to measure and verify forest products, in the case of timber forest product industry having a capacity of above 6,000 m<sup>3</sup> (six thousand cubic meters) per annum.

- (2) Provisions on fulfillment of the obligations of holders of business license of timber and non-timber forest product primary industry as meant in paragraph (1) are ruled by a regulation of the Minister.

##### Article 116

- (1) Besides implementing the obligations as meant in Article 115, holders of business license of timber and non-timber forest product primary industry are prohibited from:
- expanding industrial business without license;
  - moving location of industrial business without license;
  - undertaking activities potential to pollute and damage the environment which exceed the tolerable limit of environmental quality standard;
  - receiving, collecting or processing raw materials of forest products resulting from illegal sources; or
  - undertaking industrial activities contravening the issued license.

#### CHAPTER VIII

#### DISTRIBUTION AND MARKETING OF FOREST PRODUCT

##### Article 117

- (1) In the framework of protecting the state right to forest products and forest conservation, the marketing of forest products is controlled through administration of forest products.
- (2) Authorized officers stipulate kinds, measure volume/weight and/or calculate the quantity of all forest products resulting from state forests.
- (3) Authorized officers can verify the forest products resulting from the state forests as meant in paragraph (2).
- (4) Physics of the forest products in the form of logs already passing the activities as meant in paragraph (2) are marked.

(5) Further. ....

- (5) Further provisions on administration of forest products resulting from state forests, be they natural forests and timber estate, are ruled by a regulation of the Minister.

#### Article 118

- (1) All forest products resulting from the concession forests have their kinds stipulated, volume/weight measures and quantity calculated.
- (2) Further provisions on stipulation of kind, measuring of volume/weight and calculation of quantity as meant in paragraph (1) are ruled by a regulation of the Minister.

#### Article 119

Transport, control or ownership of forest products resulting from the state forests must be furnished with documents which constitute certificate of legitimacy of the forest products, effective and used for carrying forest products inside the territory of the Republic of Indonesia.

#### Article 120

- (1) The documents as meant in Article 119 must be suitable to the physics of the carried forest products.
- (2) Conformance of the physics of forest products as meant in paragraph (1) is stipulated on the basis of forest product measuring and verification methods, in accordance with the Indonesian National Standard (SNI).
- (3) Measuring and verification of forest products must be executed by technical officers having qualification of forest product verifier.

#### Article 121

- (1) The minister is authorized to regulate, foster and develop the marketing of timber and non-timber forest products, which have not been processed, to the domestic market and forest product primary industry as raw materials.
- (2) Besides regulating, fostering and developing the marketing of timber and non-timber forest products as meant in paragraph (1), the authority resides in the minister in charge of trading affairs by observing recommendation of the Minister.

- (3) Further provisions on regulation, fostering and development of the marketing of timber and non-timber forest products as meant in paragraph (1) are ruled in a regulation of the Minister.

#### Article 122

The authority to regulate the export of forest products is regulated by the Minister in charge of trading affairs on the basis of recommendation of the Minister.

### CHAPTER VIII

#### FOSTERING AND CONTROLLING

#### Article 123

- (1) In order to ensure the orderly forest arrangement and formulation of forest management plan as well as forest exploitation:
- the Minister authorizes to foster and control forestry policies implemented by governors, regents/mayors and/or heads of KPH;
  - governors authorize to foster and control forestry policies implemented by regents/mayor and/or heads of KPH.
- (2) The minister, governors and regents/mayors in accordance with their respective scopes of authority foster and control the implementation of forest arrangement and formulation of forest management plan, as well as forest exploitation implemented by heads of KPH, forest exploiters and/or forest product processors.

#### Article 124

- (1) The fostering as meant in Article 123 paragraphs (1) and (2) covers:
- guidance;
  - counseling;
  - training;
  - directive; and/or
  - supervision.
- (2) The provision of the guidance as meant in paragraph (1) letter a is directed to the implementation of forest arrangement and formulation of forest management plan as well as forest exploitation.
- (3) The provision of the counseling as meant in paragraph (1) letter b is directed to the formulation of procedures and working arrangement.

(4) The . . . .

(4) The provision of the training as meant in paragraph (1) letter c is directed to human resources and apparatuses.

(5) The provision of the directive as meant in paragraph (1) letter d covers activities of formulation of plans and programs.

(6) The supervision as meant in paragraph (1) letter e is directed to the implementation of forest arrangement and formulation of forest management plan as well as forest exploitation.

#### Article 125

(1) The control as meant in Article 123 paragraphs (1) and (2) covers activities of:

- monitoring; and/or
- evaluation.

(2) The monitoring as meant in paragraph (1) letter a constitutes an activity to obtain data and information, policies and implementation of forest management.

(3) The evaluation as meant in paragraph (1) letter b constitutes an activity to evaluate the success of implementation of sustainable forest management, namely forest arrangement and formulation of forest management plan as well as forest exploitation, which is executed periodically in accordance with the kind of license.

#### Article 126

Further provisions on the fostering and control as meant in Articles 124 and 125 are regulated by a regulation of the Minister.

### CHAPTER IX

#### ADMINISTRATIVE SANCTION AGAINST HOLDERS OF BUSINESS LICENSE TO EXPLOIT FOREST AND BUSINESS LICENSE OF FOREST PRODUCT PRIMARY INDUSTRY

##### Part One

##### General

#### Article 127

In order to assure the status, forest sustainability and conservation of forest function, every holder of business license to exploit forest or industrial business license

of forest product primary industry violating the provision in Article 78 of Law No. 41/1999 on Forestry is subject to administrative sanction.

#### Part Two

#### Administrative Sanction

#### Article 128

(1) The administrative sanction as meant in Article 127 can be in the form of:

- suspension of administrative service;
- suspension of activity in the field;
- fine; or
- revocation of license.

(2) The administrative sanction as meant in paragraph (1) is imposed by licensors in accordance with their respective scopes of authority as meant in Article 60 up to Article 65, excluding the administrative sanction in the form of fine, which is imposed by the Minister.

(3) The administrative fine as meant in paragraph (1) letter c constitutes non-tax state revenue (PNBP) remitted to the State Cash.

#### Article 129

The administrative sanction in the form of suspension of administrative service as meant in Article 128 paragraph (1) letter a is imposed on:

- holders of IUPHHK inside natural forest in production forests that violate the provisions as meant in Article 73 paragraph (1) letters f, g or paragraph (4);
- holders of IUPHHK of ecosystem restoration inside natural forest in production forest that violate the provision as meant in Article 73 paragraph (5) letter g;
- holders of IUPHHK in HTI or HTR inside timber estate in production forest that violate the provisions as meant in Article 75 paragraph (1) letter a, letter d, letter h, letter I, letter k or paragraph (3) letter c.

#### Article 130

The administrative sanction in the form of suspension of activity in the field as meant in Article 128 paragraph (1) letter b is imposed on:

- holders of IUPK or IUPJL of forest violating the provisions as meant in Article 71 letter a, c, d, e, f or letter h;

b. holders . . . . .

- b. holders of IUPHHK inside natural forest in production forest violating the provision in Article 71 letter a, c, d, e, f or letter h;
  - c. holders of IUPHHK of ecosystem restoration inside natural forest in production forest violating the provision as meant in Article 71 letter a, c, d, e, f or letter h;
  - d. holders of exploitation right of rural forest in protected forest or production forest violating the provision as meant in Article 91 paragraph (1);
  - e. holders of exploitation right of rural forest violating the provision as meant in Article 91 paragraph (2) letter a, letter b or letter c;
  - f. holders of IUPHHK of social forest violating the provision as meant in Article 98 paragraph (2) letter a, letter b or letter c.
- a. holders of IUPHHK inside natural forest in production forests that violate the provisions as meant in Article 73 paragraph (1) letter c, letter e, Article 74 letter a or letter b with the obligation to pay fine as much as 10 (ten) times of PSDH or 10 (ten) times of the basic price of wood;
  - b. holders of IUPHHK inside natural forest in production forests that violate the provisions as meant in Article 74 letter c, letter d, letter e, letter f or letter g with the obligation to pay fine as much as 15 (fifteen) times of the basic price of wood;
  - c. holders of IUPHHK of ecosystem restoration inside natural forest in production forest violating the provision as meant in Article 73 paragraph (5) letter f with the obligation to pay fine as much as 10 (ten) times of PSDH or 10 (ten) times of the basic price of wood;
  - d. holders of IUPHHK in HTI or HTR inside timber estate in production forest violating the provision as meant in Article 75 paragraph (1) letter c, f or paragraph (3) with the obligation obligation to pay fine as much as 10 (ten) times of the basic price of wood;
  - e. holders of IUPHHK in HTR inside timber estate in production forest violating the provision as meant in Article 75 paragraph (5) letter a or letter b with the obligation to pay fine as much as 15 (fifteen) times of PSDH;
  - f. holders of IUPHHBK violating the provision as meant in Article 76 letter c or letter e with the obligation to pay fine as much as 10 (ten) times of PSDH or 10 (ten) times of the basic price of wood;
  - g. holders of IUPHHK violating the provision as meant in Article 71 letter b point 2), Article 77 paragraph (1) letter c, letter d or letter e with the obligation to pay fine as much as 5 (five) times of PSDH for the excess of forest products;
  - h. holders of IPHHK or IPHHBK violating the provision as meant in Article 77 paragraph (2) or Article 8 with the obligation to pay fine as much as 10 (ten) times of PSDH for the excess of forest products.

#### Article 131

- (1) The administrative sanction in the form of suspension of administrative service as meant in Article 129 and suspension of activity in the field as meant in Article 130 is imposed for a period of one year as from the date of imposition of the sanction.
- (2) The administrative sanction as meant in paragraph (1) can be revoked at anytime if the licensee fulfilled the obligation in one year as from the date of imposition of sanction.
- (3) In the case of the obligation as meant in paragraph (1) being not fulfilled in one year as from the date of imposition of the sanction, the licensee is still given written warning maximally 3 (three) times sequentially in a period of 30 working days for every warning.
- (4) The license is revoked unless the licensee fulfills the obligation after the validity period of the third written warning expires.

#### Article 132

The administrative sanction in the form of the fine as meant in Article 128 paragraph (1) letter c is imposed on:

## Article 133

The administrative sanction in the form of revocation of license as meant in Article 128 paragraph (1) letter d is imposed on:

- a. holders of IUPK or IUPJL violating the provision as meant in Article 20, Article 71 letter b point 1, or Article 74 letter h, penal provision as meant in Article 78 of Law No. 41/1999 on forestry or declared bankrupt by the district court;
- b. BUMN, BUMD or BUMS as holders of IUPJL violating the provision as meant in Article 72 paragraph (1);
- c. Holders of IUPHHK inside natural forest in production forest violating the provisions as meant in Article 20, Article 71 letter b point 3), letter g, Article 73 paragraph (1) letter a, letter b, letter d, Article 74 letter f, letter h, the penal provision as meant in Article 78 of Law No. 41/1999 on forestry or declared bankrupt by the district court;
- d. Holders of IUPHHK of ecosystem restoration inside natural forest in production forest violating the provisions as meant in Article 20, Article 71 letter b point 3), letter g, Article 73 paragraph (5) letter a, letter b point 1), letter b point 2), letter c point 1), letter c point 2), letter e, the penal provision as meant in Article 78 of Law No. 41/1999 on forestry or declared bankrupt by the district court;
- e. BUMN, BUMD or BUMS as holders of IUPHHK inside natural forest or IUPHHK of ecosystem restoration inside natural forest in production forest violating the provision as meant in Article 72 paragraph (1);
- f. Holders of IUPHHK in HTI inside timber estate in production forest violating the provisions as meant in Article 20, Article 71 letter b point 3), letter g, Article 75 paragraph (1) letter a, letter b, letter e, letter j, paragraph (5) letter b, , the penal provision as meant in Article 78 of Law No. 41/1999 on forestry or declared bankrupt by the district court;
- g. Holders of IUPHHK in HTR inside timber estate in production forest violating the provisions as meant in Article 20, Article 71 letter b point 3), letter g, Article 75 paragraph (3) letter a, letter b, paragraph (5) letter b, the penal provision as meant in Article 78 of Law No. 41/1999 on forestry or declared bankrupt by the district court;
- g. Holders of IUPHHK in HTHR violating the provision as meant in Article 71 letter b point 4);
- i. BUMN, BUMD or BUES as holders of IUPHHBK violating the provision as meant in Article 72 paragraph (1);
- j. Holders of IPHHK or IPHHBK violating the provisions as meant in Article 20, Article 71 letter I or the penal provision as meant in Article 78 of Law No. 41/1999 on forestry
- k. Holders of IUPHHBK violating the provision as meant in Article 76 letter a, letter b or letter d;
- l. Holders of IUPHHK inside social forest in conservation forest, except wildlife reserve or core zone in national park or protected forest or production forest violating the provision as meant in Article 97 paragraph (1), (2) or Article 98 paragraph (2) letter d;
- m. Holders of exploitation right of rural forest violating the provision as meant in Article 90 paragraph (1), paragraph (2) or Article 91 paragraph (2) letter d;
- n. Holders of IUPHHK of social forest violating the provision as meant in Article 97 paragraph (1), paragraph (2) or Article 98 paragraph (2) letter d.

ARTICLE 134 . . . . . (TO BE CONTINUED)

—==( AL )==—

# FOREST ARRANGEMENT AND FORMULATION OF FOREST MANAGEMENT PLAN AS WELL AS FOREST EXPLOITATION

(Government Regulation No. 6/2007 dated January 8, 2007)

[ Continued from Business News No. 7531 pages 19A - 32A ]

## Article 134

(1) In order to provide opportunity for holders of IUPK, IUPJL, natural IUPHHK, IUPHH of ecosystem restoration in natural forest, IUPHHK in HTI, IUPHHK in HTR, IUPHHK in HTHR, IUPHHK in social forest, IUPHHBK, IPHHK or IPHHBK to fulfill their obligation before the license as meant in Article 133 is revoked, they are given first written warning for three times consecutively in a period of 30 (thirty) days for every warning, except revocation of license attributable to the penal sanction as as meant in Article 78 of Law No. 41/1999 on forestry or being declared bankrupt by district court.

(2) The revocation of the license as meant in paragraph (1) is executed after the validity period of the third written warning expires but the licensee does not fulfill the obligation.

## Part Three

### Administrative Sanction Against Holders of Business License of Forest-Product Primary Industry

#### Article 135

Holders of business licenses of forest-product primary industry violating the provisions as meant in Article 115 and 116 are subject to administrative sanctions in the form of:

- a. suspension of industrial business;
- b. suspension of service provision; or
- c. revocation of industrial business license.

#### Article 136

The administrative sanction in the form of suspension of industrial business as meant in Article 135 letter a is imposed on:

- a. holders of business licenses of forest-product primary industry violating the provision as meant in Article 135 paragraph (1) letter i or letter j;
- b. suspension of industrial business as meant in paragraph (1) is imposed until the license holder can fulfill their obligations.

## Article 137

The administrative sanction in the form of suspension of service provision as meant in Article 135 letter b is imposed on:

- a. holders of business licenses of forest-product primary industry violating the provision as meant in Article 115 paragraph (1) letter c, letter d, letter e, letter f or letter h;
- b. suspension of service provision as meant in paragraph (1) is imposed until the license holder can fulfill their obligations.

## Article 138

(1) The administrative sanction in the form of revocation of industrial business license as meant in Article 135 letter c is imposed on holders of business licenses of forest-product primary industry violating the provision as meant in Article 115 paragraph (1) letter a, letter b, letter g, Article 116 letter a, letter b, letter c or letter d or letter e.

(2) Revocation of the industrial business license as meant in paragraph (1) is done after the licensor issues written warning three times.

(3) The written warning as meant in paragraph (2) is conveyed at a time interval of 30 (thirty) working days respectively.

(4) Revocation of business license of industries violating the provision as meant in Article 116 letter d is preceded by temporary freezing and the license is revoked until legally fixed court decision is issued.

## Part Four

### Procedures for Imposing Administrative Sanction Article 139

Procedures for imposing administrative sanction on holders of license to exploit forest, undertake business of forest-product primary industry and distribute forest products as meant in Article 135 up to Article 138 are regulated by a regulation of the Minister.

## CHAPTER X TRANSITIONAL

### Article 140

Following the stipulation of this government regulation:

- a. forest concession (HPH), forest-product collection right (HPHH) or IUPHHK issued on the basis of the provisions of legislation before this government regulation is stipulated remains valid until the license or right expires;
- b. Business license of forest-product primary industry or industrial registry number issued on the basis of the provisions of legislation before this government regulation is stipulated remains valid until the license or registry number expires;
- c. Applications for HPH or IUPHHK inside natural forest or timber estate, including application for extension of license and application for new license, which have not embarked on the principal approval level are settled in accordance with the provisions in this government regulation;
- d. In the case of the settlement of applications for HPH or IUPHHK inside natural forest or timber estate, including application for extension of license and application for new license, which have not embarked on the principal approval level, the licensing process must adjust to the provisions in this government regulation in not later than 3 (three) months;
- e. Authority to arrange forest and formulate forest management as well as exploit forest already delegated by the government to state-owned enterprises remains effective and the implementation is adjusted to this government regulation;
- f. Results of forest arrangement so far executed on the basis of Government Regulation No. 34/2002, as long as KPH have been established, are enforced inside the KPH;
- g. Results of forest arrangement executed by the authorized institutions before Government Regulation No. 34/2002 is stipulated are directed to the

establishment of KPH;

- h. Policies or programs already executed previously in the framework of empowering community still continue and the implementation must adjust to the provisions in this government regulation; and
- i. Social forests already built so far, or in the course of building or already securing provisional license are recognized and subsequently adjusted to the provisions in this government regulation.

### Article 141

Stipulation of the whole area of KPH as meant in Articles 6 and 7 is settled in not later than 2 (two) years as from the date of enforcement of this government regulation.

## CHAPTER XI CONCLUSION

### Article 142

With the enforcement of this government regulation, Government Regulation No. 34/2002 on Forest Arrangement and Formulation of Plans for Managing Forests, Exploiting Forests and Utilizing Forest Area (Statute Book of 2002 No. 66, Supplement to Statute Book No. 4206) is revoked and declared null and void.

### Article 143

With the enforcement of this government regulation, all legislation which constitute technical directives for Government Regulation No. 34/2002 on Forest Arrangement and Formulation of Plans for Managing Forests, Exploiting Forests and Utilizing Forest Area (Statute Book of 2002 No. 66, Supplement to Statute Book No. 4206) are declared to remain effective as long as they do not contravene the provisions in this government regulation.

### Article 144

The government regulation comes into force as from the date of stipulation.

For public cognizance, the government regulation shall be published by placing it in State Gazette of the Republic of Indonesia.

Ratified in Jakarta

On January 8, 2007

THE PRESIDENT OF THE REPUBLIC OF INDONESIA

Sgd

DR. H. SUSILO BAMBANG YUDHOYONO

Promulgated in Jakarta

On January 8, 2007

THE MINISTER OF LAW AND HUMAN RIGHTS

Sgd

HAMID AWALUDDIN

STATUTE BOOK OF THE REPUBLIC OF INDONESIA

YEAR 2007 NUMBER 22

## **ELUCIDATION**

### **ON**

## **GOVERNMENT REGULATION NO. 6/2007**

### **REGARDING**

## **FOREST ARRANGEMENT AND FORMULATION OF FOREST MANAGEMENT PLAN AS WELL AS FOREST EXPLOITATION**

### **GENERAL**

Since Indonesia is given and obtaining mandate from the Almighty God natural resource in the form of invaluable forests, the forests must be managed and exploited properly on the basis of noble character as worship and manifestation of thankfulness to the Almighty God.

Forests and forest areas play role in harmonizing and balancing global environment so that the linkage to international communities becomes very important by prioritizing to national interests. In relation thereto, forest must be managed in a sustainable manner for the people's welfare.

Inside areas of convertible production forests and the use of forest areas under leasehold status, licenses to exploit timber/licenses to exploit non-timber forest products can be issued by using the provisions on business licenses to exploit timber or non-timber forest products in natural forests as regulated in this government regulation.

In the framework of managing forests to obtain the optimal benefit from forest and forest areas for

the people's welfare, principally all forests and forest areas must be managed by observing their nature, characteristics and prime as well as may not change in the principal functions, namely conservation, protection and production. In relation thereto, equilibrium of the three functions must be preserved in the management of forests.

The recent forest condition is increasingly apprehensive, reflected by the rising growth of forest degradation, less developed investments in the forestry sector, low progress of timber estate development, less controllable illegal logging and illegal trade, decreasing economy of communities inside and around forests, rising size of improperly managed forest areas so that strategic measures in the form of deregulation and debureaucratization need to be taken.

Based on Government Regulation No. 34/2002, provisions on Forest Arrangement and Formulation of Plans for Managing Forests, Exploiting Forests and Using Forest Areas have been regulated as the implementation of provisions of Chapters V, VII and XV of Law No. 41/1999 on Forestry.

Especially for the use of forest areas on the basis of Government Regulation No. 34/2002, further provisions are to be regulated by a presidential decree. However, pursuant to the provision of Article 39 of Law No. 41/1999 on Forestry, substances of the use of forest area are further regulated by a government regulation. In relation thereto, the substances are no longer regulated in this government regulation but in a special government regulation.

During four years as from the date of promulgation, the government regulation is deemed not yet fully capable of driving the growth of conducive investment climate and enhancing socio economic capacity of communities inside and around forests.

The condition is attributable mainly to the weak forest management apparatuses, such as the absence of comprehensive legislation ruling institutional development of forest management.

Law No. 41/1999 on Forestry mandates the establishment of forest management areas in the level of management units, which have not been regulated in Government Regulation No. 34/2002 so that the implementation cannot work properly even cause many improperly managed forest areas (open access).

In view of the aforementioned circumstances, it is necessary to regulate promptly forest management in accordance with the sustainable forest management principles through the building of Forest Management Unity (KPH) as well as regulation of the management of forests, concession forest and forest-product primary industries.

KPH, which are built, constitute the smallest forest management totality in accordance with their principal functions and designation manageable efficiently, in sustainable manners, which is accountable for the implementation of forest arrangement and formulation of forest management plans as well as forest management operation.

In order to realize sustainable forest management, the whole forest areas are broken down into KPH. KPH can be in the form of Conservation Forest Management Totality (KPHK), Protected Forest Management Totality (KPHL) and Production Forest Management Totality (KPHP).

In the framework of implementing forest management, covering forest arrangement, formulation of forest management plan, forest exploitation, community empowerment, forest rehabilitation and reclamation as well as forest protection and nature conservation, the government can delegate to state-owned enterprises operating in the forestry sector.

Following the stipulation of Law No. 32/2004 on Regional Administration, a government regulation ruling the sharing of public administration affairs in the forestry sector has been formulated and in a bid to obtain synergy, the improvement of Government Regulation No. 34/2002 needs to be adjusted to the provisions regulated in Law No. 32/2004, mainly in connection with the division of tasks, responsibility and authority in the forestry sector.

In a bid to further drive up investments in the forestry sector, this government regulation rules activities which constitute incentives to business communities, particularly in the timber estate development sector.

Based on the above mentioned reasons, it is necessary to re-regulate Government Regulation No. 34/2002 by stipulating a government regulation on forest

arrangement and formulation of forest management plan as well as forest exploitation.

Government Regulation NO. 32/2004 is improved by observing principles of good governance, populism, pro-growth and investment.

#### ARTICLE BY ARTICLE

##### Article 1

Sufficiently clear

##### Article 2

Forest management covers activities of:

- a. forest arrangement and formulation of forest management plan;
- b. forest exploitation;
- c. forest area utilization;
- d. forest rehabilitation and reclamation; as well
- e. forest protection and nature conservation.

Regulation on the use of forest areas, forest rehabilitation and reclamation as well as forest protection and nature conservation is ruled separately by legislation.

##### Article 3

Sufficiently clear

##### Article 4

Paragraphs (1) and (2)

Sufficiently clear

##### Paragraph (3)

The public authority includes:

- a. appointment and stipulation of forest area;
- b. validation of forest area;
- c. leasehold of forest area;
- d. exchange of forest area;
- e. change in status and function of forest area;
- f. process and production of forest area exchange, leasehold protocol;
- g. the issuance of forest exploitation license to the third party with regards to the management of forests located in their working area;
- h. activities related to forestry civil servant investigator.

Paragraph (4) . . . .

Paragraph (4)  
Sufficiently clear

Article 5  
Sufficiently clear

Article 6  
Paragraph (1)  
Sufficiently clear

Paragraph (2)  
Function dominant in size means that in the case of an area of KPH consisting of more than forest functions, such as forest having production and protection functions, and if the area of any of the forest function, e.g. production function, is bigger or dominates the area of the protection function, KPH is called Production KPH (KPHP).

Stipulation of name of KPH on the basis of function dominant in size aims at ensuring effective and efficient management.

Article 7  
Sufficiently clear

Article 8  
Paragraph (1)  
In stipulating organization of KPH, particularly in connection with human resources, the government, provincial governments or regental/municipal governments must observe, among others, requirements for vocational competence issued by profession certification institution in the forestry sector or recognition by the Minister.

Paragraph (2)  
In the case of an area of production forest or protected forest located in a territory of province and/or regency/city grouping in KPHK, stipulation is done by the government.

Paragraph (3) up to paragraph (5)  
Sufficiently clear

Paragraph (6)  
The regulation of the Minister also rules provisions on capability, competence and territorial organization of KPH.

Article 9  
Sufficiently clear

Article 10  
Activity to build KPH and infrastructure includes the establishment of education and training instituton, certification of human resources, conflict management, forest security and eradication of illegal logging.

Article 11  
Paragraph (1)  
Forest arrangement means an activity to organize working area of KPH in accordance with characteristics of KPH and rights of communities so that the planning and management of KPH can be implemented effectively and efficiently.

Paragraph (2)  
Certain area is a specified area inside production forest areas, protected forest areas and/or conservation forest areas, can be stipulated as rural forest, social forest, traditional forest or forest area for special purpose, so that the existence of the area is inseparable from sustainable forest management principles.

Paragraph (3)  
Sufficiently clear

Article 12  
Sufficiently clear

Article 13  
Paragraph (1) up to paragraph (3)  
Sufficiently clear

Paragraph (4)  
Letters a and b  
Sufficiently clear

Letter c  
Strategy and feasibility of forest management development is analyzed from aspects of area management, forest management and institutional arrangement. Forest management development is directed to optimize the functions of production and services of forest resources and their environment, either timber production, non-timber production or environmental services through the main activities, such as utilization,

empowerment of communities as well as environmental conservation which constitutes a totality of activities.

Paragraph (5)  
Sufficiently clear

Paragraph (6)  
Letter a up to letter e  
Sufficiently clear

Letter f  
Balance of forest resources means a kind of information which can describe forest resource reserves through comparison of the utilization, including the loss of forest resources to restoration, including natural recovery of forest resources so as to be able to ascertain whether forest resource reserves are surplus or deficit compared to the previous condition.

Letter g  
Sufficiently clear

Letter h  
Parties mean KPH, authorized government representatives as well as representatives of communities receiving benefits and impacts of the management of KPH.  
Participation of parties can be in the form of conveyance of information as the lowest participation level up to involvement of parties in every phase of formulation of forest management planning.

Paragraph (7)  
Sufficiently clear

Article 14  
Sufficiently clear

Article 15  
Paragraph (1) up to paragraph (3)  
Sufficiently clear

Paragraph (4)  
Issues regulated in the regulation of the Minister include guidelines on formulation and procedures for ratification of forest management plan.

Article 16 up to Article 19  
Sufficiently clear

Article 20  
Paragraph (1)

The definition of transfer in this provision is limited to the transfer of exploitation license from licensee to other party through transaction.

The definition of transfer of exploitation license like what BUMS Indonesia can execute, is acquisition of shares mostly or wholly, causing corporate control to change.

Paragraph (2)  
Sufficiently clear

Article 21  
Paragraph (1)

Certain area means forest area whose situation and condition have not been attractive to the third party for developing exploitation business so that the government needs to assign KPH to utilize it.

Paragraphs (2) and (3)  
Sufficiently clear

Article 22  
Legislation means legislation in the field of biological resource and ecosystem conservation.

Article 23  
Paragraph (1)

Forest exploitation in protected forests aims at enhancing welfare of communities, particularly local communities, concurrently generating awareness of communities of preserving and enhancing the functions of protected forests as mandate to preserve natural resources and environment for the present and future generations.

Paragraph (2)  
Sufficiently clear

Article 24  
Paragraph (1)  
Sufficiently clear

Paragraph (2)  
Letter a  
Sufficiently clear

Letter b

Limite land processing (minimum tillage) is non-mechanical and traditional land processing.

Letter c up to letter e

Sufficiently clear

Paragraph (3)

Sufficiently clear

Article 25

Paragraph (1)

Sufficiently clear

Paragraph (2)

Potentials of environmental services in protected forest can be in the form of:

- a. water regulation;
- b. provision of natural beauty;
- c. provision of biological diversity sources; or
- d. carbon absorption and storage.

The environmental elements are biological substances such as dynamism of flora and fauna, phytogeography and non-biological substances such as physical and chemical characteristics of soil, stone, hydrography, temperature and humidity.

Paragraph (3)

Compensation means paying a certain amount of fund for the utilization of water and water current services for preserving and rehabilitating water catchment area.

The compensatory fund coming from the utilization of water and water current service is remitted to the State Cash and regulated in accordance with the provisions of legislation.

Paragraph (4)

Issues regulated in the regulation of the Minister include criteria, guidelines, procedures for utilizing environmental services and imposing and collecting compensatory fund.

Article 26

Paragraph (1) up to paragraph (3)

Sufficiently clear

Paragraph (4)

Sustainable productivity capability means annual addition to size (volume, weight, quantity) of population per kind of non-timber forest product.

Paragraph (5)

Sufficiently clear

Articles 27 and 28

Sufficiently clear

Article 29

Paragraph (1)

Letter a up to letter c

Sufficiently clear

Letter d

Efforts to protect biological diversity include protection, utilization of water arrangement and eco tourism services.

Letters e and f

Sufficiently clear

Paragraph (2)

Sufficiently clear

Articles 30 and 31

Sufficiently clear

Article 32

Paragraph (1)

Exploitation of area in production forest includes the utilization of growth space without disturbing the main function.

Paragraphs (2) and (3)

Sufficiently clear

Article 33

Paragraph (1)

Sufficiently clear

Paragraph (2)

Letter a

Sufficiently clear

Letter b

Environmental substances are biological and non-biological substances as well as ecosystem process, among others, dynamism of flora and fauna population and phytogeography.

Letter c

Sufficiently clear

Paragraph (3)

Compensation means paying a certain amount of fund for the utilization of water and water current services for preserving and rehabilitating water catchment area.

The compensatory fund coming from the utilization of water and water current service is remitted to the State Cash and regulated in accordance with the provisions of legislation.

Paragraph (4)

Sufficiently clear

Article 34

Paragraph (1)

Letter a

Sufficiently clear

Letter b

Exploitation of timber forest products resulting from ecosystem restoration inside natural forests is directed to return biological and non-biological resources in an area by the original species so as to achieve biological and ecosystem equilibrium.

Paragraph (2)

Sufficiently clear

Article 35

Sufficiently clear

Article 36

Paragraph (1)

Stipulation of production forest potentials is based on general description of vegetation of forest

areas and vegetation covering is based on landsat image and number of trees.

Paragraph (2)

Sufficiently clear

Paragraph (3)

Achieving biological equilibrium means that in the case of activities to return biotic and abiotic substances being already executed, harvesting can be executed on the time.

Paragraphs (4) and (5)

Sufficiently clear

Article 37

Exploitation of timber forest product inside timber estate is previously called Timber Estate Concession (HPHT) or Industrial Timber Estate Concession (HPHTI).

Exploitation of timber forest products inside timber estate upon harvesting the result can be done by means of complete felling with replanting or complete felling with artificial rejuvenation.

Article 38

Sufficiently clear

Article 39

Paragraph (1)

Letter a

Plants of the same kind mean timber forest plants only consisting of one kind (species) along with varieties.

Letter b

Plants of various kinds mean timber forest plants combined with annual timber cultivation plants or other kinds stipulated by the Minister.

Paragraph (2)

Sufficiently clear

ARTICLE 40 . . . . . ( TO BE CONTINUED )

—==( AL )==—

# FOREST ARRANGEMENT AND FORMULATION OF FOREST MANAGEMENT PLAN AS WELL AS FOREST EXPLOITATION

(Government Regulation No. 6/2007 dated January 8, 2007)

[ Continued from Business News No. 7533 - 7534 pages 20A - 27A ]

## Article 40

Paragraph (1) up to paragraph (6)

Sufficiently clear

## Paragraph (7)

Issues ruled in the regulation of the Minister include:

- a. size of area;
- b. building and development plan;
- c. criteria for location;
- d. legal relations among parties; and
- e. criteria for individuals, groups or cooperatives obtaining HTR license.

## Article 41

Paragraph (1)

Letter a

Plants of the same kind mean timber forest plants only consisting of one kind (species) along with varieties.

Letter b

Plants of various kinds mean timber forest plants combined with annual timber cultivation plants or other kinds stipulated by the Minister.

Paragraphs (2) and (3)

Sufficiently clear

Article 42 up to article 44

Sufficiently clear

## Article 45

Paragraph (1)

The quota of volume granted in the collection of timber forest products is adjusted to the need of public facilities.

Paragraph (2)

The quota of volume granted in the collection of timber forest products is adjusted to the need of house.

Paragraph (3)

Sufficiently clear

Articles 46 and 47

Sufficiently clear

Article 48

Paragraph (1) up to paragraph (3)

Sufficiently clear

Paragraph (4)

Exploitation of timber forest products inside natural forest or timber estate is based on the adopted silviculture system management so as to enable area of forest exploitation business to operate effectively to cover forest area formerly belonging to felling area and non-forest area which are impossible to manage economically and in a sustainable manner if they are managed individually.

Paragraph (5)

Sufficiently clear

Articles 49 and 50

Sufficiently clear

Article 51

Paragraph (1)

In the case of licensee seeking market demand for timber estate deemed economical to fell, the licensee reports to the Minister to undertake the felling.

Paragraph (2)

Sufficiently clear

Article 52 up to Article 61

Sufficiently clear

Article 62

Paragraph (1)

The Minister can delegate authority to issue IUPHHK inside natural forest in production forest to

regions gradually and selectively, dependent on readiness of the regions viewed from institutional aspect, vision or mission.

Paragraph (2)  
Sufficiently clear

Paragraph (3)  
Governor in the provincial territory, regent/mayor in a regental/municipal territory.

Paragraphs (4) and (5)  
Sufficiently clear

Article 63 up to Article 65  
Sufficiently clear

Article 66  
Paragraph (1)  
Sufficiently clear

Paragraph (2)  
Issues ruled in the regulation of the Minister include recommendations of the authorized officials, requirements for subjects deserving to license, and size which can be granted as well as partnership requirements.

Article 67  
Paragraph (1)  
Individuals mean individuals domiciled inside or around forest.

Cooperative means local community cooperative operating in the forestry business line.

Paragraph (2)  
Letters a and b  
Sufficiently clear

Letter c  
BUMS Indonesia as limited liability company in the form of Indonesian statutory body, though the capital comes from foreign investors or foreign capital, can be given IUPJL in the form of rehabilitation and rescue of area and land or improvement of the environment.

Letters d and e  
Sufficiently clear

Paragraph (4)  
Letter a  
Sufficiently clear

Letter b  
BUMS Indonesia as limited liability company in the form of Indonesian statutory body, though the capital comes from foreign investors or foreign capital, can be given IUPHHK in timber estate (HTI) inside timber estate in production forest.

Letters c and d  
Sufficiently clear

Paragraph (5)  
Cooperative means cooperative operating in micro, small- or medium-scale business, which is built by local community.

Paragraph (6) up to paragraph (10)  
Sufficiently clear

Article 68  
Paragraph (1)  
Sufficiently clear

Paragraph (2)  
Selecting applicants means selection of requirements, such as administrative requirements, technical requirements for proposals, financial requirements and socio economic benefit and market prospect analysis.

Selecting status of forest area means evaluation of status of area, covering potential of area to possibilities that exploitation of forest products in the form of timber can be executed or accessibility can be developed.

Aspect to be evaluated in the status of forest area include vacant land, grass field, and/or bushes in area of production forest, topography with maximum elevation of 25% (twenty five percent) and topography with elevation ranging from 8% (eight percent) to 25% (twenty five percent) must be followed by land conservation programs.

Paragraph (3)  
Sufficiently clear

## Article 69

Sufficiently clear

## Article 70

## Paragraph (1)

Sufficiently clear

## Paragraph (2)

Good performance in this provision is reflected by recognition from independent appraisal institution accredited by the Minister.

## Paragraph (3)

Sufficiently clear

## Paragraph (4)

Production sharing between cooperative and the government, provincial government or regental/municipal government is done proportionally by counting the amount of investment spent by the respective parties in the forest rehabilitatio activity.

## Paragraph (5)

In regulating the rights of the licensee, the regulation of the Minister must consider interests of the economic growth of communities and prevent unfair conglomeration.

## Article 71

## Letter a

The action plan contains, among others, aspects of business sustainability, environmental equilibrium and socio economy.

## Letter b

Concrete activity means activity to supply mechanical equipment minimally accounting for 50% (fifty percent) of the stipulated equipment to the working area as well as build facility and infrastructure, in the case of holder of IUPHHK.

## Letter c

Sufficiently clear

## Letter d

Forest protection includes:

- a. preventing anybody from harvesting tree without license;

- b. preventing or overcoming forest fire;
- c. providing forest security facilities and infrastructure;
- d. preventing anybody from hunting wild animals and/or protected animals;
- e. preventing illegal exploitation and/or utilization and/or occupation of forest area;
- f. preventing anybody from squatting forest area;
- g. preventing pest and disease; and/or
- h. building forest security unit.

## Letter e

Sufficiently clear

## Letter f

Forestry professionals mean forestry scholars or medium technical personnel, covering graduates of senior high forestry school (SKMA), forestry diploma, as well as personnel resulting from forestry education and training courses, among others, graders, cruisers and scalers.

Other personnel means specialists in the environmental, social, economic and legal affairs.

## Letter g up to letter i

Sufficiently clear

## Article 72

## Paragraph (1)

Model of cooperation can be in the form of participating interest or business cooperation in segment of forest-product exploitation business activity.

Activities of business cooperation in segment of forest-product exploitation business include arrangement of borders of working area, block and working clusters, opening of forest area, harvesting of forest products, land preparation, refining, inventorying of forest product potential, procurement of seeds and parent stocks, planting and enrichment, release, transport, processing of forest products, marketing of forest products and other supporting activities.

## Paragraph (2)

Sufficiently clear

## Article 73

## Paragraph (1)

Sufficiently clear

## Paragraph (2)

Fulfilling the criteria and indicators stipulated by the Minister means securing certificate of sustainable forest management mandatorily or voluntarily.

## Paragraph (3)

RKUPPHK is made on the basis of ten-year inventorying by the licensee on the basis of guidelines stipulated by the Minister.

## Paragraph (4)

Sufficiently clear

## Paragraph (5)

## Letter a

Sufficiently clear

## Letter b

## Point 1

Sufficiently clear

## Point 2

RKT is submitted in not later than 2 (two) months before RKT comes into effect.

## Letter c

## Point 1

Sufficiently clear

## Point 2

RKT is submitted in not later than 2 (two) months before RKT comes into effect.

## Letter d up to letter g

Sufficiently clear

## Article 74

Sufficiently clear

## Article 75

## Letter a

RKUPPHK is made on the basis of ten-year inventorying by the licensee on the basis of guidelines stipulated by the Minister.

## Letter b up to letter h

Sufficiently clear

## Letter i

Providing area maximally 5% (five percent) is intended to open opportunity for communities inside and around area of IUPHHK HTI to take part actively in the development of HTI.

## Letter j

50% (fifty percent) of the planting size which must be planted for 5 (five) years means:

$50\% \times \text{size of area} \times 5 \text{ years}$

-----  
circle (year)

## Letter k

Sufficiently clear

## Paragraph (2)

Sufficiently clear

## Paragraph (3)

Formulation of RKUPHHK and RKT in HTR is facilitated by head of KPH or official appointed by the Minister.

## Paragraph (4)

Sufficiently clear

## Paragraph (5)

## Letter a

Sufficiently clear

## Letter b

Including criteria for leaving working area or job before the license expires is as follows:

- a. instrument or equipment for undertaking activities is not provided;
- b. the available instrument or equipment is not working;
- c. permanent employee is no longer available in the working area; or
- d. exploitation activity is nothing.

## Article 76 up to article 78

Sufficiently clear

## Article 79

## Paragraph (1)

Sufficiently clear

## Paragraph (2)

Licensee means holder of:

- a. IUPK;
- b. IUPJL;
- c. IUPHHK and/or IUPHHBK in natural forest;
- d. IUPHHK of natural-forest ecosystem restoration;
- e. IUPHHK and/or IUPHHBK in timber estate.

## Paragraph (3) up to paragraph (7)

Sufficiently clear

## Article 80

## Paragraph (1)

Production report includes report on harvesting outcomes.

## Paragraph (2) up to paragraph (4)

Sufficiently clear

## Article 81

## Paragraph (1) up to paragraph (4)

Sufficiently clear

## Paragraph (5)

Issues ruled in the regulation of the Minister includes mechanism and procedures, period, criteria and standard.

## Article 82

## Paragraph (1)

## Letter a

Sufficiently clear

## Letter b

Field inspection is executed before the license is revoked.

## Letter c

Written statement is accompanied by clear reasons.

## Letter d

Sufficiently clear

## Paragraph (2)

Audit is executed to evaluate the fulfillment of obligations by the licensee.

## Paragraph (3)

In order to settle financial obligations of licensees having license expired, the government, provincial government or regental/municipal government can take forceful actions, such as confiscating movable goods belonging to the licensees in accordance with the provisions of legislation.

## Paragraph (4)

Movable goods continue belonging to the licensee.

## Paragraph (5)

After the license expires, the planted plants must be felled promptly and in the case of the plants already fulfilling the felling period in accordance with circle, not later than one year as from the date of expiration of license and if the plants are not felled, they become state asset.

## Paragraph (6)

The third party means, among others, creditor or business partner.

The government counts the value of uprights/plants developed by the licensee as corporate asset, particularly in the beginning of timber estate development, starting from vacant land or grass field and not starting from conversion of natural forest through license to utilize timber.

## Paragraph (7)

Sufficiently clear

## Article 83

## Paragraph (1)

Local community means social unity consisting of Indonesian citizens living inside and/or around forest, domiciled inside or around forest area having social community with the same source of income dependent on forest and their activities can influence forest ecosystem.

## Paragraph (2)

Empowerment is executed by KPH as long as KPH has been established.

In the case of KPH being not yet established, empowerment is done by forestry institutions in region.

The obligations to empower cover, among

others . . . . .

others, accompanying of formulation of management plan of community empowerment area as well as fortification of capacity or institution.

#### Article 84

Local community empowerment:

- a. In forest area not yet charged with forest exploitation license or forest exploitation right is done through rural forest and social forest.
- b. In forest area already charged with forest exploitation license or forest exploitation right is done through partnership model.

#### Articles 85 and 86

Sufficiently clear

#### Article 87

##### Paragraph (1) up to paragraph (3)

Sufficiently clear

##### Paragraph (4)

Issues regulated in the regulation of the Minister include:

- a. rights and obligations of holders of rural forest management rights;
- b. abolition of rural forest management rights;
- c. administrative sanction against holders of rural forest management rights; and
- d. standards and criteria for rural forest accountability.

#### Article 88

##### Paragraph (1)

Business development means enhancement of capability of rural institutions in forest exploitation businesses, through among others counseling, supervision, education and training, guiding, access to market and capital.

##### Paragraph (2)

Sufficiently clear

#### Article 89

##### Paragraph (1)

Sufficiently clear

##### Paragraph (2)

Certain conditions mean, among others, readiness of the region viewed from institutional aspect.

##### Paragraph (3)

In managing rural forest, rural institutions can form cooperatives.

##### Paragraphs (4) and (5)

Sufficiently clear

#### Article 90 up to article 92

Sufficiently clear

#### Article 93

##### Paragraph (1)

Sufficiently clear

##### Paragraph (2)

The regulation of the Minister rules among others, stipulation of criteria for social forest area.

#### Article 94

Sufficiently clear

#### Article 95

##### Paragraph (1)

Institutional development means enhancement of capability of communities in the forest exploitation institution through, among others, counseling, supervision, education and training as well as guiding.

Business development means enhancement of capability of rural institutions in forest exploitation businesses, through among others counseling, supervision, education and training, guiding, access to market and capital.

##### Paragraph (2)

Sufficiently clear

#### Article 96

##### Paragraph (1)

###### Letter a

Utilization of timber forest product starts from activities of planting, maintenance, harvesting and marketing.

Holders of IUPHHK in social forest are only permitted to utilize products of timber forests resulting from their planting.

###### Letters b and c

Sufficiently clear

## paragraph (2)

Certain conditions mean, among others, readiness of the region viewed from institutional aspect.

## paragraph (3) up to paragraph (7)

Sufficiently clear

## paragraph (8)

The regulation of the Minister rules, among others:

- a. procedures for issuing license to exploit social forest reflecting partiality to local communities;
- b. criteria for groups of communities obtaining business license to exploit forest by regent;
- c. rights and obligations of holders of business license to exploit social forest;
- d. nullification of license and extension of business license to exploit social forest;
- e. administrative sanctions against holders of business license to exploit social forest; and
- f. standards and criteria for social forest accountability.

## Articles 97 and 98

Sufficiently clear

## Article 99

## Paragraph (1)

Partnership means cooperation between local communities and holders of business license to exploit forest or holders of forest exploitation rights by principles of equity and mutual benefiting.

## Paragraph (2)

Facilitation includes helping settle conflict and forming partnership.

## Paragraph (3) up to paragraph (5)

Sufficiently clear

## Article 100

## Paragraph (1)

Concession forest located in land charged with right is commonly called smallholder forest.

## Paragraph (2)

Exploitation of concession forest can be in the

form of exploitation of timber forest products, non-timber forest products and environmental services.

## Paragraphs (3) and (4)

Sufficiently clear

## Article 101

The provision of compensation can be in the form of development program priority through soft loan subsidy, relief of service and accompanying.

## Article 102

## Paragraph (1)

Sufficiently clear

## Paragraph (2)

Change in status of concession forest into forest area is based on agreement between owners and the government.

## Article 103

Facilitating concession forest development can be in the form of accompanying, counseling, training, guiding, provision of information, socialization, capital assistance and relief of service for exploiting products of concession forest or other incentives.

## Article 104

## Paragraph (1)

Forest product primary-industry means downstream forest-product industries as meant in Law No. 41/1999 on Forestry.

Efficient use of raw materials means the use of raw materials to minimize waste and produce highly valuable products.

## Paragraph (2) up to paragraph (4)

Sufficiently clear

## Article 105 up to article 108

Sufficiently clear

## Article 109

Cooperation with concession forest holders means that holders of industrial licenses can collect timber from plantations or land belonging to communities, mainly communities around the industries.

## Article 110 up to article 112

Sufficiently clear

## Article 113

## Paragraph (1)

Authority of regent/mayor to issue registry number of non-timber forest product primary industry, business license and expansion license of non-timber forest-product primary industry still abides by provisions on business lines closed and conditionally opened for investments.

## Paragraphs (2) and (3)

Sufficiently clear

## Article 114

Sufficiently clear

## Article 115

## Paragraph (1)

## Letter a

Business license of timber and non-timber forest-product primary industry contains, among others, the obligation to formulate and report plan for fulfillment of industrial raw materials (RPBBI) every year, truthfully and completely.

## Letter b

Sufficiently clear

## Letter c

RPBBI constitutes a controlling system of raw material supply, which must be formulated and conveyed by holders of industrial business licenses processing directly timber and non-timber forest products.

## Letter d up to letter h

Sufficiently clear

## Letter i

Employing means that if an industry has no certified grader and scaler, the industry can cooperate with other industry having the specialists by means of employing the relevant in the industry.

## Letter j

Sufficiently clear

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## Paragraph (2)

Sufficiently clear

## Article 116

## Letter a

Industrial expansion covers activity to add kinds of product and capacity above 30% (thirty percent) of the owned license.

## Letter b up to letter e

Sufficiently clear

## Article 117

## Paragraph (1)

The administration of forest products cover, among others, activity to administer production plan, harvest or fell, label, measure and verify, carry/distribute as well as pile up, process and convey report.

## Paragraph (2) up to paragraph (5)

Sufficiently clear

## Article 118

## Paragraph (1)

Forest products resulting from concession forest include timber coming from land charged with land title.

## Paragraph (2)

Sufficiently clear

## Article 119

Equipped collectively means that the transport, control or ownership of forest product physically must be accompanied and furnished with legitimate documents on the same time and place as evidence and may not be supplemented later (on different time and place), legitimate documents and physics of forest products must always affix in the transport, control and ownership.

## Article 120

## Paragraphs (1) and (2)

Sufficiently clear

## Paragraph (3)

Measuring and verification of forest products and executed by grader and scaler with a view of obtaining accurate and technically accountable results.

Article 121 . . . . .

## Article 121

## paragraph (10)

Marketing of forest products is done to fulfill the need of raw materials of industries and communities in the framework of sustainable forest management.

## paragraphs (2) and (3)

Sufficiently clear

## Article 122

Sufficiently clear

## Article 123

## Paragraph (1)

The policy covers regulation or stipulation of guidelines in activities of forest arrangement and formulation of forest management plan as well as forest exploitation. The policy covers formulation and implementation.

## Paragraph (2)

Sufficiently clear

## Article 124

Sufficiently clear

## Article 125

## Paragraphs (1) and (2)

Sufficiently clear

## Paragraph (3)

The success of sustainable forest management is reflected by performance of forest management measured by criteria and indicators of sustainable forest management, which are proven by certificate of sustainable forest management by the Minister, on the basis of results of evaluation by independent appraiser institution.

## Paragraph (4)

The regulation of the Minister rules among others, criteria and standards of forest arrangement and formulation of forest management plan as well as forest exploitation.

## Articles 126 and 127

Sufficiently clear

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## Article 128

Imposition of sanction is based on score of violation. Violation belonging to serious category is subject to sanction of revocation, light category is subject to administrative sanction in the form of fine and lighter violation is subject to sanction of suspension of activity and/or administrative service.

In order to realize general principles of good governance (AUPB), especially for violation of serious violation with sanction of revocation, warning is issued three time consecutively before the license is revoked.

Fulfillment of the sanction does not eliminate the obligation of licensee to pay levies in the forestry sector, in accordance with legislation.

## Article 129 up to article 139

Sufficiently clear

## Article 140

## Letter a up to letter g

Sufficiently clear

## Letter h

The policy or program previously executed in the framework of community empowerment is, among others, social forestry.

## Letter i

Sufficiently clear

## Article 141

Stipulation of KPH by the Minister is followed up by institutional building of KPH.

The Minister stipulates priority of institutional development of KPH in accordance with the need and condition of forest management.

## Article 142 up to article 144

Sufficiently clear

SUPPLEMENT TO STATUTE BOOK OF  
THE REPUBLIC OF INDONESIA NO. 4696

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