

GOVERNMENT REGULATION OF THE REPUBLIC OF INDONESIA
NUMBER 6 YEAR 2007
ON
FOREST ARRANGEMENT AND PREPARATION OF FOREST MANAGEMENT PLAN,
AND FOREST UTILIZATION
WITH THE BLESSING OF THE ONE AND ONLY GOD
THE PRESIDENT OF THE REPUBLIC OF INDONESIA,

Considering:

- a. that to implement Article 22, Article 39, Article 66, Article 80 of Law Number 41 Year 1999 on Forestry, it was enacted Government Regulation Number 34 Year 2002 on Forest Arrangement and Preparation of Forest Management Plan, Forest Utilization and Use of Forest Zone;
- b. that to improve a continuous growth of national development, it requires a number of strategic steps to support investment growth, acceleration of plantation forest development, forest degradation control and national economic improvement, including the economic condition of community within and surrounding the forest through deregulation and de-bureaucratization based upon the principles of good governance and sustainable forest management;
- c. that Government Regulation Number 34 Year 2002 on Forest Arrangement and Preparation of Forest Management Plan, Forest Utilization and Use of Forest Zone has not fully facilitated the requirement as set forth in point b;
- d. that based on the considerations as set forth in point b and point c, it requires the stipulation of new government regulation concerning forest arrangement and preparation of forest management plan, and forest utilization.

Bearing in mind:

1. Article 5 paragraph (2) and Article 33 paragraph (3) of the 1945 Constitution of the Republic of Indonesia;
2. Law Number 41 Year 1999 on Forestry (State Gazette of the Republic of Indonesia Year 1999 Number 167, Supplement to the State Gazette Number 3888); as amended by Law Number 19 Year 2004 on Designation of Government Regulation in Lieu of Law Number 1 Year 2004 on Amendment to Law Number 41 Year 1999 on Forestry to become Law (State Gazette of the Republic of Indonesia Year 2004 Number 86, Supplement to the State Gazette Number 4412).

DECIDES:

To stipulate:

GOVERNMENT REGULATION ON FOREST ARRANGEMENT AND PREPARATION OF FOREST MANAGEMENT PLAN AND FOREST UTILIZATION

CHAPTER I
GENERAL PROVISIONS

Article 1

In this government regulation, the following terms have the meaning assigned to them below:

1. Forest management unit/*kesatuan pengelolaan hutan* (KPH) shall mean forest management area according to its main function and purpose, which can be managed in an efficient and sustainable manner.
2. Head of KPH shall mean the person in charge who has the authority and is responsible for forest management within his/her managed area.
3. Forest arrangement shall mean the activity of forest management unit design and development, covering the classification of forest resources according to its type of ecosystem and potential embedded therein, with the objective to gain optimum benefits for community in a sustainable manner.

4. Forest utilization shall mean the activities of forest zone utilization, environmental services utilization, timber and non-timber forest products utilization, and timber and non-timber forest products collection in an optimum and fair manner for community welfare whilst maintaining its sustainability.
5. Zone utilization shall mean the activity of utilizing growth space to gain an optimum environmental benefits, social benefits and economic benefits, without reducing its main function.
6. Environmental services utilization shall mean the activity of utilizing the environmental services potential, without destroying the environment and reducing its main function.
7. Timber forest products utilization shall mean the activities of utilizing and commercializing timber forest products, without destroying the environment and reducing its main function.
8. Non-timber forest products utilization shall mean the activities of utilizing and commercializing non-timber forest products, without destroying the environment and reducing its main function.
9. Timber and/or non-timber forest products collection shall mean the activity of collecting timber and/or non-timber forest products for a certain period, area extent and/or volume.
10. Forest utilization license/*izin pemanfaatan hutan* shall mean a license issued by the authority, comprising zone utilization business license, environmental services utilization business license, timber and/or non-timber forest products utilization business license, and timber and/or non-timber forest products collection business license in certain designated forest area.
11. Business license for zone utilization/*izin usaha pemanfaatan kawasan* (IUPK) shall mean a business license granted for the utilization of a certain zone at protection forest and/or production forest.
12. Business license for environmental services utilization/*izin usaha pemanfaatan jasa lingkungan* (IUPJL) shall mean a business license granted for the utilization of environmental services at protection forest and/or production forest.
13. Business license for timber forest products utilization/*izin usaha pemanfaatan hasil hutan kayu* (IUPHHK) and/or business license for non-timber forest products utilization/*izin usaha pemanfaatan hasil hutan bukan kayu* (IUPHHBK) shall mean a business license granted for the utilization of timber and/or non-timber forest products in natural forest at production forest through harvesting or logging, enrichment, maintenance and marketing activities.
14. IUPHHK ecosystem restoration in natural forest shall mean a business license granted for zone development in natural forest at production forest that has substantial ecosystem so that its function and representation can be preserved through the activities of maintenance, protection and rehabilitation of forest ecosystem, including planting, enrichment, spacing, animal conservatory, release of flora and fauna, to restore biotic (flora and fauna) and abiotic (land, climate and topography) elements in a certain zone to its original state in order to achieve biotic and ecosystem balance.
15. IUPHHK and/or IUPHHBK in plantation forest shall mean a business license granted for the utilization of timber and/or non-timber forest products in plantation forest at production forest through the activities of land preparation, seedling, planting, maintenance, harvesting, and marketing.
16. Timber forest products collection license/*izin pemungutan hasil hutan kayu* (IPHHK) is a license to collect timber forest products at production forest through the activities of harvesting, transportation, and marketing for a certain period and volume.
17. Non-timber forest products collection license/*izin pemungutan hasil hutan bukan kayu* (IPHHBK) shall mean a license to collect non-timber forest products at protection forest and/or production forest namely, among others, rattan, honey, fruits, latex, medicinal plant for a certain period and volume.
18. Industrial plantation forest/*hutan tanaman industri* (HTI) shall mean a plantation forest at production forest developed by a forestry industrial group to improve the potential and quality of production forest by applying silviculture to meet the requirement for raw material of forest products industry.

19. People plantation forest/*hutan tanaman rakyat* (HTR) shall mean a plantation forest at production forest developed by a group of community to improve the potential and quality of production forest by applying silviculture to ensure forest resources sustainability.
20. Rehabilitated plantation forest/*hutan tanaman hasil rehabilitasi* (HTHR) shall mean a plantation forest at production forest developed through the rehabilitation of land and forest at production forest zone to restore, preserve and improve the functions of land and forest in order to maintain supporting power, productivity and its role as a life-supporting system.
21. Silviculture system shall mean a forest cultivation system or agriforest technique system, starting from seeds selection, sowing, planting, plantation maintenance and harvesting.
22. Private forest shall mean a forest situated in a certain plot of land with a right upon land.
23. Community forest shall mean a state forest which its main utilization is purportedly for the empowerment of community.
24. Village forest shall mean a state forest which has no license/right, managed by a village and used for the village welfare.
25. Forest utilization business license *fee/ituran izin usaha pemanfaatan hutan* (IUPH) shall mean a levy charged upon the holder of forest utilization business license of a certain forest zone.
26. Forest resources provision/*provisi sumber daya hutan* (PSDH) shall mean a provision charged upon the license holder to compensate intrinsic value of forest products collected in state forest.
27. Reforestation fund/*dana reboisasi* (DR) shall mean a certain fund collected from the holder of IUPHHK in natural forest at production forest for reforestation and rehabilitation.
28. Individual shall mean an Indonesian citizen who is capable of conducting any action under the law.
29. Certificate of legitimate forest products shall mean documents which serve as the evidence of legitimate forest products in each activity segment of forest products administration.
30. Timber forest products primary industry shall mean the process of roundwood and/or wood chips raw material to become half-finished or finished products.
31. Non-timber forest products primary industry shall mean the process of non-timber forest products to become half-finished or finished products.
32. Minister shall mean the minister who has been assigned with duties and is responsible in the field of forestry.

Article 2

Forest arrangement and preparation of forest management plan and forest utilization shall constitute as part of forest management.

Article 3

- (1) Forest arrangement and preparation of forest management plan, and forest utilization in the entire forest zones shall be the authority of the Government and the local government.
- (2) The entire forest zones as set forth in paragraph (1) shall consist of 3 (three) main functions of forest, namely:
 - a. conservation forest;
 - b. protection forest; and
 - c. production forest.
- (3) Forest zone as set forth in paragraph (2) shall divided into KPH, which becomes part of the intensification of forest management system of the nation, the provincial government and the regental/city government.

Article 4

- (1) The government may delegate the implementation of forest management as set forth in Article 2 to a state-owned company/*badan usaha milik negara* (BUMN) in the field of forestry.
- (2) The board of directors of forestry BUMN that has been assigned to implement forest management as set forth in paragraph (1) shall establish a KPH organization and appoint the head of KPH.

- (3) The implementation of forest management by BUMN shall not include public authority.
- (4) The implementation of forest management by forestry BUMN as set forth in paragraph (1) shall be regulated in a separate government regulation.

CHAPTER II FORSET MANAGEMENT UNIT (KPH)

Article 5

KPH as set forth in Article 3 paragraph (3) shall comprise:

- a. Conservation KPH/*KPH konservasi* (KPHK);
- b. Protection KPH/*KPH lindung* (KPHL); and
- c. Production KPH/*KPH produksi* (KPHP).

Article 6

- (1) KPH as set forth in Article 5 shall be designated for one or more main functions of forest and one administrative region or cross-governmental administrative region.
- (2) In the event that one KPH comprising more than one main function of forest, the KPH designation as set forth in paragraph (1) shall be based upon the function of dominant area.

Article 7

- (1) The Minister shall determine the area extent of KPH taking into account the efficiency and effectiveness of forest management within one river flow area/*daerah aliran sungai* (DAS) or one ecosystem area unit.
- (2) Further provisions concerning the procedure for determining the area extent of one KPH as set forth in paragraph (1) shall be regulated in a ministerial decree.
- (3) Provisions concerning the establishment of and procedure for determining KPH as set forth in Article 6 shall be regulated based on the laws and regulations.

Article 8

- (1) The government and/or the provincial government and/or the regential/city government, according to its authority, shall designate KPH organization.
- (2) The KPH organization designated by the Government as set forth in paragraph (1) shall include:
 - a. KPHK organization; or
 - b. KPHL and KPHP organizations whose working areas are cross-province.
- (3) The KPH organization designated by the provincial government as set forth in paragraph (1) shall include KPHL and cross-regency/city KPHP.
- (4) The KPH organization designated by the regential/city government as set forth in paragraph (1) shall include KPHL and KPHP within a regency/city area.
- (5) The establishment of KPH organization as set forth in paragraph (1), paragraph (2) and paragraph (3) shall be based upon the guidelines, criteria and standard.
- (6) Further provisions concerning the guidelines, criteria and standard for the establishment of KPH organization as set forth in paragraph (5) shall be regulated in a Ministerial decree.

Article 9

- (1) The KPH organization shall have the duties and functions:
 - a. to manage forest, including:
 1. the forest arrangement and preparation of forest management plan;
 2. the forest utilization;
 3. the use of forest zone;
 4. the forest rehabilitation and reclamation; and
 5. the forest protection and nature conservation.
 - b. to define the national, provincial and regential/city forestry policy for implementation;

- c. to manage forest in its area, starting from the planning, organization, implementation and control;
 - d. to monitor and evaluate the forest management activities in its area;
 - e. to open investment opportunity to support the achievement of forest management objectives.
- (2) Further provisions concerning the duties and functions of KPH organization as set forth in paragraph (1) point a item 1 and item 2 shall be regulated in a Ministerial decree based on this government regulation.
 - (3) Further provisions concerning the duties and functions of KPH organization as set forth in paragraph (1) point a item 3, item 4, and item 5 shall be regulated separately in the other government regulation.

Article 10

- (1) The government, the provincial government and the regential/city government, according to its authority, shall be responsible for the development of KPH and its infrastructure.
- (2) Funds for KPH development shall be from:
 - a. APBN;
 - b. APBD; and/or
 - c. other non-binding funds pursuant to the laws and regulations.

CHAPTER III

FOREST ARRANGEMENT AND PREPARATION OF FOREST MANAGEMENT PLAN

Article 11

- (1) Forest arrangement as set forth in Article 2 shall be conducted in each KPH in the entire forest zones.
- (2) In certain areas within a forest zone as set forth in Article 3 paragraph (2), the Government may designate it as community forest, customary/*adat* forest, village forest and forest zone for special purpose/*kuawasan hutan dengan tujuan khusus* (KHDTK).
- (3) In forest arrangement activity, KPH shall be obliged to take into account such certain areas as set forth in paragraph (2).

Article 12

- (1) Forest arrangement activities in KPH shall comprise:
 - a. boundary arrangement;
 - b. forest inventory;
 - c. division into blocks or zones;
 - d. division of plots and sub-plots; and
 - e. mapping.
- (2) The result of activities as set forth in paragraph (1) shall be in the form of forest arrangement inventory compiled in a book and map of KPH arrangement.
- (3) The activities as set forth in paragraph (1) shall be conducted by KPH organization.

Article 13

- (1) The head of KPH shall prepare forest management plan based on the result of activities as set forth in Article 12 paragraph (2), by referring to the national, provincial and regential/city forest plan and taking into account the aspiration, culture value of local community, and environmental condition.
- (2) The forest management plan as set forth in paragraph (1) shall comprise:
 - a. long term forest management plan; and
 - b. short term forest management plan.
- (3) The long term forest management plan as set forth in paragraph (2) point a shall be prepared by the head of KPH.

- (4) The long term forest management plan as set forth in paragraph (3) shall contain the following elements:
 - a. the objectives to be achieved by KPH;
 - b. the condition faced by KPH; and
 - c. the strategy and worthiness of the development of forest management, covering forest arrangement, utilization and use of forest zone, forest rehabilitation and reclamation, forest protection and nature conservation.
- (5) The short term forest management plan, as set forth in paragraph (2) point b shall be prepared by the officer designated by the head of KPH.
- (6) The short term forest management plan as set forth in paragraph (5) shall contain the following elements:
 - a. the objective of sustainable forest management within the relevant KPH scale;
 - b. the evaluation of the results of prior short term plan;
 - c. the targets to be achieved;
 - d. the data base and information;
 - e. the activities to be conducted;
 - f. the status of forest resources balance;
 - g. the monitor, evaluation and control of activities; and
 - h. the parties' participation.
- (7) The short term forest management plan shall be prepared based on the long term forest management plan.

Article 14

- (1) The Minister, the governor or the regent/mayor or the designated officer, according to its authority, shall approve the long term forest management plan prepared by the head of KPH as set forth in Article 13 paragraph (3).
- (2) The head of KPH shall approve the short term forest management plan prepared by the officer designated by the head of KPH as set forth in Article 13 paragraph (5).

Article 15

- (1) The long term forest management plan as set forth in Article 14 paragraph (1) shall be approved by the Minister, at the latest within 5 (five) years after the designation of KPH organization.
- (2) In a KPH area where there is a long term forest management plan as set forth in paragraph (1), the forest utilization activity can be conducted with other forest utilization.
- (3) In a KPH area where there is no long term forest management plan in a period of 5 years as set forth in paragraph (1), the forest utilization activity can be conducted based on the national forestry plan.
- (4) Further provisions concerning the forest management plan as set forth in paragraph (1) shall be regulated in a Ministerial decree.

Article 16

The Minister shall designate a forestry agency to prepare the forestry management plan and activities in a KPH area where the KPH organization has not been established.

CHAPTER IV FOREST UTILIZATION

Section One Forest Utilization

Article 17

- (1) The objective of forest utilization is to gain benefits from forest products and services in an optimum, fair and sustainable manner for the community welfare.
- (2) The forest utilization as set forth in paragraph (1) can be conducted through the activities of:
 - a. zone utilization;

- b. environmental services utilization;
 - c. timber and non-timber forest products utilization; and
 - d. timber and non-timber forest products collection.
- (3) The forest utilization shall be conducted based on the forest management plan as set forth in Article 13, Article 14, Article 15, and Article 16.

Article 18

The forest utilization as set forth in Article 17 can be conducted in the entire forest zones as set forth in Article 3 paragraph (2), namely:

- a. conservation forest, except for nature preservation, jungle zone, and core zone of national park;
- b. protection forest; and
- c. production forest.

Article 19

Each forest utilization activity as set forth in Article 17 paragraph (2) must be supported by forest utilization license comprising:

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

Article 20

- (1) The forest utilization license as set forth in Article 19 is transferable subject to a written approval of the license issuer.
- (2) The forest utilization license can not be used as a security interest, lien, or guarantee to other party.

Article 21

- (1) For certain areas, the Minister may assign the head of KPH to implement forest utilization, including the sale of standing stock.
- (2) The implementation of forest utilization, including the sale of standing stock in certain areas as set forth in paragraph (1) shall be based on the guidelines, criteria and standard of forest utilization in certain areas.
- (3) Further provisions concerning the guidelines, criteria and standard of forest utilization in certain areas as set forth in paragraph (1) shall be regulated in a Ministerial decree.

Section Two

Forest Utilization at Conservation Forest

Article 22

At conservation forest, the issue of forest utilization license as set forth in Article 17 must be pursuant to the laws and regulations.

Section Three

Forest Utilization at Protection Forest

Paragraph 1

General

Article 23

- (1) The forest utilization at protection forest as set forth in Article 17 can be conducted through:
 - a. zone utilization;
 - b. environmental services utilization; or

- c. non-timber forest products collection.
- (2) In a protected block at protection forest, it shall be restricted to conduct forest utilization activity as set forth in paragraph (1).

Paragraph 2
Zone Utilization at Protection Forest

Article 24

- (1) The zone utilization at protection forest as set forth in Article 23 paragraph (1) point a shall be conducted, among others, through:
 - a. cultivation of medicinal plants;
 - b. cultivation of aesthetic plants;
 - c. cultivation of mushroom;
 - d. cultivation of bees;
 - e. wildlife conservatory;
 - f. animal rehabilitation; or
 - g. cultivation of vegetation for animal food.
- (2) The zone utilization business activities as set forth in paragraph (1) shall be conducted provided that:
 - a. it shall not reduce, change or eliminate its main function;
 - b. it shall be a limited land processing;
 - c. it shall not give an adverse impact to biophysics and social economy;
 - d. it shall not use mechanic tools and heavy equipment; and/or
 - e. it shall not construct facilities and infrastructure which will change nature extension.
- (3) Further provisions concerning the zone utilization business activities at protection forest as set forth in paragraph (1) shall be regulated in a Ministerial decree.

Paragraph 3
Environmental Services Utilization at Protection Forest

Article 25

- (1) The environmental services utilization at protection forest as set forth in Article 23 paragraph (1) point b shall be conducted, among others, through:
 - a. watershed services utilization;
 - b. water utilization;
 - c. nature tourism;
 - d. biodiversity protection;
 - e. environmental rescue and protection; or
 - f. carbon absorption and/or saving.
- (2) The environmental services utilization business activities at protection forest shall be conducted provided that it shall not:
 - a. reduce, change, or eliminate its main function;
 - b. change nature extension; and
 - c. disturb the balance of environmental elements.
- (3) The license holder, in conducting watershed services utilization and water utilization business activities at protection forest, shall be required to pay compensation to the Government.
- (4) Further provisions concerning the environmental services utilization business activities as set forth in paragraph (1), paragraph (2) and paragraph (3) shall be regulated in a Ministerial decree.

Paragraph 4
Non-timber Forest Products Collection at Protection Forest
Article 26

- (1) The non-timber forest products collection at protection forest as set forth in Article 23 paragraph (1) point c, shall be among others:
 - a. rattan;
 - b. honey;
 - c. latex;
 - d. fruits;
 - e. mushroom; or
 - f. swallow bird nest.
- (2) The non-timber forest products collection shall be conducted provided that:
 - a. the collected non-timber forest products must be naturally available;
 - b. it shall not destroy the environment; and
 - c. it shall not reduce, change or remove its main function.
- (3) The non-timber forest products at protection forest can only be collected by the community surrounding the forest.
- (4) At protection forest, it shall be restricted to:
 - a. collect non-timber forest products which its quantity exceeds its sustainable productive capability;
 - b. collect certain types of forest products protected under the law.
- (5) Further provisions concerning the non-timber forest products collection at protection forest as set forth in paragraph (2), paragraph (3) and paragraph (4) shall be regulated in a Ministerial decree.

Paragraph 5
Forest Utilization License at Protection Forest
Article 27

- (1) Within one zone utilization license at protection forest as set forth in Article 23 paragraph (1) point a, it may cover a number of business licenses for cultivation of medicinal plants, aesthetic plants, mushroom and bees.
- (2) The license issuer shall be prohibited from issuing another license in such zone or environmental services utilization area at protection forest as set forth in Article 23 paragraph (1) point a and point b which already has forest utilization license, unless the non-timber forest product collection license *izin untuk pemungutan hasil hutan bukan kayu (IPHHBK)* as set forth in Article 23 paragraph (1) point c is issued for different commodities.

Paragraph 6
Term of Forest Utilization License at Protection Forest
Article 28

- (1) The term of IUPK at protection forest as set forth in Article 23 paragraph (1) point a, according to its type of business, shall be granted for a maximum of 10 (ten) years.
- (2) IUPK at protection forest as set forth in paragraph (1) shall be extendable, subject to the annual regular evaluation by the license issuer.
- (3) IUPK as set forth in paragraph (1) shall be granted subject to the following conditions:
 - a. a maximum of 50 (fifty) hectares for each license;
 - b. a maximum of 2 (two) licenses for each individual or cooperative in each regency/city.

Article 29

- (1) The term of IUPJL at protection forest as set forth in Article 23 paragraph (1) point b, shall be given according to its type of business, namely license for:
 - a. watershed services utilization shall be given for a maximum period of 25 (twenty-five) years;

- b. water utilization shall be given for a maximum period of 10 (ten) years with a maximum volume of 20% (twenty percent) of debit;
 - c. nature tourism shall be given for a maximum period of 35 (thirty-five) years with a maximum area of 10% (ten percent) of the total utilization block;
 - d. biodiversity protection shall be given for a maximum period of 50 (fifty) years with such area extent in line with its investment requirement;
 - e. environmental rescue and protection shall be given for such period and area extent in line with its requirement; and
 - f. carbon absorption and/or saving shall be given for a maximum period of 30 (thirty) years with such area extent in line with its investment requirement.
- (2) IUPFL at protection forest as set forth in paragraph (1) point a until point f shall be extendable, subject to the annual regular evaluation by the license issuer.

Article 30

- (1) The term of IPHIBK at protection forest as set forth in Article 23 paragraph (1) point c, according to its location, quantity, and type of non-timber forest products being collected, shall be given for a maximum period of 1 (one) year, except for swallow bird nest collection, it shall be given for a maximum period of 5 (five) years.
- (2) IPHIBK at protection forest as set forth in paragraph (1) shall be extendable, subject to the semi-annual evaluation, except for swallow bird nest collection whereby the evaluation is conducted annually by the license issuer.

Section Four Forest Utilization at Production Forest Paragraph 1

General Article 31

- (1) At production forest, forest utilization as set forth in Article 17 paragraph (1) shall be conducted based on the principles of sustainable forest management and main function improvement.
- (2) The forest utilization at production forest as set forth in paragraph (1) shall be conducted, among others, through:
- a. zone utilization business;
 - b. environmental services utilization business;
 - c. timber forest products utilization business in natural forest;
 - d. timber forest products utilization business in plantation forest;
 - e. non-timber forest products utilization business in natural forest;
 - f. non-timber forest products utilization business in plantation forest;
 - g. timber forest products collection in natural forest;
 - h. non-timber forest products collection in natural forest;
 - i. timber forest products collection in plantation forest.

Paragraph 2 Zone utilization at Production Forest

Article 32

- (1) The zone utilization at production forest as set forth in Article 31 paragraph (2) point a, shall be conducted, among others, through:
- a. cultivation of medicinal plants;
 - b. cultivation of aesthetic plants;
 - c. cultivation of mushroom;
 - d. cultivation of bees;
 - e. animal conservatory; and

- f. cultivation of swallow bird nest.
- (2) The zone utilization at production forest as set forth in paragraph (1) shall not be limited and can be given for other types of business, provided that:
 - a. the processing area shall be limited;
 - b. it shall not give an adverse impact to biophysics and social economy;
 - c. it shall not use mechanic tools and heavy equipment; and
 - d. it shall not construct facilities and infrastructure which will change nature extension.
- (3) Further provisions concerning the zone utilization at production forest as set forth in paragraph (1) and paragraph (2) shall be regulated in a Ministerial decree.

- **Paragraph 3**
Environmental Services Utilization at Production Forest
 Article 33

- (1) The environmental services utilization at production forest as set forth in Article 31 paragraph (2) point b shall be conducted, among others, through:
 - a. watershed services utilization;
 - b. water utilization;
 - c. nature tourism;
 - d. biodiversity protection;
 - e. environmental rescue and protection; and
 - f. carbon absorption and/or saving.
- (2) The environmental services utilization at production forest as set forth in paragraph (1) shall not be limited and can be given for other types of business, provided that:
 - a. it shall not change nature extension; and
 - b. it shall not disturb the balance of environmental elements; and/or
 - c. it shall not reduce its main function.
- (3) The license holder, in conducting watershed services utilization and water utilization at production forest, shall be required to pay compensation to the Government.
- (4) Further provisions concerning the environmental services utilization at production forest as set forth in paragraph (1), paragraph (2) and paragraph (3) shall be regulated in a Ministerial decree.

Paragraph 4
Timber Forest Products Utilization in Natural Forest
at Production Forest
 Article 34

- (1) The timber forest products utilization in natural forest at production forest as set forth in Article 31 paragraph (2) point c can be conducted through:
 - a. timber forest products utilization; or
 - b. utilization of timber forest products of ecosystem restoration.
- (2) The timber forest products utilization in natural forest at production forest as set forth in paragraph (1) can be conducted with one or more silviculture systems, in line with the characteristic of its forest resources and environment.

Article 35

- (1) The timber forest products utilization in natural forest at production forest as set forth in Article 34 paragraph (1) point a, shall include the activities of harvesting, enrichment, planting, maintenance, security and product marketing, in accordance with the designated forest management plan.
- (2) The utilization of timber forest products of ecosystem restoration in natural forest at production forest as set forth in Article 34 paragraph (1) point b shall include the activities of maintenance, protection and restoration of forest ecosystem, including planting, enrichment, spacing, animal conservatory, release of flora and fauna.

- (3) Further provisions concerning the timber forest products utilization and utilization of timber forest products of ecosystem restoration in natural forest at production forest as set forth in paragraph (1) and paragraph (2) shall be regulated in a Ministerial decree.

Article 36

- (1) The activity of utilization of timber forest products of ecosystem restoration in natural forest at production forest as set forth in Article 34 paragraph (1) point b can only be conducted subject to the following conditions:
 - a. the production forest must be within one forest zone unit;
 - b. the area extent and location of the production forest zone is still productive, but not suitable for the issue of 1 (one) business license; and
 - c. the non-productive production forest zone, must be a bare land, sledge grass and/or bushes.
- (2) In the event that ecosystem restoration activity in natural forest has not achieved the balance, it can be issued IUPK, IUPJL, or IUPHHBK at production forest.
- (3) In the event that ecosystem restoration activity in natural forest has reached the balance, it can be issued IUPHHK at production forest.
- (4) IUPK, IUPJL, IUPHHK or IUPHHBK as set forth in paragraph (2) and paragraph (3) shall be issued to a private company/*badan usaha milik swasta* (BUMS).
- (5) Further provisions concerning the activity of utilization of timber forest products of ecosystem restoration in natural forest as set forth in paragraph (2), paragraph (3) and paragraph (4) shall be regulated in a Ministerial decree.

Paragraph 5

Timber Forest Products Utilization in Plantation Forest at Production Forest

Article 37

The timber forest products utilization in plantation forest at production forest as set forth in Article 31 paragraph (2) point d can be conducted at:

- a. HTI;
- b. HTR; or
- c. HTHR.

Article 38

- (1) At production forest, timber forest products utilization at HTI in plantation forest as set forth in Article 37 point a can be conducted with one or more silviculture systems, in line with the characteristics of its forest resources and environment.
- (2) The timber forest products utilization at HTI in plantation forest shall include the activities of land preparation, seedling, planting, maintenance, and marketing.
- (3) The timber forest products utilization at HTI shall be conducted at non-productive production forest.
- (4) Any plants produced from IUPHHK at HTI shall be the assets of the license holder, and can be used as an encumbrance to the extent that its license is still valid.
- (5) The Government, pursuant to the laws and regulations, can establish a financial institution to support HTI development.
- (6) Further provisions concerning the timber forest products utilization at HTI in plantation forest as set forth in paragraph (1) and paragraph (2) shall be regulated in a Ministerial decree.

Article 39

- (1) At production forest, timber forest products utilization at HTI in plantation forest as set forth in Article 38 can be conducted upon:
 - a. the same type of plant; and
 - b. various types of plant.

- (2) Further provisions concerning the same type of plant and various types of plant as set forth in paragraph (1) shall be regulated in a Ministerial decree.

Article 40

- (1) The Minister, in plantation forest at production forest, shall allocate and designate certain areas for the development of HTR, based on the recommendation of KPH or the designated officer.
- (2) At production forest, timber forest products utilization at HTR in plantation forest as set forth in Article 37 point b can be conducted with one or more silviculture systems, in line with the characteristics of its forest resources and environment.
- (3) The timber forest products utilization at HTR in plantation forest as set forth in paragraph (2) shall include the activities of land preparation, seedling, planting, maintenance, harvesting, and marketing.
- (4) The timber forest products utilization at HTR in plantation forest as set forth in paragraph (2) shall be conducted at non-productive production forest.
- (5) Any plants produced from IUPHHK at HTR shall be the assets of the license holder, can be used as an encumbrance to the extent that its license is still valid.
- (6) The Government, pursuant to the laws and regulations, can establish a financial institution to support HTR development.
- (7) Further provisions concerning the timber forest products utilization at HTR in plantation forest as set forth in paragraph (2) until paragraph (6) shall be regulated in a Ministerial decree.

Article 41

- (1) At production forest, timber forest products utilization in HTR at plantation forest as set forth in Article 40 paragraph (2) can be conducted upon:
 - a. the same type of plant; and
 - b. various types of plant.
- (2) To protect HTR rights in plantation forest, the Minister shall determine the basic selling price of timber at HTR.
- (3) Further provisions concerning the same type of plant and various types of plant as well as the determination of basic price shall be regulated in a Ministerial decree.

Article 42

- (1) At production forest, based on KPH management plan, timber forest products utilization at HTR in plantation forest as set forth in Article 37 point c shall be conducted through the sale of standing stock.
- (2) The sale of standing stock as set forth in paragraph (1) shall include the activities of harvesting, security, and marketing.
- (3) The sale of standing stock as set forth in paragraph (1) shall be conducted in a plot area unit recommended by the head of KPH or the officer designated by the Minister.
- (4) In forest zone at HTR where the sale of standing stock has been conducted, the Minister or the designated officer may issue IUPHHK at HTI or IUPHHK at HTR to an individual, cooperative, BUMN, or BUMS.
- (5) The timber forest products utilization activity at HTI or HTR by an individual, cooperative, BUMN, or BUMS shall be conducted in accordance with the activities as set forth in Article 38 or Article 40.
- (6) BUMN, BUMS, BUMD, Cooperative or individual as the license holder must pay the standing stock price collected pursuant to the laws and regulations.
- (7) For a cooperative whose members have investment at the time of rehabilitation, the standing stock price as set forth in paragraph (6) must be paid by each member in proportion to the amount of his/her investment after the profits are distributed proportionately with the Government, the provincial government, or the regential/city government.

- (8) Further provisions concerning the sale of standing stock, the payment of standing stock price, and the profits distribution as set forth in paragraph (1), and paragraph (7) shall be regulated in a Ministerial decree.

Paragraph 6
Non-timber Forest Products Utilization
in Natural Forest at Production Forest
Article 43

- (1) The non-timber forest products utilization in natural forest at production forest as set forth in Article 31 paragraph (2) point e shall be, among others, the utilization of:
- a. rattan, sago, nipah palm, bamboo, comprising the activities of planting, harvesting, enrichment, maintenance, security, and product marketing.
 - b. latex, bark, leaves, fruits or grains, gaharu wood, comprising the activities of harvesting, enrichment, maintenance, security, and product marketing.
- (2) Further provisions concerning the non-timber forest products utilization in natural forest as set forth in paragraph (1) shall be regulated in a Ministerial decree.

Paragraph 7
Non-timber Forest Products Utilization
in Plantation Forest at Production Forest
Article 44

- (1) The non-timber forest products utilization in plantation forest at production forest as set forth in Article 31 paragraph (2) point f shall be, among others, the utilization of:
- a. rattan, sago, nipah palm, bamboo, comprising the activities of planting, maintenance, harvesting, security, and product marketing;
 - b. latex, bark, leaves, fruits or grains, gaharu wood, comprising the activities of planting, maintenance, harvesting, security, and product marketing.
- (2) The non-timber forest products utilization in plantation forest as set forth in paragraph (1) can be also conducted at plantation forest derived from rehabilitation activity.
- (3) Further provisions concerning the non-timber forest products utilization in plantation forest as set forth in paragraph (1) shall be regulated in a Ministerial decree.

Paragraph 8
Timber Forest Products Utilization
in Natural Forest at Production Forest
Article 45

- (1) The timber forest products collection in natural forest at production forest as set forth in Article 31 (2) point g shall be granted to meet the requirement for the construction of public facility of the local community group, provided that it shall be at a maximum of 50 (fifty) meter cubic and not for sale.
- (2) The timber forest products collection in natural forest at production forest as set forth in Article 31 (2) point g shall be granted to meet the individual requirement, provided that it shall be at a maximum of 20 (twenty) meter cubic for each head of family and not for sale.
- (3) Further provisions concerning the timber forest products collection in natural forest as set forth in paragraph (1) and paragraph (2) shall be regulated in a Ministerial decree.

Paragraph 9
Non-timber Forest Products Collection
in Natural Forest at Production Forest

Article 46

- (1) The non-timber forest products collection in natural forest at production forest as set forth in Article 31 paragraph (2) point h shall be granted to meet the local community requirement and it can be for sale.
- (2) The non-timber forest products collection in natural forest at production forest as set forth in paragraph (1) can be in the form of the collection of rattan, honey, latex, fruits or grains, leaves, gaharu wood, bark, medicinal plants, and roots, provided that it shall be at a maximum of 20 (twenty) tones for each head of family.
- (3) The non-timber forest products collection in natural forest as set forth in paragraph (1) conducted upon wild plants and/or wild animals must be pursuant to the laws and regulations.
- (4) Further provisions concerning the non-timber forest products collection in natural forest as set forth in paragraph (1) and paragraph (2) shall be regulated in a Ministerial decree.

Paragraph 10

Non-timber Forest Products Collection in Plantation Forest at Production Forest

Article 47

- (1) The non-timber forest products collection in plantation forest at production forest as set forth in Article 31 paragraph (2) point i shall be granted to meet the local community requirement and it can be for sale.
- (2) The non-timber forest products collection in plantation forest as set forth in paragraph (1) can be also conducted upon rehabilitated plantation forest.
- (3) The non-timber forest products collection in plantation forest as set forth in paragraph (1) can be in the form of the collection of rattan, honey, latex, fruits or grains, leaves, gaharu wood, bark, medicinal plants, and roots, provided that it shall be at a maximum of 20 (twenty) tones for each head of family.
- (4) The non-timber forest products collection in plantation forest as set forth in paragraph (1) conducted upon wild plants and/or wild animals must be pursuant to the laws and regulations.
- (5) Further provisions concerning the non-timber forest products collection in plantation forest as set forth in paragraph (1), and paragraph (2) shall be regulated in a Ministerial decree.

Paragraph 11

Forest Utilization at Production Forest License

Article 48

- (1) In every forest utilization activity at production forest as set forth in Article 31 paragraph (2), it must be supported by a utilization license.
- (2) The license issuer shall be prohibited from issuing a license
 - a. within forestry BUMN working area that has been delegated to implement forest management as set forth in Article 4.
 - b. within forest area which already has a forest utilization license as set forth in Article 31 paragraph (2) point a until point f.
- (3) The license issuer may issue IPHHBK as set forth in Article 31 paragraph (2) point g, point h, and point i within forest area which already has a forest utilization license with different commodities.
- (4) IUPHHK can be conducted with one or more silviculture systems in line with the characteristics of its forest resources and environment.
- (5) Further provisions concerning the issue of license as set forth in paragraph (2), paragraph (3), and paragraph (4) shall be regulated in a Ministerial decree.

Paragraph 12
Term of Forest Utilization at Production Forest License

Article 49

- (1) The term of IUPK at production forest as set forth in Article 31 paragraph (2) point a shall be at a maximum of 5 (five) years, according to its types of business, and extendable.
- (2) The extension of IUPK shall be granted subject to the annual evaluation by the license issuer.
- (3) IUPK as set forth in paragraph (1) shall be issued under the following conditions:
 - a. at a maximum of 50 (fifty) hectares;
 - b. an individual or cooperative may have up to 2 (two) licenses for each regency/city.

Article 50

- (1) The term of IUPJL at production forest as set forth in Article 33 paragraph (1) shall be as follows:
 - a. watershed services utilization shall be for a maximum period of 25 (twenty-five) years with a maximum volume of 20% (twenty percent) of the available water surface debit, to the extent it shall not jeopardize public right;
 - b. water utilization shall be for a maximum period of 10 (ten) years with a maximum volume of 20% (twenty percent) of water debit;
 - c. nature tourism business shall be for a maximum period of 35 (thirty-five) years with a maximum area of 10% (ten percent) of utilization block;
 - d. biodiversity protection utilization shall be for a maximum period of 50 (fifty) years with the area extent in line with the investment requirement;
 - e. environmental rescue and protection and the area extent shall be given in line with its requirement; and
 - f. carbon absorption business and carbon saving business shall be for a maximum period of 30 (thirty) years with the area extent in line with the investment requirement.
- (2) IUPJL as set forth in paragraph (1) can be extended subject to the evaluation conducted every 5 (five) years by the license issuer.

Article 51

- (1) The term of IUPHHK in natural forest at production forest as set forth in Article 34 paragraph (1) point a shall be given for a maximum period of 55 (fifty-five) years.
- (2) IUPHHK in natural forest as set forth in paragraph (1) can be extended subject to the evaluation conducted every 5 (five) years by the Minister.

Article 52

- (1) The term of IUPHHK ecosystem restoration in natural forest at production forest as set forth in Article 34 paragraph (1) point b shall be given for a maximum of 100 (one hundred) years.
- (2) IUPHHK ecosystem restoration in natural forest shall be evaluated every 5 (five) years by the Minister as the basis for the continuation of license.
- (3) IUPHHK ecosystem restoration in natural forest shall be given once and non-extendable.

Article 53

- (1) The term of IUPHHK at HTI in plantation forest at production forest as set forth in Article 37 point a shall be given for a maximum of 100 (one hundred) years.
- (2) IUPHHK at HTI in plantation forest shall be evaluated every 5 (five) years by the Minister as the basis for the continuation of license.
- (3) IUPHHK at HTI in plantation forest shall be given once and non-extendable.

Article 54

- (1) The term of IUPHHK at HTR in plantation forest at production forest as set forth in Article 37 point b shall be given for a maximum of 100 (one hundred) years.

- (2) IUPHHK at HTR in plantation forest shall be evaluated every 5 (five) years by the Minister as the basis for the continuation of license.
- (3) IUPHHK shall be given once and non-extendable.

Article 55

The term of IPPHBK at HTHR in plantation forest at production forest as set forth in Article 37 point c shall be for a maximum of 1 (one) year and extendable, subject to the semi-annual evaluation by the Minister.

Article 56

The term of IUPHHBK in natural forest at production forest as set forth in Article 43 paragraph (1) shall be for a maximum period of 10 (ten) years and extendable, subject to the annual evaluation by the license issuer.

Article 57

The term of IUPHHBK in plantation forest at production forest as set forth in Article 44 paragraph (1) shall be for a maximum period of 10 (ten) years and extendable, subject to the annual evaluation by the license issuer.

Article 58

The term of IPHHBK in plantation forest at production forest as set forth in Article 47 shall be for a maximum period of 2 (two) years and extendable, subject to the semi-annual evaluation by the license issuer.

Article 59

- (1) The term of IPHHK and IPHHBK in natural forest at production forest as set forth in Article 45 and Article 46 shall be for a maximum of 1 (one) year.
- (2) IPHHK as set forth in paragraph (1) shall be non-extendable.
- (3) IPHHBK as set forth in paragraph (1) shall be extendable, subject to the semi-annual evaluation by the license issuer.

Section Five Authority of License Issuance

Article 60

- (1) IUPK shall be issued by
 - a. the regent/mayor, for forest zone situated in his/her jurisdiction, with copies to the Minister, the governor and the head of KPH;
 - b. the governor, for cross-regency/city forest zone situated in his/her jurisdiction, with copies to the Minister, the regent/mayor, and the head of KPH;
 - c. the Minister, for cross-province forest zone, with copies to the governor, the regent/mayor, and the head of KPH;
 - d. the Minister, for area having IUPHHK ecosystem restoration in natural forest at production forest which has not achieved ecosystem balance, with copies to the governor, the regent/mayor and the head of KPH.
- (2) IUPK as set forth in paragraph (1) shall be issued based on the guidelines, criteria and standard.
- (3) Further provisions concerning the guidelines, criteria and standard for the issue of IUPK as set forth in paragraph (2) shall be regulated in a Ministerial decree.

Article 61

- (1) IUPJL shall be issue by:
 - a. the regent/mayor, for forest zone situated in his/her jurisdiction, with copies to the Minister, the governor and the head of KPH;

- b. the governor, for cross-regency/city forest zone situated in his/her jurisdiction, with copies to the Minister, the regent/mayor, and the head of KPH;
 - c. the Minister, for cross-province forest zone, with copies to the governor, the regent/mayor, and the head of KPH; or
 - d. the Minister, for area having IUPHHK ecosystem restoration in natural forest at production forest which has not achieved ecosystem balance, with copies to the governor, the regent/mayor and the head of KPH.
- (2) IUPJL as set forth in paragraph (1) shall be issued based on the guidelines, criteria and standard.
- (3) Further provisions concerning the guidelines, criteria and standard for the issue of IUPJL as set forth in paragraph (2) shall be regulated in a Ministerial decree.

Article 62

- (1) IUPHHK at natural forest shall be issued by the Minister based on the recommendation of the governor who has obtained consideration from the regent/mayor.
- (2) IUPHHK ecosystem restoration in natural forest shall be issued by the Minister with copies to the governor, the regent/mayor, and the head of KPH.
- (3) IUPHHK at HTI in plantation forest shall be issued by the Minister based on the recommendation of the governor who has obtained consideration from the regent/mayor.
- (4) IUPHHK at HTR in plantation forest shall be issued by the Minister who may delegate such authority to the governor.
- (5) IUPHHK at HTHR in plantation forest shall be issued by the Minister or the designated officer based on the recommendation of the governor who has obtained consideration from the regent/mayor.

Article 63

IUPHHBK at natural forest shall be issued by:

- a. the regent/mayor, for natural forest situated in his/her jurisdiction, with copies to the Minister, the governor and the head of KPH;
- b. the governor, for cross-regency/city natural forest situated in his/her jurisdiction, with copies to the Minister, the regent/mayor, and the head of KPH; or
- c. the Minister, cross-province natural forest area, with copies to the governor, the regent/mayor, and the head of KPH.

Article 64

IPHHK shall be issued by:

- a. the regent/mayor, for forest area situated in his/her jurisdiction, with copies to the Minister, the governor and the head of KPH;
- b. the governor, for cross-regency/city forest area situated in his/her jurisdiction, with copies to the Minister, the regent/mayor, and the head of KPH; or
- c. the Minister, for cross-province forest area, with copies to the governor, the regent/mayor, and the head of KPH.

Article 65

IPHHBK in natural forest or plantation forest shall be issued by:

- a. the regent/mayor, for area in natural forest or plantation forest situated in his/her jurisdiction, with copies to the Minister, the governor and the head of KPH; or
- b. the governor, for area in cross-province natural forest or plantation forest situated in his/her jurisdiction, with copies to the Minister, the regent/mayor, and the head of KPH.

Article 66

- (1) IUPK, IUPJL, IUPHHK, IUPHHBK, IPHHK, and IPHHBK as set forth in Article 61 until Article 65 shall be issued based on the guidelines, criteria and standard.
- (2) Further provisions concerning the guidelines, criteria and standard for the issue of license as set forth in paragraph (1) shall be regulated in a Ministerial decree.

Section Six
Subject of the License Holder

Article 67

- (1) IUPK can be issued to:
 - a. individual; or
 - b. cooperative.
- (2) IUPJL can be issued to:
 - a. individual;
 - b. cooperative;
 - c. BUMS Indonesia;
 - d. BUMN; or
 - e. BUMD.
- (3) IUPHHK in natural forest at production forest can be issued to:
 - a. individual;
 - b. cooperative;
 - c. BUMS Indonesia;
 - d. BUMN; or
 - e. BUMD.
- (4) IUPHHK at HTI in plantation forest can be issued to:
 - a. cooperative;
 - b. BUMS Indonesia;
 - c. BUMN; or
 - d. BUMD.
- (5) IUPHHK at HTR in plantation forest can be issued to:
 - a. individual; or
 - b. cooperative.
- (6) IUPHHK at HTHR in plantation forest can be issued to:
 - a. individual;
 - b. cooperative;
 - c. BUMS Indonesia;
 - d. BUMN; or
 - e. BUMD.
- (7) IUPHHBK in natural forest or plantation forest at production forest can be issued to:
 - a. individual;
 - b. cooperative;
 - c. BUMS Indonesia;
 - d. BUMN; or
 - e. BUMD.
- (8) IPHHK in natural forest at production forest can be issued to:
 - a. individual; or
 - b. cooperative;
- (9) IPHHBK in natural forest at production forest can be issued to:
 - a. individual; or
 - b. cooperative.
- (10) IPHHBK in plantation forest at production forest can be issued to:

- a. individual; or
- b. cooperative.

Section Seven
Procedure and Requirements for License Application

Article 68

- (1) IUPK, IUPPL, IUPHHK at natural forest, IUPHHK at plantation forest, IUPHHBK, IPHHK and IPIHHBK shall be issued upon the submission of an application.
- (2) IUPHHK at natural forest as set forth in paragraph (1) shall be issued after selecting the applicants and the status of forest zone being applied for.
- (3) Further provisions concerning the procedure for license application as set forth in paragraph (1) and paragraph (2) shall be regulated in a Ministerial decree.

Article 69

The forest utilization whose activities may change the nature extension and affect the environment shall require environmental impact analysis *analisis mengenai dampak lingkungan* (AMDAL) pursuant to the laws and regulations.

Section Eight
Rights and Obligations of the Holder of Forest Utilization License

Article 70

- (1) Each holder of forest utilization license shall be entitled to conduct activities and gain benefits from its business based on its relevant license.
- (2) The holder of IUPHHK at HTI in plantation forest as set forth in Article 38 with good performance shall be entitled to be prioritized for obtaining IUPHHK HTI in another location situated in surrounding area and/or in different location to the extent such location has not had any forest utilization license.
- (3) The holder of IUPHHK at HTR in plantation forest as set forth in Article 40 shall be entitled to receive mentoring in order to strengthen its institution by the regent or the designated officer.
- (4) The holder of IUPHHK at HTHR in the form of cooperative as set forth in Article 42 paragraph (7) shall receive profit sharing entitlement in proportion to the amount of its investment being placed for forest rehabilitation activity.
- (5) Further provisions concerning the rights of the holder of IUPHHK as set forth in paragraph (2), paragraph (3) and paragraph (4) shall be regulated in a Ministerial decree.

Article 71

Each holder of forest utilization license, shall be required to:

- a. prepare a business plan for the entire working areas according to the validity period of its license based on forest management plan prepared by KPH;
- b. conduct the actual activities in the field at the latest:
 - 1) 6 (six) months after the issue of license for forest zone utilization, environmental services utilization, non-timber forest products utilization;
 - 2) 1 (one) month after the issue of forest products collection license;
 - 3) 1 (one) year for IUPHHK in natural forest, IUPHHK ecosystem restoration in natural forest and plantation forest; or
 - 4) 6 (six) months after the issue of license for the sale of forest products standing stock in rehabilitated forest;
- c. arrange working area boundaries at the latest 1 (one) year after the issue of IUPHHK in natural forest and plantation forest;
- d. conduct forest protection within its working area;

- e. manage the financial affair of its business activities according to the forestry accounting standard applicable to the holders of forest utilization license;
- f. hire professionals in the field of forestry and other experts in line with its requirement;
- g. conduct silviculture system in line with the local condition; and
- h. use forest product utilization equipment which complies with the prevailing regulations.
- i. pay fee or funds pursuant to the laws and regulations.

Article 72

- (1) In addition to the obligations as set forth in Article 71, BUMN, BUMD, BUMS, the holder of IUPJL, IUPHHK and IUPHHBK shall be obliged to cooperate with the local community cooperative, at the latest 1 (one) year after the license is received.
- (2) Further provisions concerning the cooperation as set forth in paragraph (1) shall be regulated in a Ministerial decree.

Article 73

- (1) In addition to the obligations as set forth in Article 71 and Article 72, the holder of IUPHHK in natural forest, shall be obliged to:
 - a. prepare a long term business plan for timber forest products utilization/*rencana kerja usaha pemanfaatan hasil hutan kayu* (RKUPHHK) for the entire working areas, at the latest 1 (one) year after the issue of license, and submit it to the Minister or the designated officer for his/her approval;
 - b. prepare an annual business plan/*rencana kerja tahunan* (RKT) based on RKUPHHK as set forth in point a for ratification by the head of KPH or the officer designated by the Minister.
 - c. submit RKT at the latest 2 (two) months before RKT is implemented;
 - d. administer forest products;
 - e. scale and grade forest products;
 - f. provide and supply timber raw material to forest products primary industry; and
 - g. submit a regular performance report of the license holder to the Minister.
- (2) In the event that RKT as set forth in paragraph (1) point b has met such criteria and indicator specified by the Minister, the holder of IUPHHK in natural forest can be granted the authority and responsibility to implement it without approval of the authority (self approval).
- (3) RKUPHHK shall be prepared for a period of 10 (ten) years subject to the long term management plan of KPH.
- (4) RKUPHHK shall be evaluated every 5 (five) years by the license holder and report it to the head of KPH or the officer designated by the Minister.
- (5) In addition to obligations as set forth in Article 71 and Article 72, the holder of IUPHHK ecosystem restoration in natural forest, shall be obliged to:
 - a. prepare RKUPHHK at ecosystem restoration forest in natural forest at production forest according to the validity period of its license and must be finished at the latest 1 (one) year after the issue of license.
 - b. in areas where the ecosystem balance has not been achieved:
 - 1) prepare a business plan for zone utilization, environmental services utilization, and/or non-timber forest products utilization for the entire working areas according to the validity period of its license and must be finished at the latest 1 (one) year after the issue of license for approval by the Minister or the designated officer;
 - 2) prepare an annual business plan/*rencana kerja tahunan* (RKT) for zone utilization, environmental services utilization, and/or non-timber forest products utilization based on the business plan for zone utilization, environmental services utilization and/or non-timber forest products utilization and be approved by the head of KPH or the officer designated by the Minister.
 - c. in areas where the ecosystem balance has been achieved:

- 1) prepare a business plan for timber forest product utilization/*rencana kerja usaha pemanfaatan hasil hutan kayu* (RKUPHHK) for the entire working areas according to the validity period of its license and must be finished at the latest 1 (one) year after the issue of timber forest products utilization license for approval by the Minister or the designated officer;
 - 2) prepare an annual business plan/*rencana kerja tahunan* (RKT) for timber forest products utilization based on RKUPHHK and be approved by the head of KPH or the officer designated by the Minister.
- d. implement RKT as set forth in point b item 2) and point c item 2) which becomes its authority and responsibility if it has met such criteria and indicator as specified by the Minister, without approval of the authority (self approval).
 - e. administer forest products during harvesting period.
 - f. scale or grade forest products during harvesting period.
 - g. submit a regular performance report to the Minister.

Article 74

In addition to the obligations as set forth in Article 71, Article 72, and Article 73 paragraph (1) until paragraph (4), the holder of IUPHHK at natural forest, shall be prohibited from:

- a. conducting any logging which exceeds the target tolerance of 5% (five percent) of the total volume stated in RKT;
- b. conducting any logging that exceeds the target tolerance of 3% (three percent) of the volume of each type of timber stated in RKT;
- c. conducting any logging before the approval of RKT;
- d. conducting any logging for corridor construction before obtaining a license or which is not complied with the license for corridor construction;
- e. conducting any logging below the permitted diameter limit;
- f. conducting any logging outside the permitted logging block;
- g. conducting any logging for road construction for the purpose of timber transportation outside RKT block, unless with the approval of the authority; and/or
- h. leaving the working area.

Article 75

(1) In addition to the obligations as set forth in Article 71 and Article 72, the holder of IUPHHK at HTI in plantation forest, shall be obliged to:

- a. prepare a long term business plan for timber forest products utilization/*rencana kerja usaha pemanfaatan hasil hutan kayu* (RKUPHHK) for the entire working areas, at the latest 1 (one) year after the issue of license, and submit it to the Minister or the designated officer for his/her approval;
- b. prepare an annual business plan/*rencana kerja tahunan* (RKT) based on RKUPHHK as set forth in point a for approval by the head of KPH or the officer designated by the Minister;
- c. submit RKT at the latest 2 (two) months before RKT is implemented;
- d. prepare RKUPHHK for a period of 10 (ten) years subject to the long term management plan of KPH;
- e. administer forest products;
- f. scale or grade forest products;
- g. conduct silviculture system according to its location and type of plants being cultivated;
- h. provide and supply timber raw material to forest products primary industry;
- i. provide an area at a maximum of 5% (five percent) of the total area as the space for living plantation for partnership area with the local community;

- j. conduct planting at least 50% (fifty percent) of the plantation area extent for the holder of IUPHHK at HTI in plantation forest based on cycle at the latest within 5 (five) years after the issue of license; and
 - k. submit a regular performance report to the Minister.
- (2) In the event that RKT as set forth in paragraph (1) point b has met such criteria and indicator as specified by the Minister, the holder of IUPHHK at HTI can be granted the authority and responsibility to implement it without the approval of the authority (self approval).
- (3) In addition to obligations as set forth in paragraph (1), point e, point f, point g, point h, and point j, the holder of IUPHHK at HTR in plantation forest shall be obliged to:
- a. prepare a long term business plan for timber forest products utilization/*rencana kerja usaha pemanfaatan hasil hutan kayu* (RKUPHHK) for the entire working areas, at the latest 1 (one) year after the issue of license, and submit it to the regent or the designated officer for his/her approval;
 - b. prepare an annual business plan/*rencana kerja tahunan* (RKT) submitted at the latest 2 (two) months before the RKT is implemented;
 - c. implement RKT as set forth in paragraph (3) point b which becomes its authority and responsibility if it has met such criteria and indicator as specified by the Minister, without approval of the authority (self approval); and
 - d. submit a regular performance report to the Minister.
- (4) The holder of IUPHHK at HTHR in plantation forest shall be obliged to prepare RKT at the latest 2 (two) months after the issue of license or before the ongoing RKT expires for approval by the head of KPH or the officer designated by the Minister.
- (5) In addition to the obligations as set forth in Article 71, Article 72 and Article 73 paragraph (1), and paragraph (4) the holder of IUPHHK at plantation forest shall be prohibited from:
- a. conducting any logging for corridor construction before obtaining a license or which is not complied with the license for corridor construction; and/or
 - b. leaving the working area.

Article 76

In addition to the obligations as set forth in Article 71 and Article 72, the holder of IUPHHBK shall be obliged to:

- a. prepare a long term business plan for non-timber forest products utilization/*rencana kerja usaha pemanfaatan hasil hutan bukan kayu* (RKUPHHBK) for the entire working areas, at the latest 1 (one) year after the issue of license, and submit it to the governor or the regent/mayor according to its jurisdiction, for his/her approval;
- b. prepare an annual business plan/*rencana kerja tahunan* (RKT) based on RKUPHHBK for approval by the head of KPH or the officer designated by the governor or the regent/mayor;
- c. submit RKT at the latest 2 (two) months before RKT is implemented;
- d. administer non-timber forest products; and
- e. grade non-timber forest products.

Article 77

- (1) In addition to obligations as set forth in Article 71, the holder of IUPHHK shall be obliged to:
- a. conduct the forest products collection within 1 (one) month as of the date the license is issued;
 - b. conduct the forest products collection in accordance with the license;
 - c. protect the forest from any disturbance causing the forest destruction surrounding the residential area;
 - d. prepare a plan for timber forest products collection required for approval by the head of KPI-F or the officer designated by the regent/mayor; and
 - e. scale or grade the forest products.

- (2) In addition to the obligations as set forth in paragraph (1), the holder of IPHHK shall be prohibited from collecting the forest products which exceed 5% (five percent) of the targeted volume for each type of forest products stated in the license.

Article 78

The holder of IPHHBK shall be restricted from collecting forest products which exceed 5% (five percent) of the targeted volume for each type of forest products stated in the license.

Section Nine Forest Utilization Fees and Funds

Article 79

- (1) Forest utilization fees and funds shall be the state's non-tax revenue derived from the forest resources, comprising:
- IUPH;
 - PSDH;
 - DR;
 - funds from the sale proceeds of standing stock;
 - levy from nature tourism business;
 - income from tourism visit fee to tourism forest zone, national park, grand forest park and ocean tourism park;
 - fee for the collection/catch and transportation of wild animals and natural plants which are not protected under the regulations and looted hunting animals;
 - income from any penalty due to forest exploitation;
 - income from regulatory protected wild plants and animals protected, which are taken either from nature or conservatory; and
 - income from forest products transportation documentation services.
- (2) IUPH as set forth in paragraph (1) point a shall be charged upon the holder of forest utilization business license based on the area extent of forest stated in its license.
- (3) IUPH as set forth in paragraph (1) point a shall be charged once at the time the issue of forest utilization business license.
- (4) PSDH as set forth in paragraph (1) point b shall be charged upon the holder of:
- IUPK;
 - IUPJL;
 - IUPHHK and/or IUPHHBK in natural forest;
 - IUPHHK and/or IUPHHBK in plantation forest; or
 - IPHHK and/or IPHHBK.
- (5) DR as set forth in paragraph (1) point c shall be charged upon the holder of IUPHHK in *alas* forest as set forth in Article 34.
- (6) Funds derived from the sale proceeds of standing stock shall be charged upon the holder of IUPHHK at THR in plantation forest as set forth in Article 42 paragraph (1), and the head of KPH that receives assignment as set forth in Article 21 paragraph (1).
- (7) Further provisions concerning the procedure for the charge, payment, and deposit of forest utilization fees and funds as set forth in paragraph (1) shall be regulated in a Ministerial decree.

Article 80

- (1) The collection of PSDH and DR upon timber forest products derived from natural forest and the collection of PSDH upon timber forest products derived from plantation forest shall be based on the production output report.
- (2) The collection of PSDH upon non-timber forest products derived from natural forest or plantation forest shall be based on the production output report.
- (3) The collection of PSDH as set forth in paragraph (2) shall not applicable to:

- a. forest products derived from customary forest which are utilized by customary law community and not for sale;
 - b. timber forest products which are directly used by the local community and not for sale; or
 - c. timber forest products derived from private forest/people forest.
- (4) The charge of DR as set forth in paragraph (1) shall not be applicable to:
- a. timber forest products derived from plantation forest;
 - b. timber forest products derived from customary forest which are directly used by the customary law community and not for sale;
 - c. timber forest products which are directly used by the local community and not for sale; or
 - d. timber forest products derived from private forest/people forest.

Section Ten
Extension and Cancellation of License

Paragraph 1

Extension of License

Article 81

- (1) IUPK, IUPJL, IUPHHK, IUPHHBK, and IPHHBK shall be extendable, except for:
- a. IUPHHK ecosystem restoration in natural forest;
 - b. IUPHHK at HTI in plantation forest;
 - c. IUPHHK at HTR in plantation forest.
- (2) The extension application must be submitted at the latest within one-tenth of the remaining period of license.
- (3) In the event that the license expires and the license holder fails to submit the extension application as set forth in paragraph (2), the license issuer shall issue a decision on the cancellation of license.
- (4) In the event that the extension application has satisfied the requirements as set forth in paragraph (2), the following conditions shall apply:
- a. for the extension of IUPK, IUPJL, IUPHHBK and IPHHBK, it shall be issued by:
 - 1) the regent/mayor, for forest zone situated in his/her jurisdiction, with copies to the Minister, the governor and the head of KPH;
 - 2) the governor, for cross-regency/city forest zone situated in his/her jurisdiction, with copies to the Minister, the regent/mayor, and the head of KPH; and
 - 3) the Minister, for cross-province forest zone, with copies to the governor, the regent/mayor, and the head of KPH.
 - b. for the extension of IUPI-IHK in natural forest or IUPHHK at HTIR in plantation forest, it shall be issued by the Minister or the designated officer, based on the recommendation by the governor who has obtained the consideration from the regent/mayor.
- (5) Further provisions concerning the procedure and requirements for license extension as set forth in paragraph (4) shall be regulated in a Ministerial decree.

Paragraph 2

License Cancellation

Article 82

- (1) The forest utilization license shall be cancelled if:
- a. the license is expired;
 - b. the license is revoked by the license issuer as a form of sanction imposed upon the license holder;
 - c. the license is surrendered by the license holder, accompanied by a written statement to the license issuer before the expiry of license; or
 - d. has fulfilled the permitted targeted area, volume or weight stated in forest products license.
- (2) Before the cancellation of license as set forth in paragraph (1) point a, point b and point c, it shall be first audited by the license issuer.

- (3) The cancellation of license as set forth in paragraph (1) and paragraph (2) shall not release the obligation of the license holder to pay up all the financial obligations and to fulfill all of the other obligations specified by the Government, the provincial government, and the regential/city government;
- (4) Upon the cancellation of license as set forth in paragraph (1) point a, point b and point c for IUPHHK in natural forest, the entire immovable goods and plants planted in the working area shall become the state's property.
- (5) Upon the cancellation of license as set forth in paragraph (1) point a, point b and point c for IUPHHK in plantation forest, the immovable goods shall become the state's property and the plants planted in the working area shall become the assets of the license holder.
- (6) With cancellation of license as set forth in paragraph (1), the Government, the provincial government, or the regential/city government shall not responsible for the obligations of the license holder towards third parties.
- (7) Further provisions concerning the cancellation of license as set forth in paragraph (2), paragraph (3), and paragraph (5) shall be regulated in a Ministerial decree.

**Section Eleven
Empowerment of Local Community**

Paragraph 1

General

Article 83

- (1) To gain benefits from forest resources in an optimum and fair manner, the local community shall be empowered through the development of capacity and the grant of access to improve their welfare.
- (2) The empowerment of local community as set forth in paragraph (1) shall be the responsibility of the Government, the province, the regency/city whilst its implementation shall be the responsibility of the head of KPH.

Article 84

The empowerment of local community as set forth in Article 84 paragraph (1) can be conducted through:

- a. village forest;
- b. community forest; or
- c. partnership.

**Paragraph 2
Village Forest**

Article 85

Village forest as set forth in Article 84 point a can be given at protection forest and production forest.

Article 86

- (1) The Minister shall designate the village forest working area based on the recommendation of the regent/mayor in accordance with the criteria determined and management plan prepared by the head of KPH or the designated officer.
- (2) Further provisions concerning the determination of criteria and procedure for the designation of village forest working area as set forth in paragraph (1) shall be regulated in a Ministerial decree.

Article 87

- (1) The empowerment of local community through village forest shall be conducted by granting the management right to the village institution.
- (2) The village forest management right as set forth in paragraph (1) shall include area arrangement activity, preparation of area management plan, and forest utilization as well as forest rehabilitation and protection.

- (3) The village forest utilization as set forth in paragraph (2) situated at
 - a. protection forest, shall include the activities of zone utilization, environmental services utilization, non-timber forest products collection.
 - b. production forest, shall include the activities of zone utilization, environmental services utilization; timber and non-timber forest products utilization and timber and non-timber forest products.
- (4) Further provisions concerning the village forest management right as set forth in paragraph (1) and paragraph (2) shall be regulated in a Ministerial decree.

Article 88

- (1) In granting village forest management right as set forth in Article 87 paragraph (1), the Government, the provincial government, or the regental/city government, according to its authority, shall provide facilities comprising institution development, business development, technology guidance, education and training, as well as access to market.
- (2) Further provisions concerning the provision of facilitation as set forth in paragraph (1) shall be regulated in a Ministerial decree.

Article 89

- (1) Based on the designation of village forest working areas set forth in Article 86 paragraph (1) and the provision of facilities as set forth in Article 88:
 - a. the Minister shall issue IUPHHK in village forest with copies to the governor, the regent/mayor and the head of KPH.
 - b. the governor, in addition to the provision of facilities as set forth in Article 88 paragraph (1), shall grant village forest management right.
- (2) In certain circumstances, the issue of IUPHHK as set forth in paragraph (1) point a can be delegated by the Minister to the governor.
- (3) The village institution as the holder of village forest management right shall be obliged to conduct forest management in accordance with sustainable forest management norms stated in village rules.
- (4) The village institution shall prepare village forest management plan together with the head of KPH or the designated officer as part of the forest management plan.
- (5) Further provisions concerning the delegation of the issue of IUPHHK and the preparation of village forest management plan as set forth in paragraph (2) and paragraph (4) shall be regulated in a Ministerial decree.

Article 90

- (1) The village forest management right shall not constitute as ownership right upon forest zone and be prohibited from transferring or encumbering, as well as changing the status and function of forest zone.
- (2) The forest zone determined as the village forest shall be not be used for other purposes outside the forest management plan and must be managed based on the principles of sustainable forest management.

Article 91

- (1) Each forest products utilization at village forest management right shall be subject to the payment of PSDH and/or DR.
- (2) The village institution as the holder of village forest management right shall be obliged to:
 - a. prepare a business plan for village forest management right for the validity period of village forest management right;
 - b. conduct the arrangement of village forest management right boundaries;
 - c. conduct forest protection; or
 - d. administer forest products.

- (3) Further provisions concerning the obligations as set forth in paragraph (2) shall be regulated in a Ministerial decree.

**Paragraph 3
Community Forest**

Article 92

- (1) Community forest as set forth in Article 84 point b can be given at:
 - a. conservation forest, except for natural conservation, and core zone of national park;
 - b. protection forest; or
 - c. production forest.
- (2) Provisions concerning the community forest at conservation forest as set forth in paragraph (1) point a shall be regulated in a separate government regulation.

Article 93

- (1) The Minister shall designate community forest working area as set forth in Article 92 paragraph (1) based on the recommendation of the regent/mayor upon the request of the local community in accordance with the management plan prepared by the head of KPH or the designated officer.
- (2) Further provisions concerning the designation of community forest working area as set forth in paragraph (1) shall be regulated in a Ministerial decree.

Article 94

- (1) The empowerment of local community through community forest as set forth in Article 88 shall be conducted through the issue of community forest utilization license.
- (2) The community forest utilization license as set forth in paragraph (1) which is issued for the area at:
 - a. protection forest, shall include the activities of zone utilization, environmental services utilization, non-timber forest products collection.
 - b. production forest, shall include the activities of zone utilization, environmental services utilization, timber and non-timber forest products utilization, timber and non-timber forest products collection.
- (3) Further provisions concerning the community empowerment as set forth in paragraph (1) and paragraph (2) shall be regulated in a Ministerial decree.

Article 95

- (1) In issuing the community forest utilization license as set forth in Article 94 paragraph (1), the government, the provincial government, the regent/city government according to its authority, shall provide facilities comprising institution development, business development, technology guidance, education and training, as well as access to market and supervision and control.
- (2) Further provisions concerning the facilities as set forth in paragraph (1) shall be regulated in a Ministerial decree.

Article 96

- (1) Based on the determination of village forest working areas as set forth in Article 93 paragraph (1) and the provision of facilities as set forth in Article 95 paragraph (1):
 - a. the Minister, shall issued HUPHHK in community forest at village forest working area with copies to the governor, the regent/mayor and the head of KPH;
 - b. the governor, at cross-regency/city community forest working area situated in his/her jurisdiction and the regent/mayor, at community forest working area situated in his/her jurisdiction shall issue community forest utilization license, comprising the activities of zone utilization, timber forest plants planting, environmental services utilization, non-timber forest products utilization, and timber and non-timber forest products collection;

- c. the license issued by the governor shall be copied to the Minister, the regent/mayor, and the head of KPH, and the license issued by the regent/mayor shall be copied to the Minister, the governor, and the head of KPH.
- (2) In certain circumstances, the issue of IUPHHK in community forest as set forth in paragraph (1) point a can be delegated by the Minister to the governor.
 - (3) IUPHHK in community forest as set forth in paragraph (1) point a shall be issued to the community group in the form of cooperative.
 - (4) The community forest utilization license as set forth in paragraph (1) point b shall be issued to the local community group.
 - (5) The holder of community forest utilization license in addition to the implementation of forest utilization shall be obliged to conduct forest management in accordance with sustainable forest management norms.
 - (6) The community forest utilization license as set forth in paragraph (1) shall be issued for a period of 35 (thirty-five) years and extendable.
 - (7) The issue of community forest utilization license shall be based on the guidelines, criteria and standard.
 - (8) Provisions concerning the guidelines, criteria and standard for the issue of community forest utilization license as set forth in paragraph (7) shall be regulated in a Ministerial decree.

Article 97

- (1) The community forest utilization license shall not constitute as ownership right upon forest zone and shall be prohibited from transferring or encumbering as well as changing the status and function of forest zone.
- (2) The forest zone designated for community forest, shall not be used for other purposes outside the management plan and must be managed based on the principles of sustainable forest management.

Article 98

- (1) Each holder of IUPHHK in community forest shall be subject to the payment of PSDH and/or DR.
- (2) Each holder of IUPHHK in community forest shall be obliged to:
 - a. prepare a business plan for IUPHHK in community forest during the validity of license;
 - b. conduct the arrangement of IUPHHK HKM boundaries;
 - c. conduct forest protection; or
 - d. administer forest products.
- (3) Further provisions concerning the obligations as set forth in paragraph (2) shall be regulated in a Ministerial decree.

Paragraph 4

Partnership

Article 99

- (1) The empowerment of local community can be conducted through partnership as set forth in Article 84 point c, in the event that:
 - a. the relevant forest zone already has forest utilization license; or
 - b. the relevant forest zone already has forest management right to forestry BUMN.
- (2) The Minister, the governor, or the regent/mayor according to its authority, shall be obligate to facilitate the establishment of partnership between the local community and the holder of forest utilization license or the holder of forest management right.
- (3) The partnership as set forth in paragraph (1) shall be conducted based on a consensus between the holder of forest utilization license or the holder of management right and the local community.
- (4) The empowerment of local community through partnership shall not shift the authority from the holder of forest utilization license or the holder of management right to the local community.

- (5) Further provisions concerning the empowerment of local community through partnership as set forth in paragraph (1) shall be regulated in a Ministerial decree.

CHAPTER V PRIVATE FOREST

Article 100

- (1) The private forest can be determined as the forest having the function of:
- a. conservation;
 - b. protection; or
 - c. production.
- (2) The forest utilization right shall be exercised by the holder of right upon the relevant land based on its function.
- (3) The forest utilization right as set forth in paragraph (2) shall have the objective to gain optimum benefits for the holder of right without reducing its function.
- (4) Further provisions concerning the forest utilization right as set forth in paragraph (2) shall be regulated in a Ministerial decree.

Article 101

The Government shall designate private forest having the function of conservation or protection by giving compensation.

Article 102

- (1) The status of private forest having the function of conservation and/or protection shall be changed to become forest zone.
- (2) In the event that private forest is designated as protection forest zone or conservation forest zone as set forth in paragraph (1), the Government shall give compensation to the holder of right pursuant to the laws and regulations.

Article 103

The Government, the provincial government, or the regental/city government, according to its authority, shall be obliged to develop private forest through facilities, institution intensification, and business system.

CHAPTER VI FOREST PRODUCTS PRIMARY INDUSTRY

Section One

General

Article 104

- (1) The forest products primary industry shall have the objectives to:
- a. increase the value added of forest products;
 - b. use raw material efficiently;
 - c. create job opportunity;
 - d. realize an efficient, productive and high competitive industry;
 - e. avoid the destruction of forest resources and environmental contamination; and
 - f. secure raw material resources in the course of sustainable forest management.
- (2) The forest products primary industry shall comprise:
- a. timber forest products primary industry; and
 - b. non-timber forest products primary industry.
- (3) The capacity of forest products primary industry license shall not exceed the supporting power of sustainable forest management.
- (4) The raw material resources of forest products primary industry can be derived from natural forest, plantation forest, private forest, timber plantation and importation.

Article 105

- (1) The Minister shall have the authority to manage, supervise and develop forest products primary industry covering the entire industries of:
 - a. roundwood processing to become sawn timber;
 - b. roundwood processing to become wood chips, veneer, plywood, Laminated Veneer Lumber; and
 - c. processing of non-timber raw material directly collected from forest.
- (2) In exercising his/her authority as set forth in paragraph (1), the Minister shall coordinate with the minister responsible in the field of industry.

Section Two

Timber Forest Products Primary Industry License

Article 106

- (1) Every establishment of timber forest products primary industry must have an industry license.
- (2) Every extension of timber forest products primary industry must have an industry extension license.

Article 107

- (1) The industry license and industry extension license for timber and non-timber forest products primary industry as set forth in Article 108 can be issued to:
 - a. individual;
 - b. cooperative;
 - c. BUMS Indonesia;
 - d. BUMN; or
 - e. BUMD.
- (2) The wood sawn industry license with production capacity up to 2000 (two thousand) meter cubic per annum can be issued to:
 - a. individual; or
 - b. cooperative.
- (3) The industry registration certificate for non-timber forest products primary industry at plantation forest can be issued to:
 - a. individual; or
 - b. cooperative.
- (4) Further provisions for the non-timber forest products primary industry at plantation forest shall be regulated in a Ministerial decree.

Article 108

- (1) The industry license and industry extension license for timber forest products primary industry shall be valid to the extent the relevant industry is in operation.
- (2) The evaluation of timber forest products primary industry shall be conducted at least once in every 3 (three) years.
- (3) The evaluation as set forth in paragraph (2) shall be conducted based on the evaluation guidelines.
- (4) Further provisions concerning the evaluation guidelines for timber forest products primary industry as set forth in paragraph (2) shall be regulated in a Ministerial decree.

Article 109

The holder of timber forest products primary industry license, in order to meet its raw material requirement, may develop private forest or cooperate with the holder of private forest.

Section Three
Procedure and Requirements for the Application for
Timber Forest Products Primary Industry License
Article 110

- (1) The application for industry license and industry extension license for timber forest products primary industry as set forth in Article 107 shall be submitted to the Minister, for
 - a. wood sawn industry with production capacity exceeding 6000 (six thousand) meter cubic per year, with copies to the minister responsible in the field of industry, the governor, and the regent/mayor.
 - b. timber forest products primary industry that directly processes roundwood to become wood chips, veneer, plywood, Laminated Veneer Lumbar (LVL), with production capacity exceeding 6000 (six thousand) meter cubic per year, with copies to the minister responsible in the field of industry, the governor, and the regent/mayor.
- (2) The application for industry license and industry extension license for timber forest products primary industry shall be submitted to the governor, for
 - a. wood sawn industry with production capacity up to 6000 (six thousand) meter cubic per year, with copies to the Minister and the regent/mayor.
 - b. timber forest products primary industry that directly processes roundwood to become wood chips, veneer, plywood, Laminated Veneer Lumbar (LVL), with production capacity up to 6000 (six thousand) meter cubic per year, with copies to the Minister and the regent/mayor.
- (3) Further provisions concerning the requirements for the application for industry license and industry extension license for timber forest products primary industry as set forth in paragraph (1) and paragraph (2) shall be regulated in a Ministerial decree.

Section Four
Non-timber Forest Products Primary Industry License
Article 111

- (1) The small scale non-timber forest products primary industry must have an industry registration certificate to obtain industry license.
- (2) Every establishment or extension of medium scale and large scale non-timber forest products primary industry must have an industry license or extension license.
- (3) Further provisions concerning the non-timber forest products primary industry license as set forth in paragraph (1) and paragraph (2) shall be regulated in a Ministerial decree.

Article 112

- (1) The industry registration certificate of non-timber forest products primary industry, industry license and industry extension license for non-timber forest products primary industry shall be valid to the extent the relevant industry is in operation pursuant to the provisions herein and evaluated at least once in every 3 (three) years.
- (2) The evaluation as set forth in paragraph (2) shall be conducted based on the evaluation guidelines.
- (3) Further provisions concerning the evaluation guidelines for non-timber forest products primary industry as set forth in paragraph (2) shall be regulated in a Ministerial decree.

Section Five
Procedure and Requirements for the Application for
Non-timber Forest Products Primary Industry License
Article 113

- (1) The application for industry registration certificate, industry license and industry extension license for non-timber forest products primary industry shall be submitted to the regent/mayor.
- (2) The application as set forth in paragraph (1) must be supported by the necessary requirements.

- (3) Further provisions concerning the requirements for industry registration certificate of non-timber forest products primary industry, industry license and industry extension license for non-timber forest products primary industry shall be regulated in a Ministerial decree.

Section Seven
Rights and Obligations of the License Holder

Article 114

- (1) Each holder of timber and non-timber forest products primary industry license shall be entitled to obtain services from the license issuer.
- (2) Further provisions concerning the rights of license holder as set forth in paragraph (1) shall be regulated in a Ministerial decree.

Article 115

- (1) The holder of timber and non-timber forest products primary industry license shall be obliged to:
- a. operate the industry in accordance with its license;
 - b. apply for extension license in the event that it intends to extend the production exceeding 30% (thirty percent) of the permitted production capacity;
 - c. prepare and submit a plan for industry raw material fulfillment/*rencana pemenuhan bahan baku industri (RPBBI)* every year;
 - d. prepare and submit a monthly realization report on the fulfillment and use of raw material and production;
 - e. prepare or submit a roundwood transfer report/*laporan mutasi kayu bulat (LMKB)* or a non-timber forest products transfer report/*laporan mutasi hasil hutan bukan kayu (LMHHBK)*;
 - f. prepare or submit a processed forest products transfer report/*laporan mutasi hasil hutan olahan (LMHHO)*;
 - g. conduct industry activities as stated in the license;
 - h. submit a regular report on its activities and industry output to the license issuer and the agency having the authority to supervise and develop forest products primary industry;
 - i. hire certified grader and scaler for forest products for industry with capacity up to 6000 m³ (six thousand meter cubic) per year if the license holder does not have certified grader and scaler for forest products.
 - j. have certified grader and scaler for forest products for timber forest products industry with capacity exceeding 6000 m³ (six thousand meter cubic).
- (2) Provisions concerning the obligations of the holder of timber and non-timber forest products primary industry license as set forth in paragraph (1) shall be regulated in a Ministerial decree.

Article 116

In addition to the obligations as set forth in Article 115, the holder of timber and non-timber forest products primary industry license shall be prohibited from:

- a. extending the industry without permit;
- b. move the industry location without permit;
- c. conduct the activities that may cause environmental contamination and destruction beyond the limit of environmental quality;
- d. receive, collect, or process forest products raw material from illegal raw material resources; or
- e. conduct the industry activities not conforming to the issued license.

CHAPTER VII
DISTRIBUTION AND MARKETING OF FOREST PRODUCTS

Article 117

- (1) In the course of protecting the state's right upon forest products and forest sustainability, it shall be conducted forest products control and marketing through the administration of forest products.

- (2) All forest products derived from state forest shall be determined its type, measured its volume/weight, and/or counted its quantity by the authorized officer.
- (3) All forest products derived from state forest as set forth in paragraph (2) shall be graded by the authorized officer.
- (4) Physical forest products in the form of roundwood which has been processed as set forth in paragraph (2) shall be marked.
- (5) Further provisions concerning the administration of forest products derived from state forest, natural forest products and plantation forest products shall be regulated in a Ministerial decree.

Article 118

- (1) All forest products derived from private forest shall be determined its type, measured its volume/weight, and counted its quantity.
- (2) Further provisions concerning the determination of type, the measurement of volume/weight and the count of quantity as set forth in paragraph (1) shall be regulated in a Ministerial decree.

Article 119

Every transportation, possession or ownership of forest products derived from state forest must be supported together by the document, i.e., certificate of legitimate forest products, which is valid and used for transporting the forest products within the territory of the Republic of Indonesia.

Article 120

- (1) The document as set forth in Article 119 must conform to the physical forest products being transported.
- (2) The conformity of physical forest products as set forth in paragraph (1) shall be determined based on the method of forest products scale and grading pursuant to the Indonesian National Standardization/*Standar Nasional Indonesia* (SNI).
- (3) The forest products scale and grading must be conducted by a qualified grader.

Article 121

- (1) The Minister shall be authorized to arrange, supervise and develop the marketing of unprocessed timber and non-timber forest products into domestic market and forest products primary industry as raw material.
- (2) In addition to the arrangement, supervision and development of timber and non-timber forest products marketing as set forth in paragraph (1), its authority shall be in the hands of the minister responsible in the field of trade taking into account the Minister's consideration.
- (3) Further provisions concerning the arrangement, supervision and development of timber and non-timber forest products marketing as set forth in paragraph (1) shall be regulated in a Ministerial decree.

Article 122

The authority of forest products export arrangement shall be regulated by the minister responsible in the field of trade based on the Minister's suggestion.

CHAPTER VIII SUPERVISION AND CONTROL

Article 123

- (1) For the orderly implementation of forest arrangement and preparation of forest management plan, and forest utilization;
 - a. the Minister shall be authorized to supervise and control the forestry policy to be implemented by the governor, the regent/mayor, and/or the head of KPH.
 - b. the Governor shall be authorized to supervise and control the forestry policy to be implemented by the regent/mayor, and/or the head of KPH.

- (2) The Minister, the governor and the regent/mayor, according to its authority, shall supervise and control the implementation of forest arrangement and preparation of forest management plan, and forest utilization be conducted by the head of KPH, forest users, and/or forest products processors.

Article 124

- (1) The supervision as set forth in Article 123 paragraph (1) and paragraph (2) shall include the provision of:
- a. guidelines;
 - b. guidance;
 - c. training;
 - d. direction; and/or
 - e. supervision.
- (2) The provision of guidelines as set forth in paragraph (1) point a shall be targeted to the implementation of forest arrangement and preparation of forest management plan, and forest utilization.
- (3) The provision of guidance as set forth in paragraph (1) point b shall be targeted to the preparation of procedure and job arrangement.
- (4) The provision of training as set forth in paragraph (1) point c shall be targeted to human resources and officials.
- (5) The provision of direction as set forth in paragraph (1) point d shall include the activity of preparing plans and programs.
- (6) Supervision as set forth in paragraph (1) point e shall be targeted to the implementation of forest arrangement and preparation of forest management plan, and forest utilization.

Article 125

- (1) The control as set forth in Article 123 paragraph (1) and paragraph (2) shall include the activities of:
- a. monitoring; and/or
 - b. evaluation.
- (2) The monitoring activity as set forth in paragraph (1) point a shall be the activity of gathering data and information, policy, and implementing forest management.
- (3) The evaluation activity as set forth in paragraph (1) point b shall be the activity of assessing the successfulness of the implementation of sustainable forest management, namely forest arrangement and preparation of forest management plan, and forest utilization conducted regularly in accordance with the type of license.
- (4) Further provisions concerning the assessment of successfulness of the regular implementation of sustainable forest management as set forth in paragraph (3) shall be regulated in a Ministerial decree.

Article 126

Further provisions concerning the supervision and control as set forth in Article 124 and Article 125 shall be regulated in a Ministerial decree.

CHAPTER IX ADMINISTRATIVE SANCTION TOWARDS THE HOLDER OF FOREST UTILIZATION LICENSE AND FOREST PRODUCTS PRIMARY INDUSTRY LICENSE

Article 127

To guarantee the forest status, forest sustainability and forest function sustainability, in the event that any of the holder of forest utilization license or forest products primary industry license violates the provisions outside the criminal provisions as set out in Article 78 of Law Number 41 Year 1999 on Forestry, it shall be subject to administrative sanction.

Article 128

- (1) The administrative sanction as set forth in Article 127 can be in the form of:
 - a. suspension of administrative services;
 - b. suspension of activity in the field;
 - c. fine; or
 - d. revocation of license.
- (2) The administrative sanction as set forth in paragraph (1) shall be imposed by the license issuer according to its respective authority as set forth in Article 60 until Article 65, except for the administrative sanction in the form of fine, it shall be imposed by the Minister.
- (3) The administrative fine as set forth in paragraph (1) point c shall be the state's non-tax revenue/*penerimaan negara bukan pajak* (PNBP) paid to the State's Treasury.

Article 129

The administrative sanction in the form of suspension of administrative services as set forth in Article 128 paragraph (1) point a shall be imposed to:

- a. the holder of IUPHHK in natural forest at production forest that violates the provisions as set forth in Article 73 paragraph (1) point f, Article 73 paragraph (1) point g or Article 73 paragraph (4);
- b. the holder of IUPHHK ecosystem restoration in natural forest at production forest that violates the provisions as set forth in Article 73 paragraph (5) point g;
- c. the holder of IUPHHK at HTI or at HTR in plantation forest at production forest that violates the provisions as set forth in Article 75 paragraph (1) point a, Article 75 paragraph (1) point d, point h, point i, point k, or Article 75 paragraph (3) point c.

Article 130

The administrative sanction in the form of suspension of activity in the field as set forth in Article 128 paragraph (1) point b shall be imposed to:

- a. the holder of IUPK or IUPJL forest that violates the provisions as set forth in Article 71 point a, point c, point d, point e, point f, or point h;
- b. the holder of IUPHHK in natural forest at production forest that violates the provisions as set forth in Article 71 point a, point c, point d, point e, point f, or point h;
- c. the holder of IUPHHK ecosystem restoration in natural forest at production forest that violates the provisions as set forth in Article 71 point a, point c, point d, point e, point f, or point h;
- d. the holder of village forest management right at protection forest or production forest that violates the provisions as set forth in Article 91 point a, point b, or point c;
- e. the holder of village forest management right that violates the provisions as set forth in Article 91 paragraph (2) point a, Article 91 paragraph (2) point b, or Article 91 paragraph (2) point c;
- f. The holder of IUPHHK HKM that violates the provisions as set forth in Article 98 paragraph (2) point a, Article 98 paragraph (2) point b, or Article 98 paragraph (2) point c.

Article 131

- (1) The administrative sanction in the form of suspension of administrative services as set forth in Article 129 and suspension of activity in the field as set forth in Article 130 shall be for a period of 1 (one) year after the sanction is imposed;
- (2) The administrative sanction as set forth in paragraph (1) can be lifted at any time if the license holder has fulfilled its obligations within 1 (one) year of sanction;
- (3) In event that the obligations as set forth in paragraph (2) has not been fulfilled within 1 (one) year of sanction, the license holder shall be given a warning letter up to 3 (three) times consecutively for a period of 30 business days for each warning letter.
- (4) The license shall be revoked if the license holder fails to fulfill its obligations after the expiry of the third warning letter.

Article 132

The administrative sanction in the form of fine as set forth in Article 128 paragraph (1) point c shall be imposed to:

- a. the holder of IUPHHK in natural forest at production forest that violates the provisions as set forth in Article 73 paragraph (1) point c, point e, Article 74 point a, or point b, with the obligation to pay fine of 10 (ten) times PSDH or 10 (ten) times the timber basic price;
- b. the holder of IUPHHK in natural forest at production forest that violates the provisions as set forth in Article 74 point c, point d, point e, point f, or point g, with the obligation to pay fine of 15 (fifteen) times the timber basic price;
- c. the holder of IUPHHK ecosystem restoration in natural forest at production forest that violates the provisions as set forth in Article 73 paragraph (5) point f, with the obligation to pay fine of 10 (ten) times PSDH or 10 (ten) times the timber basic price;
- d. the holder of IUPHHK at HTI or HTR in plantation forest at production forest that violates the provisions as set forth in Article 75 paragraph (1) point c, point f, or Article 75 paragraph (3), with the obligation to pay fine of 10 (ten) times the timber basic price;
- e. the holder of IUPHHK at HTR in plantation forest at production forest that violates the provisions as set forth in 75 paragraph (5) point a or point b, with the obligation to pay fine of 15 (fifteen) times PSDH;
- f. the holder of IUPHHBK that violates the provisions as set forth in Article 76 point c or point e, with the obligation to pay fine of 10 (ten) times PSDH or 10 (ten) times the timber basic price;
- g. the holder of IUPHHK that violates the provisions as set forth in Article 71 point b item 2), Article 77 paragraph (1) point c, point d, or point e, with the obligation to pay fine of 5 (five) times PSDH towards any excess forest products;
- h. the holder of IUPHHK or IUPHHBK that violates the provisions as set forth in Article 77 paragraph (2) or Article 78, with the obligation to pay fine of 10 (ten) times PSDH towards any excess forest products.

Article 133

The administrative sanction in the form of revocation of license as set forth in Article 128 paragraph (1) point d shall be imposed to:

- a. the holder of IUPK or IUPJL that violates the provisions as set forth in Article 20, Article 71 point b item 1), or Article 74 point h, and the criminal sanction as set forth in Article 78 of Law Number 41 Year 1999 on Forestry or is declared bankrupt by the district court;
- b. BUMN, BUMD, or BUMS as the holder of IUPJL that violates the provisions as set forth in Article 72 paragraph (1);
- c. the holder of IUPHHK in natural forest at production forest that violates the provisions as set forth in Article 20, Article 71 point b item 3), point g, Article 73 paragraph (1) point a, point b, point d, Article 74 point f, point h, the criminal sanction as set forth in Article 78 of Law Number 41 Year 1999 on Forestry or is declared bankrupt by the district court;
- d. the holder of IUPHHK ecosystem restoration in natural forest at production forest that violates the provisions as set forth in Article 20, Article 71 point b item 3), point g, Article 73 paragraph (5) point a, point b item 1), point b item 2), point c item 1), point c item 2), point c, the criminal sanction as set forth in Article 78 of Law Number 41 Year 1999 on Forestry or is declared bankrupt by the district court;
- e. BUMN, BUMD, or BUMS as the holder of IUPHHK in natural forest or IUPHHK ecosystem restoration in natural forest at production forest that violates the provisions as set forth in Article 72 paragraph (1);
- f. the holder of IUPHHK at HTI in plantation forest at production forest that violates the provisions as set forth in Article 20, Article 71 point b item 3), Article 71 point g, Article 75 paragraph (1) point a, point b, point e, point j, Article 75 paragraph (5) point b, the criminal sanction as set forth in Article 78 of Law Number 41 Year 1999 on Forestry or is declared bankrupt by the district court;

- g. the holder of IUPHHK at HTR in plantation forest at production forest that violates the provisions as set forth in Article 20, Article 71 point b item 3), Article 71 point g, Article 75 paragraph (3) point a, point b, Article 75 paragraph (5) point b, the criminal sanction as set forth in Article 78 of Law Number 41 Year 1999 on Forestry or is declared bankrupt by the district court;
- h. the holder of IUPHHK at HTTR that violates the provisions as set forth in Article 71 point b item 4);
- i. BUMN, BUMD, or BUMS as the holder of IUPHHBK that violates the provisions as set forth in Article 72 paragraph (1);
- j. the holder of IPHHK or IPHHBK that violates the provisions as set forth in Article 20, Article 71 point i, or the criminal sanction as set forth in Article 78 of Law Number 41 Year 1999 on Forestry;
- k. the holder of IUPHHBK that violates the provisions as set forth in Article 76 point a, point b, or point d;
- l. the holder of village forest management right at protection forest or production forest that violates the provisions as set forth in Article 90 paragraph (1), paragraph (2), or Article 91 paragraph (2) point d;
- m. the holder of IUPHHK in community forest at conservation forest, except for natural conservation or core zone of national park, or protection forest, or production forest that violates the provisions as set forth in Article 97 paragraph (1), paragraph (2), or Article 98 paragraph (2) point d;
- n. The holder of village forest management right that violates the provisions as set forth in Article 90 paragraph (1), paragraph (2), or Article 91 paragraph (2) point d; or
- o. The holder of IUPHHK HKM that violates the provisions as set forth in Article 97 paragraph (1), paragraph (2), or Article 98 paragraph (2) point d.

Article 134

- (1) In the course of giving the opportunity to the holder of IUPK, IUPJL, IUPHHK, IUPHH ecosystem restoration natural forest, IUPHHK, IUPHHBK, IPHHK, IPHHBK, IPHHK, or IPHHBK to fulfill its obligations before the license as set forth in Article 133 is revoked, it shall be given a warning letter up to 3 (three) times consecutively for a period of 30 (thirty) days for each warning letter, except for the revocation of license as the result of criminal sanction as set forth in Article 78 of Law Number 41 Year 1999 on Forestry or bankruptcy declaration by the district court.
- (2) The revocation of license as set forth in paragraph (1) shall be conducted if the license holder fails to fulfill its obligations after the expiry of the third warning letter.

Section Three

Administrative Sanction towards the Holder of Forest Products Primary Industry

Article 135

The holder of forest products primary industry license that violates the provisions as set forth in Article 115 and Article 116 shall be subject to administrative sanction, namely:

- a. suspension of industry business;
- b. suspension of services provision; or
- c. revocation of industry license.

Article 136

The administrative sanction in the form of suspension of industry business as set forth in Article 135 point a shall be imposed to:

- a. the holder of forest products primary industry license that violates the provisions as set forth in Article 115 paragraph (1) point i or point j;
- b. the suspension of industry business as set forth in paragraph (1) shall be imposed until the license holder can fulfill its obligations.

Article 137

The administrative sanction in the form of suspension of services provision as set forth in Article 135 point b, shall be imposed to:

- a. the holder of forest products primary industry license that violates the provisions as set forth in Article 115 paragraph (1) point c; point d, point e; point f or point h;
- b. the suspension of services provision as set forth in paragraph (1) shall be imposed until the license holder can fulfill its obligations.

Article 138

- (1) The administrative sanction in the form of revocation of industry license as set forth in Article 135 point c shall be imposed to the holder of forest products primary industry license that violates the provisions as set forth in Article 115 paragraph (1) point a, point b, point g; Article 116 point a; point b; point c; or point d; or point e.
- (2) The revocation of industry license as set forth in paragraph (1) shall be conducted after the issue of warning letter by the license issuer for 3 (three) times.
- (3) The warning letter as set forth in paragraph (2) shall be given each with the period of 30 (thirty) business days.
- (4) The revocation of industry license due to the violation of provisions as set forth in Article 116 point d shall be initiated with the temporary freeze of license, and upon the render of decision by the district court having the permanent legal effect, the revocation of license shall be conducted.

Section Five

Procedure for the Imposition of Administrative Sanction

Article 139

The procedure for the imposition of administrative sanction towards the holder of forest utilization license, forest products primary industry license and forest products distribution license as set forth in Article 135 until Article 138 shall be regulated in a Ministerial decree.

CHAPTER X TRANSITION PROVISIONS

Article 140

With the enactment of this government regulation:

- a. any forest concession/*hak pengusahaan hutan* (HPH), forest products collection right/*hak pemungutan hasil hutan* (HPHH), or IUPHHK issued pursuant to the laws and regulations prior to the enactment of this government regulation shall remain valid until its right or license is expired.
- b. any forest products primary industry license or industry registration certificate issued pursuant to the laws and regulations prior to the enactment of this government regulation shall remain valid until its license or registration certificate is expired;
- c. any application for HPH or IUPHHK in natural forest or plantation forest, either application for license extension or new license, which has not reached the license-in-principle stage, the completion process must be adjusted in accordance with the provisions under this government regulation;
- d. any application for HPH or IUPHHK in natural forest or plantation forest, either application for license extension or new license, which has reached the license-in-principle stage, at the latest within 3 (three) months, the license completion process must be adjusted in accordance with the provisions under this government regulation;
- e. the authority of forest arrangement and preparation of forest management plan, and forest utilization delegated by the Government to BUMN shall remain valid and its implementation shall be adjusted in accordance with this government regulation.

- f. the result of forest arrangement which has been implemented so far pursuant to Government Regulation Number 34 Year 2002, to the extent that KPH has been established, shall be applied in the relevant KPH.
- g. the result of forest arrangement implemented by the authorized agency before the enactment of Government Regulation Number 34 Year 2002 shall be directed to the establishment of KPH.
- h. any policy or program that has been implemented in the course of the community empowerment shall be continued and its implementation must be adjusted in accordance with this government regulation.
- i. Any community forest which has been developed so far, or is in process, or has obtained license-in-principle, shall be acknowledged and thereafter it must adjusted in accordance with this government regulation.

Article 141

The designation of all KPH areas as set forth in Article 6 and Article 7 shall be completed at the latest 2 (two) years as of the date this government regulation is enacted.

**CHAPTER XI
CLOSING PROVISIONS**

Article 142

At the time this government regulation becomes effective, Government Regulation Number 34 Year 2002 on Forest arrangement and Preparation of Forest Management Plan, Forest Utilization and Use of Forest Zone (State Gazette of the Republic of Indonesia Year 2002 Number 66, Supplement to the State Gazette Number 4206) shall be revoked and declared no longer valid.

Article 143

At the time this government regulation becomes effective, all laws and regulations which constitute the implementing regulations of Government Regulation Number 34 Year 2002 on Forest arrangement and Preparation of Forest Management Plan, Forest Utilization and Use of Forest Zone (State Gazette of the Republic of Indonesia Year 2002 Number 66, Supplement to the State Gazette Number 4206), shall remain effective to the extent that it shall not contradict with the provisions under this government regulation.

Article 144

This Government Regulation shall be effective as of the date of enactment.
To have acknowledged by the public, it is ordered that the enactment of this Law be published in State Gazette of the Republic of Indonesia.
Ratified in Jakarta,
On 8 January 2007

THE PRESIDENT OF THE REPUBLIC OF INDONESIA

Sgn.

DR. H. SUSILO BAMBANG YUDHOYONO

Enacted in Jakarta,

On 8 January 2007

MINISTER LAW AND HUMAN RIGHTS OF THE REPUBLIC OF INDONESIA,

Sgn.

HAMID AWALUDJIN

STATE GAZETTE OF THE REPUBLIC OF INDONESIA YEAR 2007 NUMBER 22

ELUCIDATION OF
GOVERNMENT REGULATION OF THE REPUBLIC OF INDONESIA
NUMBER 6 YEAR 2007
ON
FOREST ARRANGEMENT AND PREPARATION OF FOREST MANAGEMENT PLAN,
AND FOREST UTILIZATION

GENERAL

Indonesia is blessed with and received mandate from the one and only God natural resources in the form of invaluable forest. Therefore, we must manage and utilize the forest properly based on good norms as a form of our worship and gratitude to the one and only God.

The forest and forest zone has sustaining and balancing roles in global environment that its relevance with international community becomes substantial whilst remain prioritizing the national interest. For that, we must manage forest continuously for the community welfare.

The timber utilization license/non-timber forest products utilization license can be issued for convertible production forest zone and forest zone utilization with on *loan/pinjam pakai* status, by applying the provisions of timber or non-timber forest products utilization license at natural forest as set out in this Government Regulation.

In the course of forest management to gain optimum benefits from forest and forest zone for the community welfare, all forests and forest zones in principle must be managed by taking into account its nature, characteristics and main functions, and not be allowed to change its main functions, i.e., conservation, protection and production functions. Therefore, the balance of such three functions must be maintained in the implementation of forest management.

Lately the forest condition is very appalling, marked by the increase of forest degradation level, lack of investment in forestry, low progress of the development of plantation forest, lack of illegal logging and illegal trade control, decline of community economic condition within and surrounding the forest, increase of poor managed forest zone area so that it is necessary to conduct strategic endeavors in the form of deregulation and de-bureaucratization.

Based on Government Regulation Number 34 Year 2002, it was stipulated the provisions concerning forest arrangement and preparation of forest management plan, forest utilization and use of forest zone, as the implementing regulation of Chapter V, Chapter VII and Chapter XV of Law Number 41 Year 1999 on Forestry.

Especially for the use of forest zone, Government Regulation Number 34 Year 2002 provided that it would be further regulated in a Presidential Decree. However, the provisions of Article 39 of Law Number 41 Year 1999 on Forestry provided that the material of use of forest zone would be further regulated in a Government Regulation. Hence, such material shall not be regulated in this Government Regulation, instead it shall be in a separate Government Regulation.

During a period of approximately four years after the enactment of Government Regulation, it was realized that such Government Regulation had not been fully capable of enhancing a conducive investment climate and was incapable of improving the social economic capacity of community within and surrounding the forest.

Such condition occurs mostly because of the lack of forest management facility, among others, there is no comprehensive regulation that regulates the establishment of forest management institution.

Law Number 41 Year 1999 on Forestry gave a mandate to establish forest management area at management unit level, whereby in Government Regulation Number 34 Year 2002 it was not regulated causing its implementation became ineffective and also, causing the creation of poorly managed forest zone (open acres).

In light of the above, it is urgently required to deregulate forest management in accordance with the principles of sustainable forest management through the establishment of forest management unit/*Kesatuan Pengelolaan Hutan* (KPH) and the regulation concerning forest management, private forest and forest products primary industry.

KPH being established shall be the smallest forest management unit, in accordance with its main function and purpose, that can be managed efficiently and sustainably and responsible for the implementation of forest arrangement and preparation of forest management plan and the implementation of forest management.

To realize sustainable forest management, the entire forest zones shall be divided into KPH. Such KPH can be in the form of conservation forest management unit/*Kesatuan Pengelolaan Hutan Konservasi* (KPHK), protection forest management unit/*Kesatuan Pengelolaan Hutan Lindung* (KPHL) and production forest management unit/*Kesatuan Pengelolaan Hutan Produksi* (KPHP).

In the course of the implementation of forest management covering the forest arrangement, preparation of forest management plan, forest utilization, community empowerment, forest rehabilitation and reclamation and forest protection and nature conservation, the government may delegate it to the forestry state-owned company.

By the enactment of Law Number 32 Year 2004 on Regional Government, it was prepared Government Regulation on the Division of Government Affairs in the field of Forestry; therefore in order to achieve synergy, Government Regulation Number 34 Year 2002 needs to be adjusted with the provisions of Law Number 32 Year 2004, particularly in relation to the division of duties, responsibility and authority in the field of forestry.

To enhance the investment growth in the field of forestry in this government regulation, it is stipulated a number of activities that become an incentive for business community, particularly in the field of the development of plantation forest.

Based on the above reasons, it is required to deregulate Government Regulation Number 34 year 2002 by enacting Government Regulation on Forest Arrangement and Preparation of Forest Management Plan, and Forest Utilization.

In improving Government Regulation Number 34 Year 2002 it shall be conducted by considering good governance principles, support to small level community, support to the growth and investment.

ARTICLE BY ARTICLE

Article 1

Sufficiently clear.

Article 2

The forest management shall include the activities of:

- a. forest arrangement and preparation of forest management plan;
- b. forest utilization;
- c. use of forest zone;
- d. forest rehabilitation and reclamation; and
- e. forest protection and nature conservation.

The provision concerning the use of forest zone, forest rehabilitation and reclamation, and forest protection and nature conservation shall be regulated in a separate regulation.

Article 3

Sufficiently clear.

Article 4

Paragraph (1)

Sufficiently clear.

Paragraph (2)

Sufficiently clear.

Paragraph (3)

The public authority shall include, among others:

- a. the designation and determination of forest zone;

- b. the affirmation of forest zone;
- c. the forest zone on loan/*pinjam pakai*;
- d. the forest zone exchange;
- e. the change of status and function of forest zone;
- f. the process and preparation of minutes of forest zone exchange, on loan/*pinjam pakai*;
- g. the issue of forest utilization license to a third party upon forest management situated in its working area;
- h. the activities related to the Forestry Civil Officer Investigator.

Paragraph (4)

Sufficiently clear.

Article 5

Sufficiently clear.

Article 6

Paragraph (1)

Sufficiently clear.

Paragraph (2)

The term "function of dominant area" shall mean if within one KPH area there are more than one forest function, eg., comprising production forest and protection forest, and if the area of one of them, eg. production forest, is larger or more dominant than that of the protection forest, then such KPH shall be named production KPH/*KPH produksi* (KPHIP).

The naming of KPH after the function of dominant area shall be for its effective and efficient management.

Article 7

Sufficiently clear.

Article 8

Paragraph (1)

In designating KPH organization, especially relating to human resources, the Government, the provincial government, or the regental/city government must consider, among others, the job competency requirement issued by the forestry profession certification agency or acknowledgement by the Minister.

Paragraph (2)

In the event of a certain production forest zone or protection forest zone situated in one province and/or regency/city area within KPHK, its designation shall be conducted by the Government.

Paragraph (3)

Sufficiently clear.

Paragraph (4)

Sufficiently clear.

Paragraph (5)

Sufficiently clear.

Paragraph (6)

The Ministerial decree shall also regulate, among others, the provisions concerning the capability, competency, and territorial of KPH organization.

Article 9

Sufficiently clear.

Article 10

The activity of developing KPH and its infrastructure shall include, among others, to establish an education and training institution, to conduct HR certification, to manage conflict, to secure forest, and to eradicate illegal logging.

Article 11

Paragraph (1)

The term "forest arrangement" shall mean the activity of organizing KPH working area according to its characteristics and the community rights so that the KPH management plan and activities can be conducted effectively and efficiently.

Paragraph (2)

The term "certain areas" shall mean certain areas, in production forest zone, protection forest zone, and/or conservation forest zone, can be designated as village forest, community forest, customary forest, or forest zone for special purpose, so that their existence shall not be unattached from the principles of sustainable forest management.

Paragraph (3)

Sufficiently clear.

Article 12

Sufficiently clear.

Article 13

Paragraph (1)

Sufficiently clear.

Paragraph (2)

Sufficiently clear.

Paragraph (3)

Sufficiently clear.

Paragraph (4)

Point a

Sufficiently clear.

Point b

Sufficiently clear.

Point c

The strategy and worthiness of the development of forest management shall be reviewed from the aspects of zone management, forest management, and institution arrangement.

The development of forest management shall be directed to optimize the functions of productions and services of forest resources and its environment, either timber production, non-timber production and environmental services, through the main activities of utilization, community empowerment, and environment sustainability which constitute as an integral activity.

Paragraph (5)

Sufficiently clear.

Paragraph (6)

Point a

Sufficiently clear.

Point b

Sufficiently clear.

Point c

Sufficiently clear.

Point d

Sufficiently clear.

Point e

Sufficiently clear.

Point f

The term "forest resources balance" shall mean information that illustrates forest resources reserve, through the comparison of utilization, including the loss of forest resources, and restoration, including the natural

restoration of forest resources, so that at certain period it can be identified as to whether the forest resources reserve tends to be surplus or deficit comparing it to that of its previous condition.

Point g

Sufficiently clear.

Point h

The term "parties" shall mean the KPH manager, the authorized government representative, and the representative of community that receive both benefits and impacts of KPH management.

The parties' participation can be in the form of the provision of information as the least form of participation up to the parties' involvement in every stage of the preparation of forest management plan.

Paragraph (7)

Sufficiently clear.

Article 14

Sufficiently clear.

Article 15

Paragraph (1)

Sufficiently clear.

Paragraph (2)

Sufficiently clear.

Paragraph (3)

Sufficiently clear.

Paragraph (4)

The Ministerial decree shall also regulate, among others, the guidelines for the preparation and approval process of the forest management plan.

Article 16

Sufficiently clear.

Article 17

Sufficiently clear.

Article 18

Sufficiently clear.

Article 19

Sufficiently clear.

Article 20

Paragraph (1)

The term "transfer" in this provision shall be only limited to the transfer of utilization license from the license holder to the other party based on a sale and purchase transaction.

The transfer of utilization license, as can be conducted by BUMS Indonesia, shall mean the acquisition of substantial part or all of the shares causing the change of control in the company.

Paragraph (2)

Sufficiently clear.

Article 21

Paragraph (1)

The term "certain areas", among others, shall mean certain forest areas where its situation and condition have not attracted the third party to develop utilization business so that the Government needs to assign the head of KPH to utilize it.

Paragraph (2)
Sufficiently clear.
Paragraph (3)
Sufficiently clear.

Article 22

The term "laws and regulations" in this provision shall mean the laws and regulations in the field of conservation of biotic natural resources and its ecosystem.

Article 23

Paragraph (1)
The objectives of forest utilization at protection forest shall be to improve the community welfare, especially the local community, and also to increase the community's awareness of maintaining and improving the functions of protection forest as a mandate to realize the sustainable natural resources and environment for current and future generations.

Paragraph (2)
Sufficiently clear.

Article 24

Paragraph (1)
Sufficiently clear.

Paragraph (2)

Point a

Sufficiently clear.

Point b

The term "limited land processing (*minimum tillage*)" shall mean the activity of land processing conducted in a non-mechanic and traditional manner (*tugal*).

Point c

Sufficiently clear.

Point d

Sufficiently clear.

Point e

Sufficiently clear.

Paragraph (3)

Sufficiently clear.

Article 25

Paragraph (1)

Sufficiently clear.

Paragraph (2)

The environmental services potential at protection forest shall include:

- a. water arrangement administrator;
- b. nature beauty provider;
- c. biodiversity resources provider; or
- d. carbon absorption and saving provider.

The term "environment elements" shall mean biotic elements, such as flora-fauna dynamic population, phytogeography, and abiotic elements, such as physical and chemical characteristics of land, rocks, hydrography, temperature and humidity.

Paragraph (3)

The term "compensation" in this provision shall mean the payment of certain funds for water utilization and water flow services for the maintenance and rehabilitation of water catch area.

The compensation attributable to water utilization and watershed services shall be paid to the State's Treasury and regulated pursuant to the laws and regulations.

Paragraph (4)

The Ministerial decree shall also regulate, among others, the criteria, guidelines, procedure for environmental services utilization and the charge and collection of compensation.

Article 26

Paragraph (1)

Sufficiently clear.

Paragraph (2)

Sufficiently clear.

Paragraph (3)

Sufficiently clear.

Paragraph (4)

The term "sustainable productive capability" shall mean the increase of measurement (volume, weight, quantity) per year of the relevant non-timber forest products population.

Paragraph (5)

Sufficiently clear.

Article 27

Sufficiently clear.

Article 28

Sufficiently clear.

Article 29

Paragraph (1)

Point a

Sufficiently clear.

Point b

Sufficiently clear.

Point c

Sufficiently clear.

Point d

The biodiversity protection shall include, among others, the activities of protection, water arrangement services utilization and nature tourism.

Point e

Sufficiently clear.

Point f

Sufficiently clear.

Paragraph (2)

Sufficiently clear.

Article 30

Sufficiently clear.

Article 31

Sufficiently clear.

Article 32

Paragraph (1)

The zone utilization at production forest shall include the utilization of growth space without reducing its main function.

Paragraph (2)
Sufficiently clear.
Paragraph (3)
Sufficiently clear.

Article 33

Paragraph (1)
Sufficiently clear.
Paragraph (2)
Point a
Sufficiently clear.
Point b

The term "environmental elements" shall mean biotic and abiotic elements and ecosystem process, among others, flora-fauna dynamic population and phytogeography.

Point c
Sufficiently clear.

Paragraph (3)

The term "compensation" in this provision shall mean the payment of certain funds for water utilization and watershed services for the maintenance and rehabilitation of water catch area.

The compensation attributable to water utilization and watershed services shall be paid to the State's Treasury and regulated pursuant to the laws and regulations.

Paragraph (4)

Sufficiently clear.

Article 34

Paragraph (1)
Point a
Sufficiently clear.

Point b

The objective of utilization of timber forest products of ecosystem restoration in natural forest shall be to restore biotic element and abiotic element in a certain zone to its original state in order to achieve the balance of biotic and its ecosystem.

Paragraph (2)

Sufficiently clear.

Article 35

Sufficiently clear.

Article 36

Paragraph (1)

The determination of the production forest potential shall be based on the general illustration of forest vegetation and vegetation cover, based on *vita landsat* and the number of trees.

Paragraph (2)

Sufficiently clear.

Paragraph (3)

The term "to achieve biotic balance" shall mean if the restoration activity upon biotic element and abiotic element in a certain zone has been conducted so that the harvesting activity can be done in time.

Paragraph (4)

Sufficiently clear.

Paragraph (5)

Sufficiently clear.

Article 37

The timber forest products utilization in plantation forest is previously known as plantation forest concession/*Hak Pengusahaan Hutan Tanaman* (HPHT) or HTI concession/*Hak Pengusahaan HTI* (HPHTi). The timber forest products utilization in plantation forest, at the time of harvesting, it can be conducted by either clear cutting and re-plantation or clear cutting and forest rejuvenation.

Article 38

Sufficiently clear.

Article 39

Paragraph (1)

Point a

The term "the same type of plant" shall mean timber forest plant comprising only one species and its variant.

Point b

The term "various types of plant" shall mean timber forest plants combined with annual cultivated timber plants, or any other types as determined by the Minister.

Paragraph (2)

Sufficiently clear.

Article 40

Paragraph (1)

Sufficiently clear.

Paragraph (2)

Sufficiently clear.

Paragraph (3)

Sufficiently clear.

Paragraph (4)

Sufficiently clear.

Paragraph (5)

Sufficiently clear.

Paragraph (6)

Sufficiently clear.

Paragraph (7)

The Ministerial decree shall regulate, among others:

- a. the area extent;
- b. the construction and development scheme;
- c. the location criteria;
- d. the legal relation of the parties; and
- e. the criteria of individual, group or cooperative that receives HTR license.

Article 41

Paragraph (1)

Point a

The term "the same type of plant" shall mean timber forest plant comprising only one species and its variant.

Point b

The term "various types of plant" shall mean timber forest plants combined with annual cultivated timber plants, or any other types as determined by the Minister.

Paragraph (2)

Sufficiently clear.

Paragraph (3)
Sufficiently clear.

Article 42

Sufficiently clear.

Article 43

Sufficiently clear.

Article 44

Sufficiently clear.

Article 45

Paragraph (1)

The total volume granted for timber forest products collection shall be in accordance with the public facility requirement.

Paragraph (2)

The total volume granted for timber forest products collection shall be in accordance with residential requirement.

Paragraph (3)

Sufficiently clear.

Article 46

Sufficiently clear.

Article 47

Sufficiently clear.

Article 48

Paragraph (1)

Sufficiently clear.

Paragraph (2)

Sufficiently clear.

Paragraph (3)

Sufficiently clear.

Paragraph (4)

The timber forest products utilization in natural forest or plantation forest shall be based on the silviculture system management being used so that it allows a certain area of forest utilization to become effective covering a formerly cut forest area and non-forest area which are not economically and sustainably feasible to be managed individually.

Paragraph (5)

Sufficiently clear.

Article 49

Sufficiently clear.

Article 50

Sufficiently clear.

Article 51

Paragraph (1)

In the event that the license holder sees the market demand for plantation forest which has economic value for logging, then the license holder shall report it to the Minister for it to conduct logging.

Paragraph (2)

Sufficiently clear.

Article 52

Sufficiently clear.

Article 53

Sufficiently clear.

Article 54

Sufficiently clear.

Article 55

Sufficiently clear.

Article 56

Sufficiently clear.

Article 57

Sufficiently clear.

Article 58

Sufficiently clear.

Article 59

Sufficiently clear.

Article 60

Sufficiently clear.

Article 61

Sufficiently clear.

Article 62

Paragraph (1)

The Minister may, progressively and selectively, delegate the authority of IUPHHK issuance in natural forest at production forest to the region, depending upon the region's readiness, either from institution, vision, or mission perspective.

Paragraph (2)

Sufficiently clear.

Paragraph (3)

The Governor if within the provincial area, the regent/mayor if within one regental/city area.

Paragraph (4)

Sufficiently clear.

Paragraph (5)

Sufficiently clear.

Article 63

Sufficiently clear.

Sufficiently clear. Article 64

Sufficiently clear. Article 65

Paragraph (1) Article 66

Sufficiently clear.

Paragraph (2)

The Ministerial decree shall also regulate, among others, the recommendation by the authority, the requirements for subject that can be given the license, and the area extent that can be granted as well as partnership requirements.

Article 67

Paragraph (1)

The term "individual" in this provision shall mean any individual present within or surrounding the forest. The term "cooperative" in this provision shall mean the local community cooperative engaging in the field of forestry business.

Paragraph (2)

Point a

Sufficiently clear.

Point b

Sufficiently clear.

Point c

The IUPJL for rehabilitation and rescue of zone and land or environment restoration can be issued to a BUMS Indonesia as the limited liability company having the status of Indonesian legal entity although its capital derived from foreign investor or capital.

Point d

Sufficiently clear.

Paragraph (3)

Sufficiently clear.

Paragraph (4)

Point a

Sufficiently clear.

Point b

IUPHHK at plantation industrial forest (HTI) in plantation forest at production forest can be issued to a BUMS Indonesia as the limited liability company having the status of Indonesian legal entity although its capital derived from foreign investor or capital.

Point c

Sufficiently clear.

Point d

Sufficiently clear.

Paragraph (5)

The term "cooperative" in this provision shall mean cooperative engaging in a micro, small or middle-scale business which is established by the local community.

Paragraph (6)

Sufficiently clear.

Paragraph (7)

Sufficiently clear.
Paragraph (8)
Sufficiently clear.
Paragraph (9)
Sufficiently clear.
Paragraph (10)
Sufficiently clear.

Article 68

Paragraph (1)
Sufficiently clear.

Paragraph (2)

The term "selecting the applicant" shall mean the selection of its requirements, among others, administrative requirements, technical proposal requirements, financial feasibility and social economic benefit analysis and market prospect.

The term "selecting the status of forest zone" shall mean the evaluation of zone status, among others, zone potential towards the possibility of conducting timber forest products utilization and accessibility that can be developed.

The evaluation of status of forest zone shall also include, among others, bare land, sledge grass and/or bushes fields at production forest zone, topography with the maximum slope of 25% (twenty-five percent) and topography with the slope of 8% (eight percent) - 25% (twenty-five percent) must be followed by land conservation endeavor.

Paragraph (3)

Sufficiently clear.

Article 69

Sufficiently clear.

Article 70

Paragraph (1)

Sufficiently clear.

Paragraph (2)

The term "good performance" in this provision shall be identified with the acknowledgement by the independent appraisal agency accredited by the Minister.

Paragraph (3)

Sufficiently clear.

Paragraph (4)

The profit sharing between the cooperative and the Government, the provincial government, or the regential/city government shall be conducted proportionately by calculating the amount of investment being placed by the respective party in forest rehabilitation activity.

Paragraph (5)

In regulating the rights of the license holder, the Ministerial decree must consider the interest of community economic growth and avoid the creation of unhealthy conglomerate.

Article 71

Paragraph (1)

Point a

The business plan shall also contain, among others, the aspects of business sustainability, environment balance, and social economic.

Point b

The term "actual activities" shall mean the activities of mobilizing the mechanic equipment being at least 50% (fifty percent) of the specified equipment unit into the working area and constructing the facility and infrastructure for the holder of IUPHHK.

Point c
Sufficiently clear.

Point d
The forest protection shall also include, among others:

- a. to prevent tree harvesting without permit;
- b. to prevent or extinguish forest fire;
- c. to provide facility and infrastructure of forest security;
- d. to prevent wild animals and/or endangered animals hunting;
- e. to prevent illegal cultivation and/or usage and/or occupation of forest zone;
- f. to prevent the chopping down of forest zone;
- g. to prevent insect and disease disruption; and/or
- h. to establish forest security unit.

Point e
Sufficiently clear.

Point f
The term "professionals in the field of forestry" shall mean any persons with forestry bachelor degree and intermediate technicians, graduated from: forestry high school diploma/*sekolah kehutanan menengah atas* (SKMA), forestry diploma, and those passing a forestry education and training, among others, grader, cruiser, and scaler.

The term "other experts" shall mean experts in the fields of environment, social, economy and law.

Point g
Sufficiently clear.

Point h
Sufficiently clear.

Point i
Sufficiently clear.

Article 72

Paragraph (1)

The cooperation can be in the form of equity participation or business cooperation in forest products utilization activity.

The business cooperation in forest products utilization activity shall include, among others, the administration of working area boundaries, block boundaries and working plot boundaries, the opening of forest area, the harvesting of forest products, the land preparation, the cleaning, the inventory of forest product potential, the provision of seeds and seedlings, the planting and enrichment, the release, the transportation, the forest products processing, the forest products marketing, and any other supporting activities.

Paragraph (2)
Sufficiently clear.

Article 73

Paragraph (1)
Sufficiently clear.

Paragraph (2)

The term "has met such criteria and indicator specified by the Minister" shall mean obtaining sustainable forest management certificate, either mandatory or voluntarily.

Paragraph (3)

RKUPHHK shall be prepared based on a regular inventory conducted once in every ten years by the license holder based on the guidelines determined by the Minister.

Paragraph (4)

Sufficiently clear.

Paragraph (5)

Point a

Sufficiently clear.

Point b

Item 1

Sufficiently clear.

Item 2

RKT shall be submitted at the latest within 2 (two) months before RKT is implemented.

Point c

Item 1

Sufficiently clear.

Item 2

RKT shall be submitted at the latest within 2 (two) months before RKT is implemented.

Point d

Sufficiently clear.

Point e

Sufficiently clear.

Point f

Sufficiently clear.

Point g

Sufficiently clear.

Article 74

Sufficiently clear.

Article 75

Paragraph (1)

Point a

RKUPHHK shall be prepared based on a regular inventory conducted once in every ten years by the license holder based on the guidelines determined by the Minister.

Point b

Sufficiently clear.

Point c

Sufficiently clear.

Point d

Sufficiently clear.

Point e

Sufficiently clear.

Point f

Sufficiently clear.

Point g

Sufficiently clear.

Point h

Sufficiently clear.

Point i

The objective of providing an area at a maximum of 5% (five percent) shall be to give the opportunity to the community within and surrounding IUPHHK HTI area to actively participate in the development of HTI.

Point j

The term "50% (fifty percent) of the plantation area extent which must be planted within 5 (five) years" shall mean 50% X area extent x 5 Cycle years (Ti).

Point k

Sufficiently clear.

Paragraph (2)

Sufficiently clear.

Paragraph (3)

The preparation of RKUPHHK and RKT at HTR shall be facilitated by the head of KPH or the officer designated by the Minister.

Paragraph (4)

Sufficiently clear.

Paragraph (5)

Point a

Sufficiently clear.

Point b

The criteria of leaving the working area or work before the expiry of license shall be:

1. there are no tools or equipment for the performance of its activities;
2. the existing tools or equipment are out-of-order;
3. there are no longer permanent workers present in the working area; or
4. there is no utilization activity.

Article 76

Sufficiently clear.

Article 77

Sufficiently clear.

Article 78

Sufficiently clear.

Article 79

Paragraph (1)

Sufficiently clear.

Paragraph (2)

The term "license holder" shall mean the holder of:

- a. IUPK.
- b. IUPJL.
- c. IUPHHK and/or IUPHHBK in natural forest.
- d. IUPHHK ecosystem restoration in natural forest.
- e. IUPHHK and/or IUPHHBK in plantation forest.

Paragraph (3)

Sufficiently clear.

Paragraph (4)

Sufficiently clear.

Paragraph (5)

Sufficiently clear.

Paragraph (6)

Sufficiently clear.

Paragraph (7)

Sufficiently clear.

Article 80

Paragraph (1)

The term "product output report" shall include crop production report.

Paragraph (2)

Sufficiently clear.

Paragraph (3)

Sufficiently clear.

Paragraph (4)

Sufficiently clear.

Article 81

Paragraph (1)

Sufficiently clear.

Paragraph (2)

Sufficiently clear.

Paragraph (3)

Sufficiently clear.

Paragraph (4)

Sufficiently clear.

Paragraph (5)

The Ministerial decree shall also include, among others, the provision of mechanism and procedure, period, criteria and standard.

Article 82

Paragraph (1)

Point a

Sufficiently clear.

Point b

A field inspection shall be conducted before the license is revoked.

Point c

A written statement shall be supported by obvious reasons.

Point d

Sufficiently clear.

Paragraph (2)

Audit shall be conducted to evaluate the fulfillment of obligations by the license holder.

Paragraph (3)

To pay up the financial obligations of the license holder whose license is already expired, the Government, the provincial government, or the regential/city government may conduct enforcement, among others, by confiscating the license holder's movable goods based on the laws and regulations.

Paragraph (4)

Immovable goods shall remain the property of the license holder.

Paragraph (5)

After the expiry of license, any plants that have been planted must be immediately cut namely for plants that have reached cutting period according to its cycle, at the latest 1 (one) year after the expiry date of license, otherwise those plants shall become the state's property.

Paragraph (6)

The term "third party" shall mean, among others, creditors and business partners.

The Government shall calculate the value of standing stock/plant developed by the license holder company that becomes the company's assets, especially during the initial state of the development of plantation forest

starting from bare land or sledge grass field, and not starting from natural forest conversion through timber utilization license.

Paragraph (7)

Sufficiently clear.

Article 83

Paragraph (1)

The term "local community" shall mean a social unit comprising the Indonesian citizens staying within and/or surrounding the forest, residing within and surrounding the forest zone having the social community with the same occupation that relies upon the forest and their activities may affect the forest ecosystem.

Paragraph (2)

The empowerment shall be conducted by KPH, to the extent KPH has been established.

If KPH has not been established, the empowerment of community shall be conducted by the forestry institution available in the region.

The obligation to conduct the empowerment shall include, among others, the mentoring in the preparation of community empowerment area management plan, and the intensification of capacity or institution.

Article 84

The empowerment of local community:

- a. At forest area that does not have forest utilization license or forest management right, shall be conducted through village forest and community forest.
- b. At forest area that has forest utilization license or forest management right, shall be conducted through partnership.

Article 85

Sufficiently clear.

Article 86

Sufficiently clear.

Article 87

Paragraph (1)

Sufficiently clear.

Paragraph (2)

Sufficiently clear.

Paragraph (3)

Sufficiently clear.

Paragraph (4)

The Ministerial decree shall also regulate, among others:

- a. the rights and obligations of the holder of village forest management right;
- b. the cancellation of village forest management right;
- c. the administrative sanction of the holder of village forest management right; and
- d. the accountability standard and criteria of village forest.

Article 88

Paragraph (1)

The term "business development" shall mean to improve the capability of village institution in forest utilization business, among others, through guidance, supervision, education and training, workshop, access to market, and capitalization.

Paragraph (2)

Sufficiently clear.

Article 89

Paragraph (1)

Sufficiently clear.

Paragraph (2)

The term "certain circumstances" shall mean, among others, the readiness of the relevant region from institutional perspective.

Paragraph (3)

In managing village forest, the village institution can establish cooperative.

Paragraph (4)

Sufficiently clear.

Paragraph (5)

Sufficiently clear.

Article 90

Sufficiently clear.

Article 91

Sufficiently clear.

Article 92

Sufficiently clear.

Article 93

Paragraph (1)

Sufficiently clear.

Paragraph (2)

The Ministerial decree shall also regulate, among others, the provision concerning the determination of criteria of community forest area.

Article 94

Sufficiently clear.

Article 95

Paragraph (1)

The term "institution development" shall mean to improve the capability of community in forest utilization institution, among others, through guidance, supervision, education and training, as well as workshop.

The term "business development" shall mean to improve the capability of local community in forest utilization business, among others, through guidance, supervision, education and training, workshop, access to market, and capitalization.

Paragraph (2)

Sufficiently clear.

Article 96

Paragraph (1)

Point a

Sufficiently clear.

Point b

The timber forest products utilization shall be started from the activities of planting, maintenance, and harvesting, as well as marketing.

The holder of community forest utilization license shall only be allowed to utilize timber forest products derived from its own plantation.

Paragraph (2)

The term "certain circumstances" shall mean, among others, the readiness of the relevant region from institutional perspective.

Paragraph (3)

Sufficiently clear.

Paragraph (4)

Sufficiently clear.

Paragraph (5)

Sufficiently clear.

Paragraph (6)

Sufficiently clear.

Paragraph (7)

Sufficiently clear.

Paragraph (8)

The Ministerial decree shall also regulate, among others:

- a. the procedure for the issue of community forest utilization license which reflects the support to the local community;
- b. the criteria of community group which can obtain forest utilization license from the regent.
- c. the rights and obligations of the holder of community forest utilization license;
- d. the cancellation and extension of community forest utilization license;
- e. the administrative sanction of the holder of community forest utilization license; and
- f. the accountability standard and criteria of community forest.

Article 97

Sufficiently clear.

Article 98

Sufficiently clear.

Article 99

Paragraph (1)

The term "partnership" shall mean cooperation between the local community and the holder of forest utilization license or the holder of forest management right, with the principles of fairness and mutual benefit.

Paragraph (2)

The provision of facilities shall include, among others, to assist in solving any conflict and to create partnership.

Paragraph (3)

Sufficiently clear.

Paragraph (4)

Sufficiently clear.

Paragraph (5)

Sufficiently clear.

Article 100

Paragraph (1)

The private forest situated in land with the right upon land is normally called people forest.

Paragraph (2)

The forest utilization right can be in the form of timber forest products utilization, non-timber forest products utilization, and environmental services utilization.

Paragraph (3)

Sufficiently clear.

Paragraph (4)

Sufficiently clear.

Article 101

The compensation can be, among others, in the form of priority of development program, through soft loan subsidy, convenience services, and mentoring.

Article 102

Paragraph (1)

Sufficiently clear.

Paragraph (2)

The change of status from private forest to become forest zone shall be conducted based on the agreement between the owner and the government.

Article 103

The provision of facilities for the development of private forest shall include, among others, mentoring, guidance, training, workshop, the provision of information, socialization, capital assistance and convenience services for private forest products utilization, or any other incentives.

Article 104

Paragraph (1)

The term "forest products primary industry" shall mean forest products upstream industry as set forth in Law Number 41 Year 1999 on Forestry.

The term "use raw material efficiently" shall mean using raw material to minimize waste and to produce high-value products.

Paragraph (2)

Sufficiently clear.

Paragraph (3)

Sufficiently clear.

Paragraph (4)

Sufficiently clear.

Article 105

Sufficiently clear.

Article 106

Sufficiently clear.

Article 107

Paragraph (1)

Sufficiently clear.

Paragraph (2)

Sufficiently clear.

Paragraph (3)

Sufficiently clear.

Paragraph (4)

Sufficiently clear.

Article 108

Sufficiently clear.

Article 109

The term "cooperate with the holder of private forest" shall mean the holder of industry license can receive timber raw material from plantation or the community's land, especially community surrounding the industry.

Article 110

Sufficiently clear.

Article 111

Sufficiently clear.

Article 112

Sufficiently clear.

Article 113

Paragraph (1)

The authority of the regent/mayor to issue industry registration certificate for non-timber forest products primary industry, industry license and extension license for non-timber forest products primary industry shall always subject to the regulation concerning the negative list for investment and the list of businesses open for investment with some reservations.

Paragraph (2)

Sufficiently clear.

Article 114

Sufficiently clear.

Article 115

Paragraph (1)

Point a

The timber and non-timber forest products primary industry license shall contain, among others, the requirements for the preparation and the report of industry raw material fulfillment plan/*rencana pemenuhan bahan baku industri (RPBBI)* every year, in a correct and complete manner.

Point b

Sufficiently clear.

Point c

RPBBI shall be raw material supply control system that must be prepared and submitted by the holder of industry license that directly processes timber and non-timber forest products.

Point d

Sufficiently clear.

Point e

Sufficiently clear.

Point f

Sufficiently clear.

Point g

Sufficiently clear.

Point h

Sufficiently clear.

Point i

The term "hire" shall mean if an industry does not have any certified scaler and grader, it can work together with the other industry that has such experts by employing them in its industry.

Point j

Sufficiently clear.

Paragraph (2)

Sufficiently clear.

Article 116

Point a

The term "extending the industry" shall include the activity of adding the types of product and increasing the capacity exceeding 30% (thirty percent) of its license.

Point b

Sufficiently clear.

Point c

Sufficiently clear.

Point d

Sufficiently clear.

Point e

Sufficiently clear.

Article 117

Paragraph (1)

The forest products administration activity shall include, among others, the activities of administering the production plan, harvesting or cutting, marking, scale and grading, transporting/distributing, and stockpiling, processing, and submitting report.

Paragraph (2)

Sufficiently clear.

Paragraph (3)

Sufficiently clear.

Paragraph (4)

Sufficiently clear.

Paragraph (5)

Sufficiently clear.

Article 118

Paragraph (1)

The forest products derived from private forest shall include, among others, timber derived from land with the right upon land.

Paragraph (2)

Sufficiently clear.

Article 119

The term "supported together" shall mean that each transportation, possession or ownership of physical forest products must be accompanied and supported by lawful documents at the same time and place, as evidence, and can not be supplemented (at different time and place). Lawful documents and physical forest products must always be in unison in the transportation, possession and ownership process.

Article 120

Paragraph (1)

Sufficiently clear.

Paragraph (2)

Sufficiently clear.

Paragraph (3)

The forest products scale and grading shall be carried out by the scaler and grader in order to obtain the result which is accurate and can be accountable in a forestry technical manner.

Article 121

Paragraph (1)

The forest products marketing shall be conducted to fulfill the raw material requirements for industry and community in the course of sustainable forest management.

Paragraph (2)

Sufficiently clear.

Paragraph (3)

Sufficiently clear.

Article 122

Sufficiently clear.

Article 123

Paragraph (1)

Such policy shall include the regulation or determination of guidelines for the activity of forest arrangement and preparation for forest management plan, and forest utilization.

Such policy shall include its preparation and implementation.

Paragraph (2)

Sufficiently clear.

Paragraph (3)

Sufficiently clear.

Article 124

Sufficiently clear.

Article 125

Paragraph (1)

Sufficiently clear.

Paragraph (2)

Sufficiently clear.

Paragraph (3)

The successfulness of sustainable forest management shall be reflected from the performance of forest management measured based on the criteria and indicator of sustainable forest management, evidenced by the sustainable forest management certificate issued by the Minister based on the result of evaluation conducted by an independent appraisal agency.

Paragraph (4)

The Ministerial decree shall regulate, among others, the criteria and standard of forest arrangement and preparation of forest management plan, and forest utilization.

Article 126

Sufficiently clear.

Article 127

Sufficiently clear.

Article 128

The imposition of sanction shall depend upon the weight of violation. Any violation that falls under major violation category shall be subject to the revocation of license; minor category shall be subject to administrative sanction in the form of fine; and less minor category shall be subject to the discontinuation of activity and/or the discontinuance of administrative services.

To realize the general principle of good governance/*azas-azas umum pemerintahan yang baik* (AUPB), especially for major violation with the sanction of license revocation, a warning up to 3 (three) times consecutively shall be first given before the revocation of license.

The fulfillment of sanction shall not discharge the obligations of the license holder to pay any obligations in the field of forestry pursuant to the laws and regulations.

Article 129

Sufficiently clear.

Article 130

Sufficiently clear.

Article 131

Sufficiently clear.

Article 132

Sufficiently clear.

Article 133

Sufficiently clear.

Article 134

Sufficiently clear.

Article 135

Sufficiently clear.

Article 136

Sufficiently clear.

Article 137

Sufficiently clear.

Article 138

Sufficiently clear.

Article 139

Sufficiently clear.

Article 140

Point a
Sufficiently clear.

Point b
Sufficiently clear.

Point c
Sufficiently clear.
Point d
Sufficiently clear.
Point e
Sufficiently clear.
Point f
Sufficiently clear.
Point g
Sufficiently clear.
Point h
The previous policy or program that has been implemented in the community empowerment shall include, among others, social forestry.
Point i
Sufficiently clear.

Article 141

The designation of KPH by the Minister shall be followed up by the establishment of KPH institution. The Minister shall set the priority of the establishment of KPH institution in accordance with the needs and condition of forest management.

Article 142

Sufficiently clear.

Article 143

Sufficiently clear.

Article 144

Sufficiently clear.

SUPPLEMENT TO THE STATE GAZETTE OF THE REPUBLIC OF INDONESIA NUMBER 4696