



**INDONESIA**

**TIMBER ADMINISTRATION AND ITS TRANSPORTATION FOR  
RECONSTRUCTION AND REHABILITATION IN NAD PROVINCE AND NIAS  
ISLAND, INDONESIA.  
BY STEPI HAKIM**

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## ABBREVIATIONS AND ACRONYMS

BAP:	<i>Berita Acara Pemeriksaan</i> : an official statement of assessment
DHH:	<i>Daftar Hasil Hutan</i> : a list documenting the type and volume of forest products
DR:	Dana Reboisasi: fee charged per cubic meter of standing volume based on pre-harvest inventory results
LHP:	Laporan Hasil Penebangan: a felling report
LMHHOK:	<i>Laporan Mutasi Hasil Hutan Olahan Kayu</i> : a report of forest product change (confirming and documenting processing that has occurred)
NAD:	Nanggroe Aceh Darussalam: Name of Aceh Province
PIBT:	<i>Pemberitahuan Impor Barang Terbatas</i> : a letter of importation document
PKAPT:	<i>Pedagang Kayu Antar Pulau Terdaftar</i> : a document issued by the Ministry of Trade, registering timber for inter-island trade
PSDH:	Provisi Sumber Daya Hutan: a royalty on logs, charged on the basis of standing volume
P2LHP:	Pejabat Pengesah Laporan Hasil Penebangan: a government official authorized to conduct felling assessments
P2SKSHH:	Pejabat Penerbit <i>Surat Keterangan Sahnya Hasil Hutan</i> : a government official who is licensed by the Ministry of Forestry to issue a PKSHH.
P3KB:	Petugas Pemeriksa Penerima Kayu Bulat: a government official authorized to inspect unprocessed logs and validate associated documentation
P3KG:	Petugas Pemeriksa Penerima Kayu Gergajian: a government official authorized to inspect processed wood products and validate associated documentation
PUHH:	<i>Penatausahaan Hasil Hutan</i> : Provision regarding the Indonesian Wood Administration
SPPB:	<i>Surat Persetujuan Pengeluaran Barang</i> : a letter of approval of release of goods/timbers authorized by Regional Customs Service Officials
SKSHH	<i>Surat Keterangan Sahnya Hasil Hutan</i> : a document authorizing transportation of logs or processed wood products
SP2:	<i>Surat Penyerahan Petikemas</i> : a letter of Handover of Container issued by the Container Terminal Unit
UTPK:	<i>Unit Terminal Peti Kemas</i> : the Container Terminal Unit

## **PREFACE**

The following report is an output of the consultancy on timber administration and transportation for reconstruction and rehabilitation in Nanggroe Aceh Darussalam (NAD) province and Nias Island, carried out for the Food and Agriculture Organization of the United Nations under the auspices of the project funded by the Government of Finland, “Forestry Programme for Early Rehabilitation in Asian Tsunami-Affected Countries” (OSRO/GLO/502/FIN). The work of the consultant was carried out between 19 February and 18 May 2006.

## **ACKNOWLEDGEMENT**

Technical and organizational support for the work was provided by the FAO Rehabilitation Support and Coordination Units in Banda Aceh and Medan. The author would like to acknowledge the assistance of the Director General of Forestry Utilization and Development of the Ministry of Forestry, Dr. Hadi Pasaribu, who provided access to forestry information on timber administration, and Mr. Heru, Head of the sub-unit of importation at the Directorate General of Customs and Excise, who provided information on importation procedures and regulations.

Ms. Nani Wudawati, Head of Integrated Team for Rehabilitation and Reconstruction Agency (BRR) for NAD Province and Nias, provided advice and comments on the first presentation.

Mr. Timothy M. Nolan, Chief Technical Adviser – Forestry, and Dr. Ashabul Anhar, National Assistant, for OSRO/GLO/502/FIN both based in Banda Aceh, provided support, advice and encouragement.

## **EXECUTIVE SUMMARY**

The biggest tsunami on record slammed into Aceh on 26 December 2004, leaving more than 250 000 people dead and half a million homeless. The Rehabilitation and Reconstruction Agency estimated that it requires about 135 350 new houses in addition to 80 500 houses needing repair for Nanggroe Aceh Darussalam (NAD) Province and Nias (BRR assessment of gaps, 2005).

Only a limited amount of timber is currently available from legal sources in NAD province, so at least in the short term, local timber must be supplemented from sources outside NAD, either from elsewhere in Indonesia or imported from other countries. The aim of the consultancy is to provide information on forestry and finance regulations concerning the transportation of domestic timber and on importations of timber from outside the country. The work is expected to contribute to the development of guidelines for documenting timber transportation and importation.

All forest products taken from State Forests must have the necessary documentation for transportation purposes. Sawn timber, chip/pulp, wood panel, veneer, plywood, block board, laminated veneer lumber, and Medium Density Fibre board, that are used primarily for housing and civic buildings need SKSHH documents for transportation. This includes transportation from province to province or district to district. However, these documents are not required for the transit of such products (not to be further processed) from warehouse/storage place to the end user or local merchant within a district/city. A waybill or invoice from the owner/company is adequate.

The SKSHH document is not required for in-country transportation of imported timbers. It is however necessary to attach importation documents when such timbers are shipped or transported to the end destination. This helps local authorities to recognise whether the products are imported or are from domestic sources.

Barriers to procuring timber for rehabilitation and reconstruction for housing and civic buildings in NAD and Nias can be reduced if timber administration and transportation procedures and the Ministry of Finance and Ministry of Forestry regulations are well understood by the purchaser.

## **BACKGROUND**

On 26 December 2004, an earthquake measuring 9.0 on the Richter scale occurred 150 kilometres off the coast of NAD province (population 4.3 million), on the northern tip of the island of Sumatra, Indonesia. The earthquake generated a powerful tsunami that devastated coastal communities throughout the Indian Ocean and as far as the eastern coast of Africa. NAD province sustained the most damage. A second major earthquake measuring 8.7 struck the region on 28 March 2005, causing extensive damage to the islands of Simeulue (NAD province) and Nias (North Sumatra).

In response to the urgent demand for timber for reconstruction, some international donors and NGOs are keen to import timbers to NAD rather than purchasing from local sources. The American Forest and Paper Association (AF&PA) through WWF International delivered its timber donation to Aceh in 2005. The NGO, Oxfam, delivered nearly 640 cubic metres of Australian timber at Medan port for its tsunami shelter construction in NAD in December 2005.

The Government of Indonesia, through the Ministry of Forestry stated that it would not allow any wood to be purchased from foreign countries for reconstruction, but welcomed timber donations from foreign countries (Indonesia Tsunami Relief Portal, <http://www.indonesia-relief.org/>, accessed on Saturday, 11 June 2005). The Indonesian Minister of Forestry, MS Kaban, decided to resume forest concessions (HPH) to 11 companies in Aceh to enable them supply timber for reconstruction. The ministry agreed to increase the timber quota for NAD province for 2006 to 400 000 cubic metres. The 11 companies that have forest concessions have been invited to Jakarta to process their permit. But so far only one company has met all the necessary requirements. The company is Koperasi Pondok Pesantren Najmussalam, a cooperative owned by an Islamic boarding school in Bireun district (Indonesia Tsunami Relief Portal, <http://www.indonesia-relief.org>, accessed on Friday, 16 September 2005).

Recently, the Ministry of Forestry revised its policy on allocated timber production for NAD province indicating that only five out of 11 concessionaires may be resumed in NAD. The Ministry of Forestry authorised 200 000 m<sup>3</sup> (instead of 400,000 m<sup>3</sup>) of logs from production forests in NAD for reconstruction (Pasaribu, H., Director General of Forest Production Development, *pers. comm.*, 10 March 2006). This would produce an estimated 100 000 m<sup>3</sup> of sawn timber.

Since the process of enabling concessionaires to operate loggings would take three to six months, the provision of sawn timbers as materials for housing and other civic buildings by the end of 2006 would be insufficient. It is therefore crucial to explore other solutions in order to resolve the shortage of timber.

## **OBJECTIVES**

The objective of this consultancy is to provide information on Indonesian timber administration and regulations governing timber transport and importation in order to facilitate the access to timber for reconstruction in NAD province and Nias. .

## **ACTIVITIES**

The scope of work includes:

- Prepare an inventory of all forestry regulations related to timber import procedures and timber administration.
- Translate into English all forestry regulations and Customs and Excise regulations related to timber import procedures.
- Analyse the above regulations and develop a technical report of timber import procedures for Nanggroe Aceh Darussalam province.
- Prepare recommendations for the simplification of timber administration for Nanggroe Aceh Darussalam province with reference to national level procedures.
- Present the findings at a meeting at the FAO Office in Banda Aceh with participation of representatives from the provincial and district Government of Nanggroe Aceh Darussalam.

## **OUTPUTS**

The outputs of the consultant included the following:

- English translations of all forestry regulations related to timber import procedures and timber administration. (file provided to the forestry team in Banda Aceh).
- This technical report of timber import procedures for Nanggroe Aceh Darussalam province.
- Guidelines on how to transport timber within Indonesia and import timber into the country (these have been printed by the project for wide distribution within NAD and elsewhere).

In addition, on 22 March, the consultant presented his preliminary findings at a meeting with the FAO technical staff at the Banda Aceh office and later at a meeting with the Provincial forest officers.

## **FINDINGS**

The production, distribution and marketing of forest products are controlled under Article 73 of Government Regulation No. 34 of 2002. The objective of the forest product administration system is to protect the State's right over forest products and to ensure sustainability. Further provisions regarding the timber administration system called PUHH (*Penatausahaan Hasil Hutan*) are stated in the Minister of Forestry Decree No. 126/Kpts-II/2003. Up to 2006, this particular Decree has been revised three times. To date, the Government of Indonesia through the Ministry of Forestry (MoF) has amended timber administration policy twelve times since 1970s. During this period, the system has changed from MoF assessment to company self-assessment while reverting back to official assessments by MoF. The format of timber documents has also changed from *Pas Angkutan* to SAKB and SAKO, and then to SKSHH. All these changes in timber administration are aimed at improving monitoring and controlling forest product distribution, with the ultimate goal of contributing to sustainable levels of timber harvesting.

## **INDONESIAN TIMBER ADMINISTRATION SYSTEM**

Because forest products are classified as State assets, the Government regulates their administration and distribution. The timber administration system is implemented throughout Indonesia. It means that all provinces (including NAD and North Sumatra province) and districts/cities have to follow the current PУHH assessment system. Government officials therefore have executive authority for checking, recording, and grading the volume of timber, and preparing and submitting the timber assessment reports. The officers have the authority to issue and endorse the timber document. The users (concessionaires) are fully dependent on the authorized government officials for the timber document. .

As State assets, a royalty on logs (PSDH) and a fee per cubic metre of standing volume based on a forest inventory (DR) are applied. Guidelines on how to impose, collect, and pay these levies are regulated through the Ministry of Forestry (No. 124/Kpts-II/2003 and No. 128/Kpts-II/2003). Prior to obtaining the Timber Document (SKSHH), the business entity, individuals or holders of forest concessions have to pay PSDH<sup>1</sup> and DR<sup>2</sup>. However, PSDH and DR do not apply to imported timbers because such timbers are not taken from Indonesian forests. Further, PSDH and DR are only applied to forest products harvested directly from State forests. According to the Minister of Forestry Decree No. 124/Kpts-II/2003 concerning the procedure for payment of PSDH, the royalty on logs is not applied:

- Forest products from customary forests that are used by indigenous people and not for commercial purposes.
- Timber products used directly by the community and not for commercial purposes with a maximum of 5 (five) meter cubic metres.
- Timber products from private forests in which the trees are planted by the community.

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<sup>1</sup> PSDH is a royalty on logs, charged on the basis of standing volume.

<sup>2</sup> DR is a fee per cubic meter of standing volume based on inventory result.

According to the Minister of Forestry Decree No. 128/Kpts-II/2003 concerning procedure payment of DR, the fee does not apply to the following forest products:

- Timber products from plantation forests.
- Forest products from customary forests that are used by indigenous people and not for commercial purposes.
- Timber products used directly by a community with the maximum of five cubic metres excluding commercial purposes.
- Timber products from private forests in which the trees are planted by the community.

Under the current system, production planning in natural forests has to be in line with the annual allowable cut (AAC) approved by the official authority. Marking, scaling and grading are classified into harvesting activities. Logs have to be marked and scaled, graded and recorded in the Harvesting Book Report (LHP). Each tree stump has to be tagged with the same number as the log derived from that tree for tracking purposes. However, in the process of loading and transporting, the label on the log is often lost or damaged. The LHP is used as a basis for official MoF timber documentation after the user (the company) has paid PSDH and DR.

The loading and transporting of logs from the forest to the processing plant is part of the timber distribution process. Logs transported within the concession area do not need the official timber document (SKSHH). Logs transported to processing plants outside the concession boundary must be accompanied by the appropriate documentation. Identification of the origin of the log is difficult after the log is converted into plywood, sawn timber, moulding, or pulp and paper.

The timber administration process begins when the concession holder starts to harvest the forest. The concession has to have a timber permit before the harvesting gets underway. Once a tree is cut the log is documented. When the log is transported to the processing plant, a SKSHH is required. The SKSHH is also required when a semi-processed or final

wood product is ready to be transported to its final destination. At the processing site, the conversion of processed wood is documented as an LMKB/LMHHKO in an effort to monitor and control conversion rates with respect to the capacity of the industry. The flow of timber exploitation activities related to timber administration is shown in figure 1.

In order to be aware of the timber document for transportation, it is necessary to understand the definition of a SKSHH and its implication in the field. The next section gives further details about a SKSHH.

### **The issuance of SKSHH (*Surat Keterangan Sahnya Hasil Hutan*)**

The SKSHH is a document used to define the legality of timber. Legality in this case means that the timber is harvested from a legal concession in accordance with national regulations. There are no costs involved in obtaining a SKSHH.

A SKSHH is produced by the Ministry of Forestry. Distribution of the SKSHH is controlled and monitored by the Provincial Forestry Service, whereas the issuance of the document can be finalised by either the District Forestry Service or the Provincial Forestry Service.

Any business entity, individual or holder of a forest industry license wishing to transport forest products shall submit a request for the issuance of the SKSHH to P2SKSHH with a copy to the head of the District/City Service<sup>3</sup>. The applicant has to follow basic requirements of timber administration in order to obtain a SKSHH document. When applying to a local authority<sup>4</sup> for a SKSHH document the applicant must furnish the following:

- Identification of the applicant.
- DHH (list of forest products).
- Report of Forest Product Change (LMKB; LMHHOK;LMHHBK;LMHHOBK).

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<sup>3</sup> Minister of Forestry Decree No: P.18/Menhut-II/2005, article 18 point 1

<sup>4</sup> Minister of Forestry Decree No: P.18/Menhut-II/2005, article 18 point 2

- Statement letter drafted by the applicant to confirm the products are from legal sources and are able to be verified under national laws.

An Echelon 3 official from the District Forestry Service endorses the SKSHH document before it is issued by P2SKSHH.

### **Sheets in SKSHH<sup>5</sup> as a way to control the distribution of the document**

There are seven sheets/attachments in one set of SKSHH. This allows for cross checking of timber documents from the origin of the forest product to its destination.

- Sheet 1 and 2: are brought by the owner. When the products reach the destination, Sheet No. 1 is submitted to the District Forestry Service/Provincial Forestry Service. Sheet No.2 is kept by the owner.
- Sheet No. 3 is submitted to BSPHH at the place of origin. The BSPHH (Certification and Testing Forest Product Agency in the Province) will cross check the Sheet No. 7.
- Sheet No. 4 is submitted to the Provincial Forestry Service at the destination. The Province will cross check it with the Sheet No. 1.
- Sheet No. 5 is kept by P2SKSHH. It is used as the basis for proposing the next number of SKSHH templates to the MoF.
- Sheet No. 6 is kept by the Company.
- Sheet No. 7 is submitted to the Provincial Forestry Service at the original place. The Province will cross check with the Sheet No.4 kept by BSPHH.

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<sup>5</sup> Minister of Forestry Decree No: P.18/Menhut-II/2005, article 21 point 4

## **PROCESS OF TIMBER ADMINISTRATION (DOMESTIC PRODUCTS)**

### **Logs transported from the Forests**

When the logs are ready for transport, the government officer (P2LHP<sup>6</sup>) will assess and check the logs. Assessment involves checking the LHP reports and scaling and grading the logs. After checking, the P2LHP makes an official statement of assessment (BAP). The official statement is used as a basis for issuance of the SKSHH by the local authority.

After the P2LHP has completed his assessment, the local authority will assign P2SKSHH staff to provide and legalize the timber document (SKSHH) for the company. The P2SKSHH staff needs signed approval from Echelon 3 at the Regional Forestry Service prior to issuing the SKSHH to the company<sup>7</sup>. According to SK 126/Kpts-II/2003, the P2SKSHH official has physically to check the log/timber before legalizing the SKSHH. If the logs are taken from a State Forest, the company has to pay the PSDH and the DR before it can get the SKSHH.

### **Processing plant**

Every single log that comes to the processing plant has to be checked by P3KB<sup>8</sup> (Government Official). After confirming that the document of SKSHH is correct and matches the actual timber, the P3KB has to provide a statement of official assessment (BAP). The statement is recorded and reported to the local authority. The P3KB also makes the SKSHH document invalid after the assessment in order to avoid misusing or reusing the document.

### **Processing plant /harbour/warehouse**

When the processed wood products are ready for transportation, the company writes a letter to the local authority, attaching: a list of the forest products (DHH), identification of the owner, destination, and LMHHOK (a sheet of wood processing product report) in order to obtain a SKSHH document.

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<sup>6</sup> P2LHP is a government official who holds a license for testing logs issued by MoF. P2LHP has responsibility to assess log production at the cutting block.

<sup>7</sup> Minister of Forestry Decree No: P.18/Menhut-II/2005, article 20, point 1(f).

<sup>8</sup> P3KB is a government official who holds a license for testing logs issued by MoF

The documents and the physical products are assessed by a P2SKSHH. The P2SKSHH staff needs a signature of approval from Echelon 3 at Regional Forestry Service prior to issuing the SKSHH to the company (Minister of Forestry Decree No: P.18/Menhut-II/2005).

**Transportation of Processed Wood Products (domestic products) required for SKSHH as follows<sup>9</sup>:**

- Any processed wood products in the form of sawn timber, chip/pulp, wood panel, (veneer, and plywood, block board, laminated veneer lumber, Medium Density Fiber board) need a SKSHH when transported to and from wood processing plants.
- Processed wood products, in the form of sawn timber, chip/pulp, or plywood, when transported to and from processing plants, as well as to the warehouse or storage facility, must be accompanied by a SKSHH.
- Processed wood products in the form of sawn timber, chip/pulp, and plywood need a SKSHH when being transported from the warehouse/storage facility. A SKSHH is not required when the destination from the warehouse/storage place is the end user or local merchants (not to be further processed) within a District/City. An invoice of the company is adequate.
- Processed wood products, in the form of molding, dowel, doors, windows, furniture and other end-products, do not need to be accompanied by a SKSHH when transported. An invoice of the industry is sufficient.

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<sup>9</sup> Minister of Forestry Decree No: P.18/Menhut-II/2005, article 20, point 5.

## **Transportation for Processed Wood Products (domestic products) Considered as Aid Materials for Aceh Reconstruction and Rehabilitation**

### **Warehouse/Restored Timbers End Users**

Minister of Forestry Decree No. 126/Kpts-II/2003 and Minister of Forestry Decree No. S.18/Menhut-II/2005, states as mentioned above that transportation of processed wood products in the form of sawn timber, chip/pulp, plywood from the warehouse/restore place, require a SKSHH. This does not apply for the destination from the warehouse/storage place to the end user or local merchants (not to be further processed) within a District/City. It does not need to be accompanied with a SKSHH. An Invoice of the company would be adequate. In other words, if the warehouse/storage place for the timber is in the district/city, the delivery of timber to the places of rehabilitation and reconstruction in the same district will not require a SKSHH. It needs a waybill or invoice from the company/owner.

### **Province to Province or District to District within a Province**

The Minister of Forestry Decree No.S.18/Menhut-II/2005, Section 29, states that processed wood products in the form of sawn timber, chip/pulp, plywood to and from processing plants, need a SKSHH when transported unless the destination is within the same district/city .It implies that a SKSHH is needed for the transport of processed wood products from province to province or from district to district or from warehouse/storage facility to the end user or local merchant (not to be further processed).

### **Inter Island Shipment (Domestic Timber Products)**

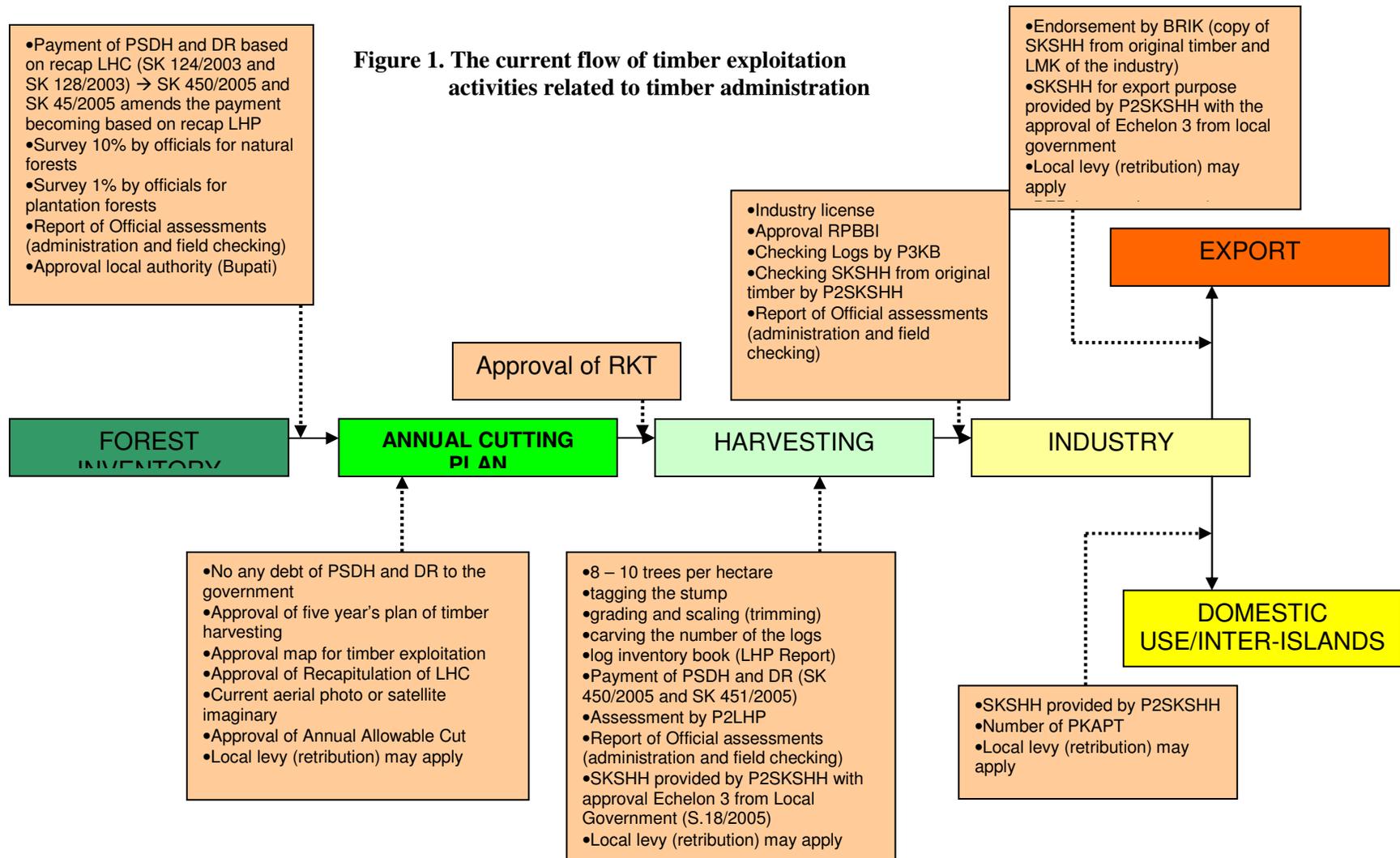
The joint Decree of the Ministry of Transport, Ministry of Forestry, and the Ministry of Trade and Industry No: KM 3 Year 2003; No:22/KPTS-II/2003; No:33/MPP/Kep/1/2003 concerning monitoring of domestic timber shipments through harbors within the Indonesian Ocean Territory, requires that:

- Prior to loading or unloading, the SKSHH and physical timber products have to be checked by a local authority (Article 2).
- Logs must be checked by P3KB.
- Processed wood products must be checked by P3KG.

- P2SKSHH issues a SKSHH document after assessments and verifications have been carried out.
- Trader/supplier has to attach a PKAPT number, a registered timber trader inter island issued by the Ministry of Trade (Article 3).
- Vessel has to use National Flag (Article 3).
- A sailing permit will be issued by Head of Port Harbor (*Syahbandar*) after completing requirements (such as SKSHH, PKAPT, and other administrative procedures) (Article 3).

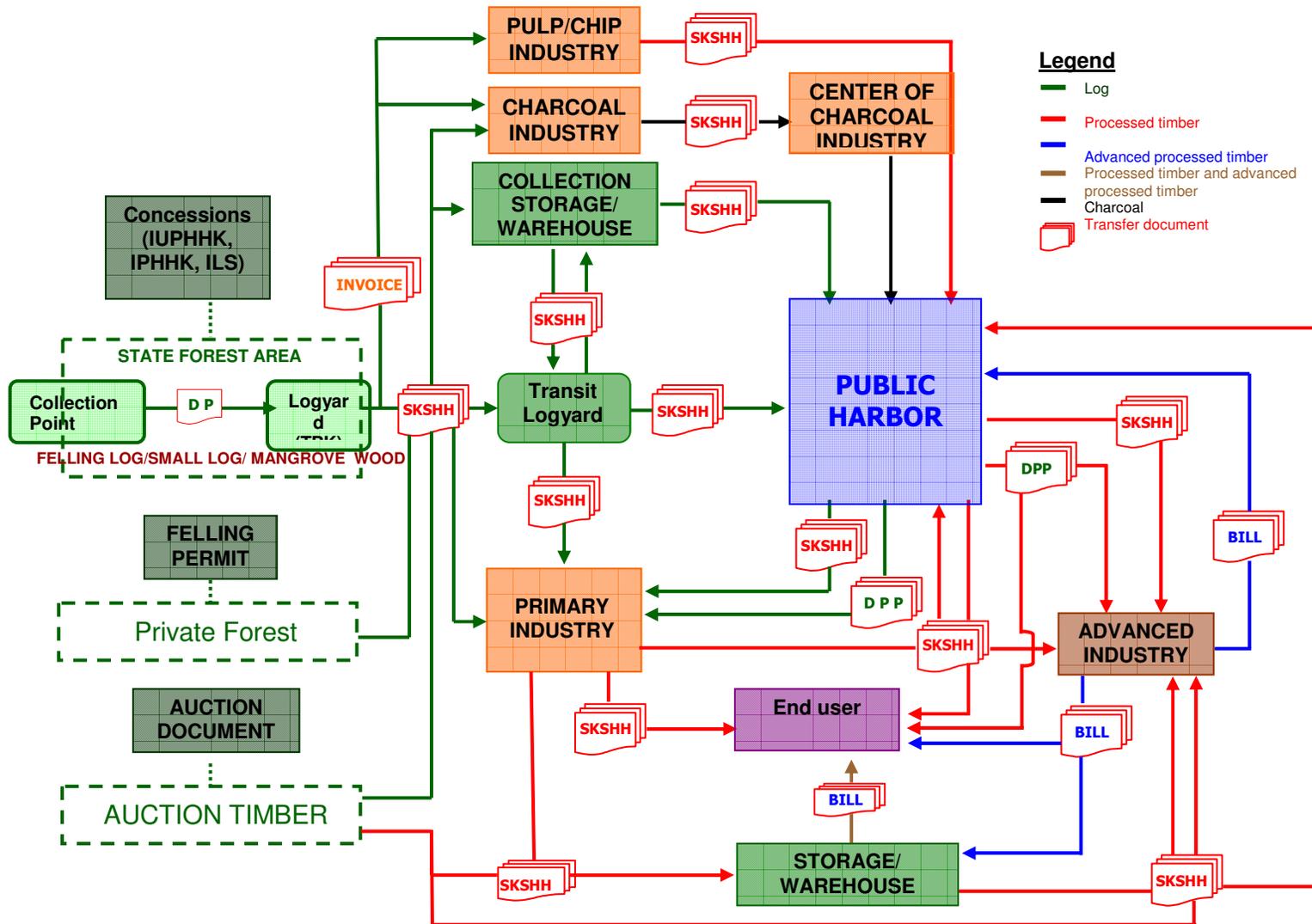
Figure 2 shows the stages at which a SKSHH is required for forest product transportation.





Source: Forest Liaison Berau – Ministry of Forestry (2004)

Figure 2. Circulation of timber forest product and SKSHH required in the country (domestic products)



Source: SK 126/Kpts-II/2003, Ministry of Forestry (2003) and P.18/Menhut-II/2005

## **ADMINISTRATION FOR TIMBER IMPORTATION**

The Government of Indonesia allows importation of logs and processed wood products from overseas. In 2004, forest industries needed a supply of imported logs of around 2 million m<sup>3</sup><sup>10</sup>. However, such importation has to follow current customs regulations and policies.

All goods, including timber, entering Indonesia must be cleared through Customs and Excise and are subject to customs duties and other taxes related to import unless specifically exempted from duty by law. According to the Minister of Finance Decree No. 89/KMK.04/2002, international organizations that have a Memorandum of Understanding (MoU) with the Government of Indonesia are exempted from import duties and import taxes.

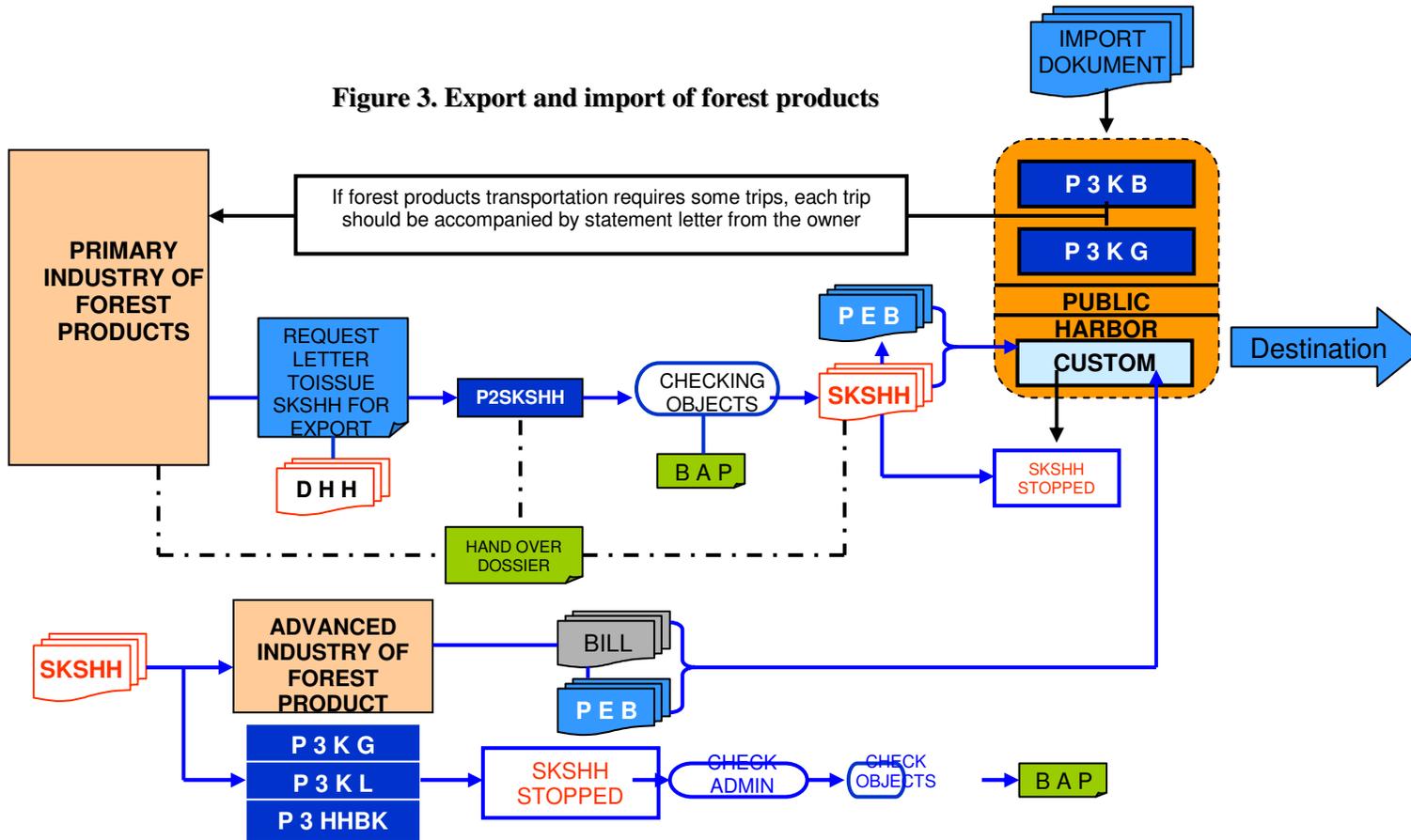
Further, Minister of Finance Decree No. 144/KMK.03/1997 states that all gifted, sent, imported goods for religious, good works, charitable, and cultural purposes should be given an exemption from customs and import duties. According to Minister of Finance Decree No. 231/KMK.03/2001, Article 2, states that all gifted, sent, imported goods for religious, good works, charitable, and cultural purposes are free from Value Added Tax (PPN) and Luxury Goods Value Added Tax (PPnBM). Imported timbers classified as aid materials for Aceh Reconstruction and Rehabilitation are exempt from import duties and taxes (*see* Letter of Director General Customs and Excise S-573/BC/2005 on 5 August 2005 concerning Settlement of Importing Goods for National Calamity in Nanggroe Aceh Darussalam Province and its surrounding area after the end of the Emergency Response Phase).

Procedures and regulations for the transport of imported timbers are outlined in the next section. Figure 3 shows the flow of timber administration for exportation and importation.

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<sup>10</sup> Minister of Forestry's speech in London, 6 February 2004

Figure 3. Export and import of forest products



Source: SK 126/Kpts-II/2003, Ministry of Forestry (2003)

## **IMPORT CLEARANCE PROCEDURES**

Based on Custom's regulations<sup>11</sup>, import clearance procedure involves a number of steps as follows:

1. Procedure for entry prior to clearance.
2. Declarant.
3. Import Declaration.
4. Documentation.
5. Examination of imported Goods.
6. Appraisal of Dutiable Goods.
7. Payment of Duty.
8. Release of Goods.

### **PROCEDURE FOR ENTRY PRIOR TO CLEARANCE**

Imported goods are not legally entered until after the arrival of the vessel within the limits of the port of entry. Upon the arrival of the vessel, the Master of the vessel or his agent is obliged to lodge a General Declaration covering all cargoes and supplies on board to the Customs Service Office not later than the date of the arrival, exclusive of Sundays and holidays, or within an authorized extension, furnishing the following information:

- Name and flag of the vessel including the name of the master.
- Country of origin, place(s) and of loading/departure.
- Quantity, marking, numbering, and other descriptions of packaging of goods including weight and volume (cubic content).
- Kind and quantity of goods which are not packed.

After reporting the vessel's content to the Customs Service Office, the goods can be unloaded at the authorized piers and facilities (approved landing places), or at any other authorized facility subject to the request of the carrier.

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<sup>11</sup>Decree of Director General of Customs and Excise No: KEP-07/BC/2003 on Implementation Guidance for Customs Management Procedures in Imports

## **DECLARANT (IMPORTER OR AN APPOINTED CLEARING AGENT/PPJK)**

Goods may be declared by the importer or the customs broker on his behalf. The declarant, in order to obtain clearance of goods for home use or temporary importation must perform the following:

- Lodge the importer declaration (PIB), together with the relevant supporting documents such as: commercial invoice, airway bill or bill of lading (B/L), packing list, etc.
- Pay import duties and taxes.<sup>12</sup>
- Ensure the accuracy for the particulars in the PIB such as among others: classification or HS/Customs code, customs value, etc.

In addition, the declarant is not only able to, under customs supervision, conduct a preliminary inspection and draw samples of goods before lodging the goods declaration for home use, but is also able to obtain advance information from Customs on the value and/or classification of the goods concerned.

### **Import Declaration**

The declaration must be lodged on an import declaration form called “Import Declaration” (PIB) which should be lodged at the Customs Service Office during office hours.

After submitting the general declaration, the goods are allowed to be deposited in the customs temporary storage (sheds or open spaces) at the port of entry for a maximum period of two months, commencing from the date of unloading. However, in Tanjung Priok port of entry, the maximum period of temporary storage is only one month. The goods that are not cleared within the specified timeframe will be treated as unclaimed goods, and Customs is empowered to remove, destroy, re-export, or auction the goods.

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<sup>12</sup> Imported timbers are classified as aid materials for Reconstruction and Rehabilitation NAD-Nias, so the payment of import duties and taxes are exempted (Minister of Finance Decree No. 144/KMK.03/1997 *jo* Minister of Finance Decree No. 231/KMK.03/2001). While waiting a letter for exemption of goods import taxes issued by the Ministry of Finance, a letter from BRR would be adequate.

In the case of the unclaimed goods, the importer or his agent is able to, within one year of removal to the Customs Warehouse, lodge the PIB. If the goods have yet to be claimed within the specified timeframe and if the importer fails to settle the expenses incurred for the removal and deposit of the goods, Customs is authorized to sell such goods by auction or otherwise dispose of such goods as decided by the Minister of Finance.

The proceeds of the sale would be used to cover import duties, taxes, and other expenses. The balance would be returned to the importer if a claim were made within a period of three years starting from the date of deposit in the Customs Warehouse. If it is not claimed by then, the balance will be appropriated for State revenue. If the value of the unclaimed goods is not enough to cover the import duties, taxes, and other expenses, the goods that are not harmful or dangerous shall be destroyed after three years of being taken into custody.

### **Documentation (PIB)**

The PIB requires the following information:

- the name, occupation and address of the declarant;
- the name of the carrier and her master;
- country of origin;
- place where goods are deposited (sheds, open spaces, warehouse, etc); and
- quality, description of goods for the purpose of classification and valuation.

The PIB can fill the form out either in hard copy or electronic copy. The software for a PIB is available for downloaded for free from the Directorate General of Customs and Excise's website ([www.beacukai.go.id](http://www.beacukai.go.id)). The importer also is able to use "clearance agents"<sup>13</sup> for the purpose of PIB.

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<sup>13</sup> Clearance agent called as a service company for customs and is registered under the regional customs and excise office.

The PIB should be completed and include documents such as an invoice, bill of lading, insurance papers, packing list, import licenses for certain kind of goods, etc. The PIB and other accompanying documents are submitted to the Regional Custom Service Office in order to obtain SPPB (the letter of approval release of goods/timber clearance).

### **Examination of Imported Goods**

An examination is normally conducted in the presence of the declarant at legally specified places during office hours. The scope of the examination is normally about 10 percent, and, when an offence is detected, a thorough examination (100%) will be carried out.

The declarant is responsible for loading and unloading, unpacking, repacking, and providing other facilities needed for the examination of goods. When the examination reveals a discrepancy, the sample of goods may be extracted for proper classification and assessment of value, duties, and taxes or for any other purposes as may be determined by Customs.

FAO's international standard on phytosanitary measures (Publication No. 15, March 2002) regarding guidelines for regulating wood packaging material in International trade, states that any wood packaging material such as pallets, dunnage, crating, packing blocks, drums, cases, load boards, pallet collars, and skids are possible pathways for the introduction and spread of pests. Where wood packaging material does not carry the required mark, action may be taken in the form of treatment, disposal or refused entry unless other bilateral arrangements are in place. It is therefore necessary for importers to ensure that the imported timbers have passed phytosanitary inspections before the products are shipped.

### **Payment of Duty**

Payment of duty and taxes for imported goods shall be done through a foreign exchange bank. As for goods brought by passengers coming from abroad which are not classified as commercial goods, the payment of duty and taxes can be finalised at the Customs

Service Office at the airport. Passengers shall be given a receipt on the spot for duty paid. Any overpayment of duty is returned and underpayment is billed. Imported timbers as aid materials for Aceh's reconstruction and rehabilitation, are exempted from import duties and taxes (such as Value Added Tax (PPN), Luxury Goods Value Added Tax (PPnBM), and Income Tax (PPh)) are exempted<sup>14</sup>.

### **Release of Goods**

In principle, imported goods should be released immediately; and when an offence is detected, a thorough re-examination will be carried out by Customs. The release of goods will be subject to normal customs procedures. If the value of the imported goods cannot be assessed promptly due to laboratory analysis requirements, Customs may permit the release of the goods after taking samples or obtaining detailed technical documentation after the importer or declarant has submitted a guarantee to ensure the payment of any additional import duty and taxes that might be incurred.

When PIB has been completed, the document is submitted to Customs for assessment and verification. This process is required in order to obtain a letter of approval of release of goods known as SPPB (*Surat Persetujuan Pengeluaran Barang*). Imported timbers would be released after officials<sup>15</sup> have carried out assessment and verification. The process of assessment covers administration and checking documents. The aim of the verification is to confirm that such products come from legal sources and from forests managed up to a certain ecological standard (e.g. as certified by Forest Stewardship Council or another certification system). Customs then releases the goods by providing a letter of approval of release of goods (SPPB known as *Surat Persetujuan Pengeluaran Barang*).

Steps on timber import clearance procedures can be seen in figure 4. Box 1 outlines the importation procedures based on experiences of the FAO Office in Medan. The section

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<sup>14</sup> See Minister of Finance Decree No. 144/KMK.03/1997 *jo* Minister of Finance Degree No. 231/KMK.03/2001 (article 2).

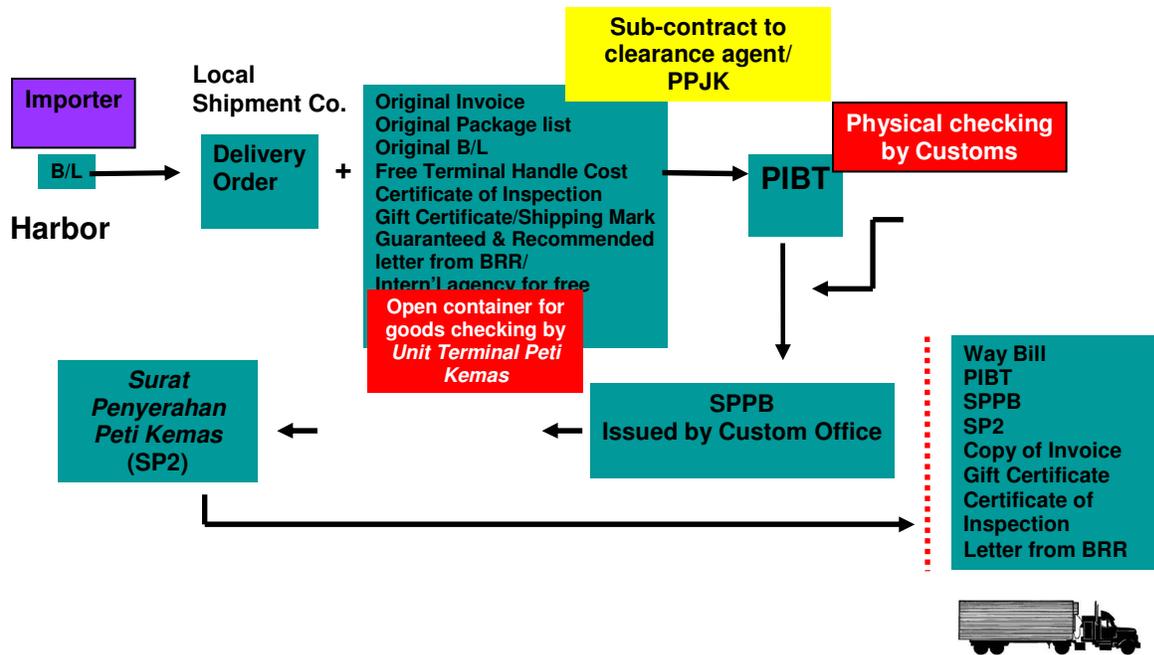
<sup>15</sup> Joint assessment and verification between Customs official and Forestry official (P3KG)

highlights administrative procedures related to the release of goods from Customs Territory and their subsequent transport to Banda Aceh.

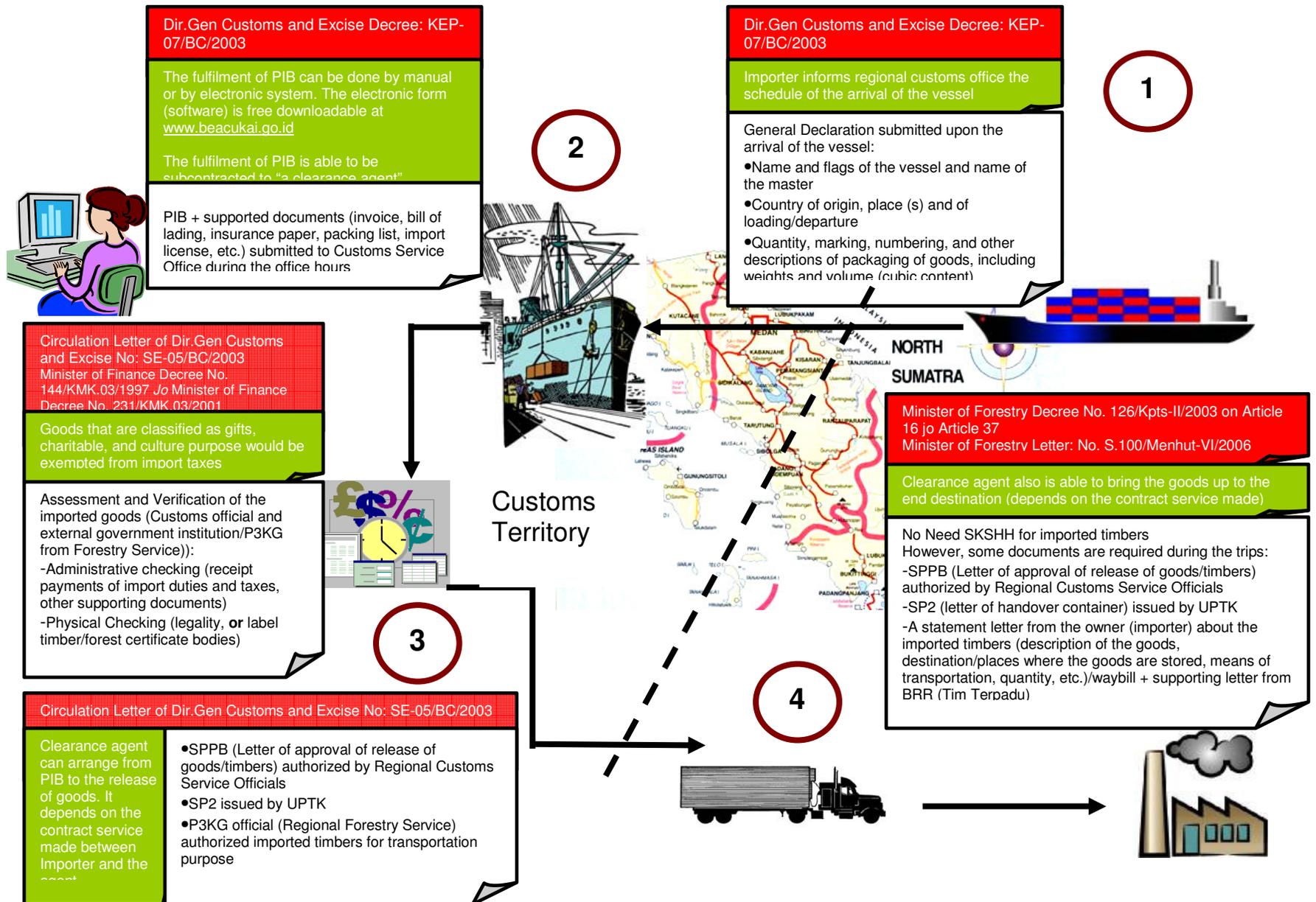
### **Box 1. Case Study of Importation Procedure (FAO Medan Office's experience)**

When the products (Urea Fertilizer) are delivered to Singapore/Medan, the FAO Medan Office (as an Importer) receives importation documents such as **invoices, Package list, B/L, Free Terminal Handle Cost, and Certificate of Inspection/Gift Certificate/Shipping Mark** provided by Supplier. These documents are required for clearance purposes. The importer is informed when the vessel arrives at the port of entry. The importer uses B/L to obtain a delivery order from the vessel shipping company. The importer also submits the letter of free terminal handling cost to the customs office for free unloading costs at the authorized piers and places (approved landing places). In order to obtain **SPPB** (Letter of approval of release of good), the importer has to complete and submit an Importation Declaration known as PIB (*Pemberitahuan Impor Barang*). The PIB form has to be attached with other supporting documents such as **original Invoice, original Package list, original B/L, copy letter of Free Terminal Handle Cost, Certificate of Inspection, Gift Certificate/Shipping Mark, and a letter of free duty and taxes issued by the Ministry of Finance**. Because the letter from the Ministry of Finance may take time, the importer may ask **BRR** to issue the **Guaranteed & Recommended letter for exemption of good import taxes**. The Customs office then delegates its staff to carry out physical and administrative assessments on the products. When assessment and verification have been carried out, the Customs office issues the **SPPB letter** for releasing the goods. However, the importer is not able to take out the goods directly.. The Terminal Container Unit Office (**UTPK**) needs to re-check the goods (based on SPPB letter received) before the goods is handed over to the importer. When re-checking has been carried out, the UTPK issues a letter of handover container (*Surat Penyerahan Peti Kemas*) to the importer. The letter is used by the importer to bring out the goods from the customs territory. During the transportation from Belawan to Banda Aceh, the importer carries necessary the documents such as a **waybill, SPPB, SP2, PIBT, copy of invoice, copy of gift certificate/shipping mark, copy of certificate of inspection**. These documents are useful in order to inform and convince local authorities that products are imported for the rehabilitation and reconstruction in Aceh.

Figure 4: Importation procedure



**Figure 5. Steps on timber import clearance procedures**



## **DOCUMENTS REQUIRED FOR TRANSPORTATION OF IMPORTED TIMBER**

When timber has been cleared by a regional custom's office, it is ready to be transported.

Transportation of such timbers has been regulated by following regulations:

- Minister of Forestry Decree No. 126/Kpts-II/2003 on Article 16 and Article 37 concerning the Guideline of the Forest Products Administration System
- Minister of Forestry Letter No. S.100/Menhut-VI/2006 concerning the provision of SKSHH documents for imported timbers in NAD and Nias.

Minister of Forestry Decree No. 126/Kpts-II/2993 section 37, states that any business entities or individuals that imports forest products in the form of logs and sawn timber shall report import documents or B/L to P3KB/P3KG at port or woodworking industries for further examination. The timber that is transported in partial or one shipment from a public port to a wood processing plant has to be accompanied by a certificate drawn up by the owner of the timber by indicating the quantity and species of timber transported. This certificate has to be furnished with copy of the import document. Further, the Minister of Forestry letter No. S.100/ Menhut-VI/2006 concerning provision of SKSHH document for imported timbers in NAD and Nias, states that imported timbers transported to the region of North Sumatra and NAD province at the places of rehabilitation and reconstruction could be facilitated by using article 37 of the Minister of Forestry Decree No. 126/Kpts-II/2003.

Based on the above regulations, importers are not required to have SKSHH documents for transport of imported timbers to the places of rehabilitation and reconstruction in the region of North Sumatra and NAD Province. In these cases, importers are required to have only the following documents:

- SPPB (Letter of approval of release of goods/timbers) authorized by Regional Customs Service Officials
- SP2 (Letter of Handover Container) issued by UTPK
- A statement letter from the owner (importer) about the imported timbers (description of the goods, destination/places where the goods are stored, means of transportation, quantity, etc.)

- An authorized letter from P3KG regarding imported timber for transportation purpose
- Invoice
- PIBT (Letter of importation document)
- A letter of free duty and taxes issued by the Ministry of Finance (P 19 Form)
- Guaranteed & Recommended Letter from BRR from “**Tim Terpadu**”

## **CONCLUSION**

All forest products taken from State Forests must have the necessary SKSHH documents when transported. All processed wood products such as sawn timber, chip/pulp, wood panel, veneer, plywood, block board, laminated veneer lumber, and Medium Density Fibre board, which are mainly used for housings and civic buildings, need SKSHH documents for transport. This includes transport from province to province or district to district. However, an SHSHH is not required when products are taken from warehouse/store place and transported to the end user or local merchant (not to be further processed) within a district/city. In this case, a waybill or invoice from the owner/company is adequate.

Imported timbers do not require SKSHH documents when transported. However, it is necessary to attach importation documents when such timbers are shipped or transported to the end destination. This helps local authorities to recognise whether the products are imported or are from domestic sources.

An understanding of timber administration and transportation procedures can reduce the obstacles or barriers to procuring timber for rehabilitation and reconstruction for housing and civic buildings in NAD and Nias.