

10th Terpercaya Advisory Committee Meeting

Minutes of Meeting

Day/date:	Thursday, November 25, 2021
Time:	1:00pm – 3:00pm, Jakarta Time
Venue:	Online (Zoom)
Co-Chairs:	Mr. Anang Noegroho (Director of Food and Agriculture, Bappenas) and Ms. Henriette Faergemann (First Counsellor for Environment, Climate Action, and ICT, Delegation of EU to Indonesia and Brunei Darussalam).
Moderator:	Mr. Rully Amrullah (EFI)
Participants:	Annex 1 and Annex 2.

Agenda

1. Update on the latest Terpercaya and KAMI-related developments
2. Terpercaya AC ToRs, roadmap and membership
3. Supply chain traceability and jurisdictional sourcing under KAMI

Housekeeping and group photo

Mr. Rully Amrullah provided details on the housekeeping arrangements and an overview of the agenda before a group photo was taken.

Opening remarks

The meeting was opened and led by Co-Chairs, Mr. Anang Noegroho and Ms. Henriette Faergemann.

Mr. Anang Noegroho conveyed the following points:

- This Terpercaya Advisory Committee Meeting is an open venue to exchange ideas and information to help improve the sustainability of palm oil, a key commodity for EU and Indonesia.
- The agricultural sector is facing plenty of challenges, and the Government has mapped the issues faced by each commodity. For palm oil, key challenges include plantings inside Forest Areas, plantings that do not conform to spatial planning, less developed smallholders' plantings, and limited fertilisation due to smallholders' financial constraints. The productivity level of oil palm has the potential to be doubled at the national level.
- Despite the many challenges faced by the oil palm sector, especially on issues related to sustainability, many initiatives have been developed to promote sustainable palm oil. This includes the jurisdictional sustainability approach, which focuses on improving sustainability at the administrative level, and not just at the farm level. This jurisdictional sustainability approach has been included in the National Mid-term Development Plan 2020-2024.
- Regarding the development of the jurisdictional sustainability approach, the Ministry of National Planning/Bappenas appreciates the support given by the EU to support Terpercaya. The sustainability indicators at the district-level have been developed and therefore, it is possible now to evaluate whether a district has effective carrying capacity in the agricultural sector. The EU Ambassador recently handed over the Terpercaya Platform to the Minister of

National Planning/Head of Bappenas. The EU is also committed to continue supporting sustainable agriculture in Indonesia through activities under the KAMI project.

- The next step is to further develop the Terpercaya platform. Bappenas continues to integrate Terpercaya into its planning and budgets. An example of this is that Terpercaya indicators have been included into the agriculture-sector norms, standards, procedure, and criteria (NSPK) produced by Bappenas and incorporated into the Ministry of Home Affairs' regulation regarding subnational development planning. Further, Terpercaya indicators serve as one of the inputs for fiscal transfer to the district via the Special Allocation Fund – Integrated Agriculture (DAK – *Pertanian Terpadu*). The fiscal transfer can enhance the capacity of district government to manage the agriculture sector, sustainably.
- Moving forward, the implementation of good practices in the palm oil sector, accompanied by shared values among the stakeholders, will help improve the quality of ongoing processes and initiatives and shall increase the value add of Indonesian palm oil.

Ms. Henriette Faergemann conveyed the following points:

- The European Union legislative proposal on deforestation is an ongoing policy development. The EU has a long history of working together with Indonesia, however, we have not yet been able to halt deforestation globally. The legislative proposal is an ambitious proposal to tackle deforestation provoked by EU consumption, regardless of where it's produced. The proposal is part of the overarching European Green Deal to address global warming and biodiversity loss.
- Between 1990 and 2020, some 420 million hectares of forest has been lost worldwide - an area larger than the EU. FAO data shows that 90% of deforestation is driven by expansion of a small number of agricultural commodities. The EU is one of the major consumers of these commodities. EU imports of products and commodities covered by the regulation amounts to EUR 60 billion annually.
- In the past few years, the EU conducted extensive consultation, analysis and impact assessments, including consultations with stakeholders both in the EU and globally, which resulted in some 1.2 million responses. Last year the European Commission created a multistakeholder platform on protecting and restoring the world's forest, to which inputs were received from Indonesian and Malaysian stakeholders.
- The legislative proposal will rely on improved mandatory due diligence and strict traceability of commodities and products that are placed on the EU market, to address illegal and all deforestation linked to the commodities. It will be the responsibility of operators to conduct due diligence to ensure that imported commodities and products are both deforestation free and legal. Only such products will be allowed into the EU market. The legislative proposal will rely on internationally accepted definitions by FAO and UN to consider what will be defined as 'deforestation free' and 'legal' under the regulation.
- Many options were considered for a cut-off date. The proposed cut-off date of 31 December 2020 is aligned with UN SDG Target 15.2. The regulation is therefore forward-looking and will not punish anyone for past actions.
- Operators and traders will be required to provide geolocations of plots of land where commodities are produced.
- Based on a comprehensive analysis, the regulation will initially focus on six commodities which are widely consumed by the EU and contribute to deforestation: beef, wood, palm oil, soy, coffee and cocoa. It will also cover certain products derived from them (chocolate, leather, etc.) and the list of derived products will be updated throughout the implementation of the legislation.
- Using a benchmarking system, all countries will initially be assigned a standard risk. This can be changed, based on assessment, to high or low risk, which will in turn affect the level of due diligence operators are obliged to perform. Remarkable progress has been made both in

Indonesia and Malaysia and through the benchmarking systems, both countries can show that they are addressing relevant issues seriously.

- The EU is planning to step up cooperation programmes with Indonesia and Malaysia and other countries. For example, the legislative proposal includes provisions to support government capacity, as well as the private sector and civil society. Cooperation can take many forms, including the establishment of Forest Partnerships.
- There will now be detailed discussions with EU Member States and EU Parliament, and these negotiations could take about two years. There might be changes made to the proposed regulation, but they are not expected to be monumental based on the amount of prior consultation which took place.
- We will look at Terpercaya and the state of play in Indonesia and Malaysia and use the KAMI project to bridge the gap between the current situation and what the regulation requires. We will make sure there is enough support to bridge the gaps. We don't believe that extra efforts will be needed, especially since the cut-off date is 2020.
- For timber, Indonesia is in a favourable position because Indonesia has cooperated on the legality issue through the FLEGT mechanism for many years.

Mr. Anang Noegroho thanked Ms. Henriette Faergemann for her presentation and responded with the following points:

- The information on EU deforestation-free legislative proposal is very important for Indonesia as it covers several key commodities with large economic and social impacts.
- There is a need to consider how to communicate the latest developments to all stakeholders, including smallholders, especially because most industrial crops in Indonesia are cultivated by smallholders. This could be done through KAMI support, by using simple language which is clear to understand.

1 Update on the latest Terpercaya and KAMI-related developments

Dr. Jeremy Broadhead, KAMI Project Manager, provided an overview of Terpercaya and gave an update on activities since the last Terpercaya Advisory Committee meeting in March 2021.

- Terpercaya work has been ongoing since 2018, to define and track deforestation-free palm oil and analyse supply chains and opportunities for area-based verification.
- Under Terpercaya, 22 indicators were developed and data was collected on each indicator, resulting in a data platform developed by Inobu that can show progress of districts towards sustainability. We continue to pilot this information system and develop it further.
- The data platform was officially handed over from the EU to Indonesia by the EU Ambassador to the Minister of Bappenas on 11 November 2021. We are pleased to see the platform and efforts behind it become institutionalised in the Indonesian government systems.
- The KAMI project aims to reinforce EU-Indonesia and EU-Malaysia partnerships by supporting international dialogues on sustainable palm oil. It is a credit to the work the Indonesian stakeholders have provided that the Terpercaya Initiative has become the basis for the KAMI project, which also includes Malaysia, and which will build on Terpercaya in developing Sustainability Performance Indicators and Verifiers to provide information in relation to the new EU legislative proposal on deforestation.
- Key activities and milestones include the Indonesia and Malaysia Strategic Country Board (SCB) meetings, where each endorsed Year 1 work plans. SCBs include representatives from five EU services, five Ministries in Indonesia and a range of Ministries and organisations in Malaysia.
- The project now has a web page and a brief in English, Bahasa Indonesia and Bahasa Malaysia.

- Activities being undertaken by Inobu includes work on supply chain traceability, jurisdictional sustainable sourcing, and options for accountability, assurances and claims under Terpercaya. A number of briefs have also been produced.
- CIFOR-ICRAF is also working on a range of activities, primarily focused on ensuring KAMI complements existing initiatives in Indonesia and Malaysia, instead of overlapping with them. This includes comparing and benchmarking sustainable commodity approaches in the two countries, and assessing support which is already in place for jurisdictional sustainability, also looking at ways in which such support is being most effectively provided.
- Several briefs have just been published on the Terpercaya website, on the following topics:
 - Traceability
 - Claims, verification and assurance
 - Lessons learnt from the Terpercaya initiative
- We are also preparing a brief on the 'History of Terpercaya' and three working papers which will be posted online and shared through the proposed mailing list and WhatsApp group.
- Upcoming work will include the development of Sustainability Performance Indicators and Verifiers (SPIV) that will complement and build on the Terpercaya indicators. We are undertaking a first analysis to map considerations relevant to the EU legislative proposal, and what information there is in Indonesia that operators could use to meet their due diligence requirements and risk assessments. We have just started to look at what kinds of indicators might best respond to key considerations and some overlaps with the Terpercaya indicators are evident. The Advisory Committee will be involved in this exercise and Inobu will continue to support the Terpercaya data platform, which will hopefully become the infrastructure for information on the SPIV, and will provide the capability to assess any gaps between the situation in Indonesia/Malaysia and the EU market expectations.

2 Terpercaya AC ToRs, roadmap and membership

Dr. Jeremy Broadhead presented a summary of the draft Terpercaya Advisory Committee Terms of Reference (ToRs) which have been discussed previously in AC meetings.

- In the context of KAMI and the work in relation to the EU legislative proposal, discussions have been held with the EU, Bappenas and Inobu on the future role of the Terpercaya Advisory Committee.
- The proposed ToRs build on previous consultations.
- Under the proposed ToRs, the co-chairs of the AC would be Bappenas and the EU. Its role would remain consultative and technical, supporting activities approved by the Indonesia KAMI SCB, and advising on implementation of KAMI activities related to sustainability and traceability – including the establishment of SPIV, related data collection, and the online data platform development.
- As proposed, the AC would be a multistakeholder committee, with members invited by the co-chairs from government, civil society and the private sector. It would hold half-day sessions around four times per year, and meeting minutes would be shared with all members as well as KAMI Indonesia SCB members. One-on-one meetings could be arranged if needed, and a WhatsApp group and mailing list would be created to support communications. Working groups with voluntary membership could be set up to focus on technical issues such as traceability.

3 Supply chain traceability and jurisdictional sourcing under KAMI

Dr. Silvia Irawan, Executive Director, Inobu, presented key results from a study on options for traceability and jurisdictional sourcing to be supported under KAMI/Terpercaya:

- Key questions related to traceability include: Is there an opportunity to apply full traceability in the jurisdictional approach? Will it be feasible? What are the steps to be taken? A key question related to jurisdictional sourcing is how buyers might choose/prioritise to buy from sustainable districts. Inobu interviewed several upstream companies (producers and mills) and downstream and consumer good companies to help answer the above questions.
- Traceability in the palm oil sector is hampered by the complexity of palm oil supply chain, which includes many smallholders and informal actors. Companies often rely on self-declaration and are often facing difficulties in verification. Companies also tend to be reluctant in sharing their supply chain information due to concerns regarding commercial privacy.
- The jurisdictional approach can potentially address traceability challenges, especially when/if the government is involved develop supporting enabling regulations. Inobu compared the traceability systems of several companies, particularly traceability data collected by such companies. The four companies that were analysed (Permata Group, GAR, Cargill, and Wilmar) have voluntary commitments regarding traceability to plantation. Further, Inobu also analysed the traceability data requirements under RSPO.
- Based on the analyses and further interviews with business actors, Inobu proposed data requirements for traceability under the Terpercaya system. This includes minimum data and identities that need to be retained or collected by each actor along the supply chain. As an example, farmers/smallholders need to have the Cultivation Registration Letter (STDB) and should record volumes sold. Traders need to collect STDB data and record from whom they buy products and to whom the products are sold. Mills will need to have production and location data that can be verified by suppliers, in addition to retaining the proof of legal compliance on the sourcing of commodities.
- One of the biggest challenges is at the level of traders. While more and more STDB data have been collected nowadays, traders-related data are still lacking.
- In terms of next steps, a platform containing an integrated database for all traceability related data will be needed. Such a platform needs to be managed by the government, which is seen as a neutral party. Further, independent monitors will be needed to improve data reliability and system credibility.
- On jurisdictional sourcing, interview respondents provided ideas for how Terpercaya should help identify and mitigate risks regarding deforestation, legality, governance, and human rights issues, in addition to discussing how due diligence requirements can be met and simplified. The issue of leakage was also discussed, along with several other related questions/topics.
- For example, companies often need to prove sustainability not only at the farm level but also at the group level. The question is whether information boundaries can be implemented according to national administrative boundaries. There are also situations that would need to be dealt with whereby sustainable and responsible companies operate in high-risk districts. Conversely, not all companies operating in a sustainable district may be sustainable and responsible. Such possibilities need to be considered.
- Inobu thus proposed due diligence requirements that are differentiated among two categories (high-risk and low-risk districts). A few concepts were introduced, including 'whitelist' and 'blacklist' of actors along the supply chain, district registry, and list of non-performing actors. The level of disclosure, coverage of district registry and traceability, and the details of proof will be different between high-risk and low-risk districts.
- There are a few guiding questions for this meeting based on the given presentation. They include:
 - Can Terpercaya contribute to the discussion regarding the fulfilment of requirements set by the EU market and other voluntary standards?
 - Do we need a special working group to further discuss this topic?

- What other topics need to be discussed?

4 Discussion session

Ms. Mila Nuh, Proforest.

- Proforest has a landscape programme in Siak and Pelalawan Districts, Riau, with eight companies, including Cargill and Sinar Mas, and collaborates with subnational governments to ensure local farmers can get the certificates they need. We want to turn the districts into laboratories for sustainable jurisdictions. Perhaps they can serve as prototype districts for the trial of Terpercaya.
- Proforest has discussed internally to support using Terpercaya indicators, especially in Siak and Pelalawan, and possibly in Kutai Timur and Berau.

Ms. February Ramadhan, Directorate of Forestry and Water Resources Conservation, Ministry of National Planning/Bappenas.

- The Directorate oversees USAID's Sustainable Environmental Governance Across Regions (SEGAR) project. The Director has sent a memo to Mr. Anang Noegroho on SEGAR's intention to use Terpercaya indicators to measure local government performance in SEGAR project locations.
- The Directorate is requesting access to existing data and the Terpercaya Platform and hopes to be actively involved in Terpercaya-related processes.

Response by Mr. Anang Noegroho.

- Terpercaya is seen as a form of evidence-based policy planning tool. Bappenas plans to use it to conduct evaluations of all districts, using the 'traffic light' method. The government is committed to implementing the SGDs down to the lowest level of government.
- Palm oil is grown in almost half of the districts in Indonesia, therefore it's important to increase trust and to show that Indonesia is serious in managing its natural resources. Legality, traceability and sustainability are key to how we develop product and regional competitiveness in the future. Sub-national leaders need to show how they manage their plantation sector.
- All stakeholders, including all directorates within Bappenas, need to work together and remove the silos to help develop the policy and data platform.

Response by Dr. Silvia Irawan

- One of the Working Groups to be created can look into prototyping further, which would help generate lessons learnt which is important for future implementation, especially to ensure that Terpercaya is useful for buyers.
- In the previous phase of the Terpercaya initiative, four districts (Rokan Hulu, Seruyan, Kotawaringin Barat, and Morowali Utara) were used as pilot districts where data were collected.

Mr. Budianto Tjuatja, GAPKI

- GAPKI gives its support to the EU and Indonesia on sustainability, as it will involve several stakeholders.
- Ministry of Industry can be involved in the discussion, as it is currently developing a regulation regarding supply chains.

Response by Mr. Asep Asmara, Ministry of Trade

- The government is serious in managing oil palm production sustainably. The Terpercaya indicators, which includes perspectives from the NGOs, have been used as an evaluation standard by Bappenas, reflecting the commitment of the government.

- Sustainability is a challenge. Over time, we hope to realise it as value add that increases our brand and competitiveness. ISPO and Terpercaya can serve as added value. This is also in line with the National Action Plan for Sustainable Palm Oil. Further, we are seeing increasing interest from companies and smallholders to operate in a sustainable manner.

Ms. Josi Khatarina, USAID SEGAR

- SEGAR is running a project at the subnational level from 2021-2026, covering 12 districts. It has two goals: to strengthen inclusive environmental governance based on the jurisdictional approach and improve the sustainability of supply chain in the project areas. It is hoped that the policies resulting from the project will be evidence-based.
- How to ensure that data collected in 10 districts (excluding Kotawaringin Barat and Seruyan which already served as Terpercaya piloting districts) can be integrated into the Terpercaya platform, and how will implementation of the fiscal policy take place?

Response by Mr. Anang Noegroho

- Under Indonesia's One Data policy and platform, all data will be integrated. This would support building interoperability with SEGAR, and a data exchange standard. A technical joint Working Group by KAMI and GIZ might be needed to develop such standards.
- We are developing big data, that we will help manage but ultimately owned by the public. In terms of how to obtain the data, in the future we might also consider machine learning and artificial intelligence system.
- Terpercaya's future objective is jurisdictional certification. The 'traffic light' perspective of Terpercaya shall be able to indicate the quality and weaknesses of certain components (economic, social, governance, and environmental) at the jurisdictional level. It will also help coordinate with relevant stakeholders.
- On fiscal transfer, in 2022, the Government of Indonesia via Directorate Food and Agriculture plans to allocate almost 1 billion USD in total to almost 288 districts. The goal of the fiscal transfer is to help build jurisdictional capacity in agri-food development. To determine the size of the fiscal transfer to each district, Terpercaya indicators will be used.

Mr. Iwied Wahyulianto, GIZ

- GIZ is thankful for the opportunity to the development of the norms, standards, procedure, and criteria (NSPK) for sustainable plantation, led by Bappenas. Terpercaya indicators have been well integrated into the NSPK.

Mr. Angga Prathama, WWF

- The Terpercaya concept is beneficial for local governments and shall be integrated within each province for local development.
- WWF is also conducting several projects that promote the jurisdictional approach. In Aceh, WWF uses a middle planning approach to maintain a wildlife corridor. In Melawi and Sintang districts in West Kalimantan, WWF is supporting the development of 20-year district plantation master plans.
- WWF also has projects related to traceability and is ready to have collaboration on traceability. WWF is supportive of Terpercaya as it helps promote traceability and would like to see it adopted in all districts and aligned with the new EU regulatory proposal.

Mr. Soelthon Nanggara, Forest Watch Indonesia (FWI)

- Regarding the EU legislative proposal, due consideration is to be given for the cut-off date, if it is to be used as a reference point, especially because any forest destruction might not have an impact until years to come.

- Providing space for independent, third-party observers will also be crucial, as a supporting instrument for Terpercaya. Hopefully, this will capture the ground reality. The indicators need to continue to be tested, with the aim to strengthen the credibility of the system.

5 Questions posed in the chat

Ms. Josi Khatarina, USAID SEGAR

- What does the cut-off date mean?

Response by Ms. Henriette Faergemann

- Cut-off date means that commodities produced on land that was deforested before 1 January 2021 is ok.

6 Closing remarks

Ms. Henriette Faergemann noted that she was happy with the comments and constructive collaborative spirit of the meeting. She highlighted the value in hearing about all the initiatives taking place in the country, and that she was pleased with the progress made.

Mr. Anang Noegroho thanked Ms. Henriette Faergemann for the cooperation between the EU and Indonesia. He noted that the Indonesian Government is serious and very interested in managing its resources, especially oil palm, sustainably. To this end, partnership is crucial and will be the foundation of the platform.

The meeting ended at 03:05 pm.

Meeting minutes prepared by EFI as the Secretariat to the Terpercaya AC.

26 November 2021

Annex 1: Annex 1. List of Participants

No	Name	Gender	Institution	Position
1.	Adinda Laily	F	Directorate General of Regional Development Supervision, Ministry of Home Affairs	Staff
2.	Agnes	F	Directorate General of Plantation, Ministry of Agriculture	Staff
3.	Alexander Hinrichs	M	EFI	Head of Asia Office
4.	Alief	M	Directorate General of Plantation, Ministry of Agriculture	Staff
5.	Anang Noegroho	M	Directorate of Food and Agriculture, Bappenas	Director
6.	Angga Yudha	M	WWF Indonesia	Sustainable Palm Oil Leader
7.	Asep Asmara	M	Ministry of Trade	Director, Forestry and Plantation Product Export
8.	Beria Leimona	F	World Agroforestry (ICRAF)	Scientist
9.	Budianto Tjuatja	M	GAPKI	ISPO Promotion and Socialisation Division
10.	Christine Cullen	F	EFI – KAMI	Expert
11.	Chua Choon Hwa	M	Ministry of Plantation Industries and Commodities, Malaysia	Senior Undersecretary, Palm and Sago Industry Development Division
12.	Dayu Nirma	M	Royal Norwegian Embassy	Advisor
13.	Demak Marsaulina	F	Ministry of Trade	Trade Analyst
14.	Deni Wahyudi	M	GIZ-SCOPP	Advisor
15.	Dyah	F	Directorate of Food and Agriculture, Bappenas	Staff
16.	Evi Wulandari	F	Royal Norwegian Embassy	Project Manager
17.	February Tsamanayah	F	Directorate of Forestry and Water Resources Conservation, Bappenas	Planner
18.	Felix Prasetyo	M	SNV	Project Field Officer
19.	Haryono Sirait	M	CDP	Senior Engagement Officer, States and Regions
20.	Henriette Faergemann	F	EU Delegation to Indonesia and Brunei Darussalam	First Counsellor – Environment, Climate Action & ICT

No	Name	Gender	Institution	Position
21.	Heru Komarudin	M	CIFOR-ICRAF	Researcher
22.	Jeremy Broadhead	M	EFI – KAMI	Project Manager
23.	Josi Khatarina	F	USAID SEGAR	Environmental Governance Lead
24.	M Rifqi	M	Bappenas	Staff
25.	Matej Dornik	M	EU Service for Foreign Policy Instruments	Attaché
26.	Mohd Firdaus Muhammad Ali	M	Ministry of Plantation Industries and Commodities, Malaysia	Principal Assistant Secretary, Palm and Sago Industry Development Division
27.	Mila Nuh	F	Proforest	Regional Landscape Coordinator
28.	Nadia Putri Utami	F	Yayasan INOBU	Researcher
29.	Nur Malik Arifiandi	F	CDP	Policy Engagement Manager
30.	Nurul Wahdiah Anwar	F	USAID SEGAR	Liaison Assistant
31.	Riska Muliawati	F	Directorate General of Plantation, Ministry of Agriculture	Partnership Analyst
32.	Rully Amrullah	M	EFI – KAMI	Expert
33.	Sabrina Manora	F	Ministry of Trade	Trade Facilitator
34.	Safitri	F	Directorate of Forestry and Water Resources Conservation, Bappenas	Planner
35.	Sanath Kumaran	M	EFI – KAMI	Expert
36.	Satrio Adi Wicaksono	M	EFI – KAMI	Expert
37.	Silvia Irawan	F	Inobu	Executive Director
38.	Soelthon Gussetya	M	Forest Watch Indonesia	Head
39.	Smita Tanaya	F	WRI	Staff
40.	Sri Noor Chalidah	F	WRI	Technical Officer for Food System
41.	Stephan Kitzbichler	M	GIZ-SASCI	Advisor
42.	Swetha Peteru	F	CIFOR	Researcher
43.	Taofiq H Nugraha	M	GIZ	Junior Advisor

No	Name	Gender	Institution	Position
44.	Thomas Wagner	M	EuroCham Indonesia, Envitech Biogas AG	Chief Representative/Head of energy Working Group
45.	Widi Elsa Nursuci Lestari	F	Directorate-General of Plantation, Ministry of Agriculture	Partnership Analyst
46.	Willistra Danny	M		Expert

Annex 2: Screenshot of Participants at the 10th Terpercaya Advisory Committee meeting

