KAMI EFI Kementerian PPN/ Bappenas Funded by the European Union

Sustainable Jurisdictions Indicators (SJI) Working Group

3rd Traceability Consultation

Minutes of Meeting

Day/date:	Wednesday 14 June, 2023
Time:	9:00 am – 12:30 pm Jakarta Time
Venue:	Hotel Borobudur, Jakarta
Moderator:	Pak Rully Amrullah (EFI)
Participants:	See Annex 1

Agenda

Time	Description	Organisation
Session 1 - Opening		
9:00 - 9:15	Opening remarks	Bappenas
Session 2 – Traceability challenges and potential solutions		
9:15 - 9:30	Palm oil supply chain traceability in Indonesia	EFI-KAMI
9:30 - 9:50	ISPO traceability system	ISPO
9:50 - 10:15	Proposed palm oil supply chain traceability model - update	Surveyor Indonesia
10:15 - 11:00	Discussion	
Session 3 – Improving traceability by 2025		
11:00 - 12:30	Discussion of global challenges and key actions to prepare for global markets in 2025	Facilitator/EFI
12:30	Closing	Bappenas

1 Opening remarks by Rully Amrullah, EFI

Rully thanked everyone for attending this third traceability consultation, and said the objective is to provide input to Surveyor Indonesia (SI) for the traceability system they're developing, in order to ensure it represents key needs and contexts. By doing so, the hope is that it will have a greater level of acceptance, both domestically and on a global level. He encouraged everyone to be open, to help SI develop this traceability system.

Rully informed that Pak Anang from Bappenas is unable to attend the meeting.

He outlined the meeting agenda, including an overview of the challenges to palm oil supply chain traceability in Indonesia, a presentation of national traceability plans from the ISPO secretariat, followed by Surveyor Indonesia presenting their proposed traceability system. The hope is that this will be a starting point to examine the existing systems and gaps, and explore how we can comply with global market requirements.

2 Palm oil supply chain traceability in Indonesia – Jeremy Broadhead, EFI

Jeremy Broadhead (EFI – KAMI Project Manager) reiterated the aims of the meeting to further develop plans for moving forward and receive feedback on Surveyor Indonesia's traceability system

proposal. He said another aim was to ensure that the plans support national traceability initiatives and help to ensure that smallholders are not excluded from global palm oil supply chains. Jeremy noted that the EU Deforestation Regulation (EUDR) does require strict traceability, and it is hoped that Surveyor Indonesia's proposed system will provide information for Article 9 of the EUDR, which would be collected from operators/traders, and transferred with geolocation information to operators via QR codes. He said that the work provides an opportunity for districts in Indonesia to demonstrate legal and deforestation free production and to communicate that deforestation rates have gone down and that progress is being made towards sustainability.

Jeremy informed that KAMI is about to launch Terms of Reference for an assessment of options for independent monitoring of the Sustainable Jurisdictions Indicators and proposed traceability system, to consultatively come up with proposals for how the system could be monitored to improve its credibility and verify the information being provided.

He also noted that Surveyor Indonesia, as part of its work on traceability, has proposed four indicators to allow districts to demonstrate their status and progress in relation to legal and deforestation-free production and palm oil sustainability certification, and to allow assessment of legal and deforestation-free production in individual oil palm production areas/geolocations. The four proposed legal and deforestation free indicators are: 1. Traceable/certified area; 2. Deforestation-free area; 3. Smallholder deforestation-free area; 4. Legal area. A fifth 'traceability' indicator shows the area of oil palm plantations with a legal and deforestation free declaration as a proportion of the total area of oil palm plantations in a district. He noted that the indicators and information provide a basis for palm oil producers to access global markets. Also that efforts by KAMI partners Javlec and others to map and register smallholders support progress in relation to these indicators and provide a steppingstone towards ISPO certification, and a way that the EUDR could help accelerate ISPO roll out.

Jeremy also noted some of the main traceability challenges which were raised during the previous consultations, including the following:

1. Gaps in supply chain information and traceability to independent smallholders in particular
2. Scale of effort required to map and register smallholders across Indonesia
3. Practical challenges in segregating legal and deforestation free palm oil supply chains
4. Finding incentives to promote supply chain traceability
5. Data sharing issues due to commercial sensitivity of information or lack of authorisation
6. Privacy concerns regarding sharing of personal information and information on geolocation
7. Differing definitions of 'forest'
8. Integrating with existing traceability systems

Jeremy noted that the traceability system proposed by Surveyor Indonesia is one option/proposal, which could address many of the challenges, such as gaps in supply chain information (e.g. traceability to smallholders), and practical challenges in segregating palm oil supply chains. Regarding 'forest' definitions, he highlighted the need for a 2020 forest cover map using FAO forest definition and that an up-to-date oil palm cover maps is also needed for PTSI legal and deforestation free indicators to enable the proportion of legal and deforestation free oil palm in a district to be assessed and to support good governance.

3 ISPO traceability system – Pak Rismansyah, ISPO Secretariat

Pak Rismansyah said palm oil is an important commodity for Indonesia, with an export to the EU of 12.7 percent of total production, meaning the EU is indeed a prominent/promising market that can't be abandoned. He said ISPO shares the EU's concerns regarding deforestation. He said they are expecting the Ministerial decree to be signed in the middle of this year.

Pak Rismansyah said it is important to look into traceability from the farms/plantations as this is related to the certification systems for farmers and smallholders. The key is polygon mapping, which he said is the starting point. The current ISPO certification system can trace from the beginning to the middle of the supply chain, but the challenge is that different ministries oversee the first (Ministry of Agriculture) and second parts (Ministry of Industry) of the chain. There are also challenges due to the different types of suppliers: e.g. individual farmers and collectives.

ISPO only acknowledges two production models: 1. Segregation. 2. Mass balance: at the moment, this requires at least 30 percent from ISPO-certified suppliers. Pak Rismansyah said ideally, the entire supply chain would shift to segregation by 2025 once all producers are certified.

Another challenge noted by Pak Rismansyah is that not all land ownership for oil palm cultivation is 'clean and clear' particularly areas within the forest zone. So ISPO is raising awareness of the certification requirements in this respect. He also highlighted the different forest definitions used in Indonesia and the EUDR, as well as the lack of a codified deforestation cut-off date in the ISPO regulation. However, he said there is the date of the moratorium on palm oil permits of September 2018, means that there shouldn't be any permits issued on land deforested after this date, and certifiers should check if forest was cleared after this date.

Pak Rismansyah said the ISPO Principles and Standards can help fulfil EUDR requirements, for example ISPO Principle #6 on Transparency: which has indicators to identify the supplier's name, contact information, GPS coordinates, address, company, certificate number. Auditors have to check this information from the suppliers/sources. ISPO overlays location information with the national forestry map to identify if plantation are located in the forest or not; certification cannot be given if in the forest area. He noted that one obstacle to supply chain segregation is a lack of premium pricing for segregated ISPO certified palm oil and the cost of switching to segregation. Additionally, he said that mills have pressure to accept fresh fruit bunches from nearby suppliers whether they are certified or not, which forces them to use a mass balance system instead. He said another challenge is to record and store the data provided. He noted that buyers can see the ISPO certificates and the data they include. He noted the Indonesian Palm Oil Association is trying to increase rates of certification, including regarding plasma farmers.

Many smallholders are not yet ISPO certified because it's not yet mandatory, according to Pak Rismansyah. He also noted that there is much enthusiasm amongst smallholders to be included, especially when they learn of the EUDR. He highlighted that they want to know the benefits, and what incentives are available to help them. For example, he noted that smallholders have complaints about high costs related to transportation/distribution, therefore this infrastructure needs to be improved.

Pak Rismansyah highlighted that it is crucial to ensure tenure legality because ISPO certification is only for land that is clean and clear. For those without clean and clear land, certification can be terminated or suspended. He noted that the Ministry of Environment and Forestry is working towards clarifying land tenure in forest areas.

4 Proposed palm oil supply chain traceability model - update – Martinus Nata, Surveyor Indonesia

Pak Martinus Nata presented Surveyor Indonesia's proposal for an Indonesian palm oil traceability system using 'Legal and Deforestation-free Declarations' passed up the supply chain using QR codes. He said they are looking at how to build upon and complement existing systems, like ISPO, not starting from scratch. Pak Nata noted the important role of operators, and said further studies are needed on tracing volumes along supply chains and training people at control points to ensure that products are properly controlled.

He explained how information available from different sources (e.g. smallholder registration documents (STD-B), company permits, etc) would be compiled on the data platform, using 2020 forest maps as a baseline, which can be used to make a 'deforestation-free' assessment. He said the platform has access to the Indonesian 2020 forest cover map, so polygons can be compared to the map to provide deforestation-free assessment. Within the platform, a user can see if a supplier is deforestation-free, and in a legal area based on the forest zone and moratorium maps. Pak Nata clarified that the data would not be accessible to the public, but only those actors which are part of the relevant supply chain, explaining that in Surveyor Indonesia information security follows the ISO2000 standard.

Pak Nata informed that the proposal for legal and deforestation-free declarations is in line with ISPO principle and criteria and the EUDR requirements.

Pak Nata explained that the proposed traceability system would use a batching system reinforced by a bookkeeping system to capture transaction volumes and ensure that legal, deforestation-free products are not mixed with those that are not. He stressed the importance of aligning a batching system with a bookkeeping system to ensure mixing is not happening – for example, an average smallholder can produce between 18 – 24 tons FFB / ha / year, if the traceability system is recording more than this then we can tell that something may not be right. Checks will be done on the monthly and annual records per producer with a 5% tolerance. In future, it would be important to provide training to mills on how to carry out segregation / batching of 'legal and deforestation free' palm oil so it is separated from what is not.

Pak Nata further explained that the plan is for the traceability platform that is currently being developed to be integrated with the SJI Platform. Traceability information that will be available on the platform would provide the means to i) trace the source of the commodities, starting from the plantation until the commodities reach the buyer ii) provide information to districts related to commodity transactions iii) capture traceability related information in the Jurisdictional Sustainability Reports, and iv) check on the legal and deforestation free status of plantations in a particular district.

Surveyor Indonesia showed a video demonstrating how a user (for example a farmer) would register in the system, upload their information including geolocation coordinates/polygon, and confirm whether that location is indeed deforestation-free and legal. The process for this is to overlay the coordinates/polygon with the 2020 forest map to see if the production area is deforestation free and legal. He said information that is uploaded would be checked by a Surveyor Indonesia administrator before going into the system.

Question: How does the administrator assess 'deforestation-free' and/or 'legal'?

Response: Pak Nata said they would overlay the geolocation provided with the *kawasan hutan* map, to see whether the production area was inside or outside the forest area. If it shows up in the forest area, the user can't get the deforestation-free declaration. He said there would be backups, for example if the user can show that the area is under community control, and not violating any regulations.

Comment: We need to see if relevant ministries grant permission to use certain forest areas.

Question – Anton, Javlec: Who will issue the deforestation-free declaration? Surveyor Indonesia? Also, could the administrative process be automated? That would reduce the possibility of human error. Also, what if there is a discrepancy in the coordinates collected, since there is no standardisation?

Response: Regarding automation, Pak Nata said this could be done, but Surveyor Indonesia would have to communicate with the authorities. He noted that the system could automatically overlay the data, but they want to act with caution and respect the Ministry of Environment and Forestry when using their map. He said it would take 2-3 days to issue the assessment.

Question – Thomas Sembres, EFI: The challenge for validation is on the quality of the polygon submitted. Could the quality be linked to the STD-B/smallholder registration process, when they first have to submit the polygon?

Response: Pak Nata said there could be a process to standardise polygons, which ideally could align with the STD-B process. Or they could possibly connect the traceability system with the Ministry of Agriculture SISBUN database once the SJI ministerial decree is issued and Surveyor Indonesia has the full mandate for this work.

Question: What if people try to use each other's QR codes? How to prevent cheating of the system?

Response: Pak Nata agreed that the system needs an audit function, and perhaps dedicated monitoring/evaluation by Surveyor Indonesia.

Pak Rully noted that the KAMI team, Javlec and Surveyor Indonesia were going to Central Kalimantan next week and there they would discuss the system and potential field testing.

Comment – Insan Syafaat, PISAgro: It's clear that the EUDR will benefit big businesses. Large companies will have no trouble to comply as they already have strong traceability to the mills. Independent smallholders are the issue. Surveyor Indonesia will need to help them, since they are often outside the large supply chains. Many smallholders don't have legality of their land, which is a huge challenge. Additionally, he believed there can be ways to share data, however, he also said that plantation location information can be considered as 'state secrets' by the Government of Indonesia so there should be more communication with the EU on this issue.

Comment – Pak Rismansyah, ISPO: We have to begin with a process of reconciliation, so everyone is using the same data and acknowledging that it is accurate. If Bappenas has endorsed Surveyor Indonesia to carry out this work, he said ISPO also endorses the system and will support it.

Comment: Pak Nata said Surveyor Indonesia is assessing data confidentiality concerns, noting that they are communicating with many parties and ministries, including the Ministry of Agriculture. He also said companies could assess data if Surveyor Indonesia has a non-disclosure agreement (NDA) with them. He said ISPO and CPOPC must be partners in the process.

Resuming the presentation of the proposed system, Surveyor Indonesia demonstrated how actors would register transactions, and how the system generates a QR code for each transaction to enable tracing back to the different points in the supply chain. Surveyor Indonesia also showed how delivery notes can be accessed to view transaction information, including by regulatory authorities. One question that still needs to be explored is who will validate the data included in the system.

5 Discussion

5.1 Discussion Question 1: What support is needed to include smallholders in supply chains for legal and deforestation free palm oil?

Pak Rismansyah, ISPO – We need to accelerate the process of obtaining land tenure legality, especially of smallholders. He suggested ways for how to strengthen the mapping system – including pictures and coordination on the ground, to ensure data is current, updated and valid. STD-B should be mandatory so smallholders cannot enter forest areas. Those already in forest areas need to be resolved and the Ministry of Environment and Forestry needs to be involved as they are the only ones who can solve this

Anton, Javlec – At least 800 billion rupiah is needed to register and map independent smallholders covering 2 million hectares so they can get STD-B. We can't have traceability if the basic requirements for smallholders aren't fulfilled. This support could come from many sources, like SPKS, and local government offices. CSOs could even help with data collection using drones or on-the-ground mapping. He noted that sometimes smallholders located in the *kawasan hutan* (forest area) have permits and it is not clear what to do because they are legally recognised but are also in the forest area. Before the EUDR cut-off date, there were 16.3 million hectares of oil palm and 3.4mha in the *kawasan hutan* (19% of these are smallholders). Each district needs to know the extent of plantations in kawasan hutan and to bring these figures to the Ministry of Environment and Forestry.

Andreas, Kaoem Telapak – Highlighted several challenges for indigenous smallholders, because indigenous land ownership is not formal. For example, groups want their whole areas to be recognised and not just legality for oil palm areas through STD-B. Also, some smallholders were given land under the *transmigrasi* policy, which can sometimes be in forest areas. The SJI data platform and traceability system can be an entry point to achieve this goal, to work with local governments to resolve past issues. The current *Perdas*/regional regulations on Adat/customary communities are not working as there is no technical guidance. Also, we should consolidate data in a participatory way, e.g. with Fortasbi if they have polygon data. That way we can really see where gaps are in the data, such as gaps in the accuracy of data on palm oil area, so they can be addressed. There is also a need to standardise polygon submission because the Ministry of Environment and Forestry has their own protocol and will only accept data what is aligned with their protocol. Cost of mapping is a major constraint for getting plantations in *Kawasan Hutan* recognised. There are many sources of budget but this needs to be investigated and make sure it reaches the

districts who need finance. MoUs needed with Provinces to accelerate this process with the Ministry of Environment and Forestry playing the key role.

> Response from Jeremy, EFI – We are aware of the issues on customary forest, and that customary forest claims are not being processed quickly so that *Perdas* can be issued. There is a Sustainable Jurisdictions Indicator on recognition of customary land, and also a proposed Global Markets Indicator (GMI) based on customary forest maps to indicate concerned communities. Customary rights are also a focus of the EUDR and there might therefore be scope for efforts to support recognition of customary rights.

5.2 Discussion Question 2: How can supply chain actors (including smallholders and traders) be incentivized to submit traceability data?

Pak Rismansyah, ISPO – Proposed to link ISPO certification progress to support provided for infrastructure. So if you are certified with ISPO, you'll get infrastructure support. Regarding pricing: companies have partnerships with smallholders and incentives should ideally be linked to ISPO certification.

Erwin Widodo, Surveyor Indonesia – There needs to be technical as well as financial support.

5.3 Discussion: Rully asked Ibu Suci from CPOPC to give an update on what was discussed in Brussels.

Ibu Suci, CPOPC – Based on the recent joint mission to the EU, there are still a lot of questions about EUDR. Benchmarking and geolocation were questioned. Indonesia and Malaysia said they cannot give plantation location information as it's against laws to share geolocation information. But we still have 18 months of preparation. Some key questions include on how the EU can access geolocation data – to which the Indonesian government said we cannot just hand those data over to the EU. Technical guidance will be developed and Indonesia and Malaysia have asked for a Task Force to be set up so they have a role in the drafting. The Indonesian government hopes that a task force can underpin consultative engagement. This includes drafting guidelines, so there are still spaces for input. The question is, to what extend will the tool developed by Surveyor Indonesia be in line with the guidelines? So let's see how far Surveyor Indonesia has developed their system and how it compares with others. It's urgent to form this multi-stakeholder task force, it needs to include smallholders, CSOs from Indonesia and also from Europe.

5.4 Open Discussion

Pak Nata, Surveyor Indonesia – We first need to develop a map of commodity cover - all commodities covered by the EUDR, not just palm oil. This will require a lot of effort, including assistance from partners. Mapping is ongoing, to be completed 2024. This kind of assessment needs to be conducted every two years, for example using a plane to monitor the entire country. We would need a 1:5k map, but it would need to be updated every year. Are there organisations that have this capability?

Ibu Karin, WWF – CSOs have been asking for coordination with the government on certification and legality for smallholders for a long time. They're the backbone of efforts on certification, regulation, funding, etc. From our perspective, it's really necessary to have government support. Smallholders will ask us what the incentives are, what the direct benefits are, and this is not yet resolved. There are no direct incentives for palm oil right now, which smallholders need. A proportion of BPDPKS funding should be used to help.

Pak Rismansyah, ISPO – There has been a lot of funding given to BPDPKS but no one is coordinating this for the time being, so there is a need to identify roles and establish a committee to plot the way forward. Hopefully the presidential regulation will be issued soon to help enforce ISPO down to the district level. Surveyor Indonesia and ISPO have an MoU and traceability should be included as a joint area of work.

Pak Nata, Surveyor Indonesia – We should try to incorporate traceability into the Memorandum of Understanding (MoU) between ISPO and Surveyor Indonesia. We try to coordinate among ministries,

but this is not easy. There are a lot of political concerns, so we have to involve all stakeholders and accommodate everyone's expectations as best we can.

Jeremy Broadhead, EFI – Although KAMI is funded by the EU, we always try to base our work on the Indonesian legal system and see this as the most effective way forward. This has been a fruitful consultation and full of information. We have seen there is a lot of interest from the EU in traceability, and with the KAMI project having been extended to September 2024, we hope we can make some headway.

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Meeting minutes prepared by EFI.

11 July 2023.

Annex 1: List of participants

No	Name	Gender	Institution
1	Dody		Kabupaten Sigi
2	Suci Hanyati	F	Council Of Palm Oil Producing Countries (CPOPC)
3	Rismansyah	M	ISPO National Secretariat
4	Panji Anom	M	Javlec
5	Mukhlis Sai	M	Javlec
6	Silfi Iriyani	F	GIZ Safe Project
7	Firza	F	Fortasbi
8	Martinus Nata	M	Surveyor Indonesia
9	Erwin Widodo	M	Surveyor Indonesia
10	Hafizh Farhan	M	Surveyor Indonesia
11	Satria Gundara	M	Surveyor Indonesia
12	Insan Syafaat	M	PisAgro
13	Karin	F	WWF Indonesia
14	Jeremy Broadhead	M	EFI
15	Rully Amrullah	M	EFI
16	Josil Murray	F	EFI
17	Christine Cullen	F	EFI
18	Thomas Sembres	M	EFI
19	Anton Sanjaya	M	Javlec
20	Muhammad Adriansyah	M	LPEM UI
21	Rahmadha		LTKL
22	Nassat	M	IDH
23	Andreas	M	Kaoem Telapak