

## MEETING MINUTES

**23/04/2018**                      **11:00-16:00 WIB**                      **Hotel Pullman - Jakarta**

<b>Meeting organized by:</b>	INOBU & EFI
<b>Meeting Type:</b>	In-person, Seminar
<b>Moderator:</b>	Bernadinus Steni
<b>Note taker:</b>	Dian Mayasari
<b>Participants:</b>	Coordinating Ministry for Economic Affairs, Ministry of Home Affairs, Ministry of Environment and Forestry, Ministry of Agriculture, EU Delegation, Seruyan District Government, KEHATI, LTKL, RSPO, FoKSBI/UNDP, IDH, Tropical Forest Alliance, CPOPC, SPKS, Landscape Indonesia, World Resource Institute, SETARA JAMBI, IFC, Global Canopy/Trase, Madani, HUMA, AMAN, UK Climate Change Unit, GIZ, Danish Embassy, French Embassy, Unilever.

### Summary of the Meeting

The Seminar was attended by a total of 41 participants representing a wide range of stakeholder groups, including ministries and local governments, civil society organizations, donor agencies, and commodity producers and buyers.

The Seminar was divided into three sessions. First, the Seminar was officially opened by the Coordinating Ministry of Economic Affairs and the European Union (EU) Delegation. An introduction to the contractors carrying out the study, namely the European Forestry Institute and Inovasi Bumi (INOBU), was then provided followed by presentation of the “Terpercaya” study. During the second session, presentations were given by Seruyan District Government, and the Ministries of Agriculture, Environment and Forestry and Home Affairs. The third session gave space for open discussion and participants were encouraged to provide initial inputs to the study. A summary of the presentations and discussions during each session is given below.

#### **First Session**

The Deputy II on Food and Agriculture Coordination of the Coordinating Ministry of Economic Affairs (Ms. Ir. Musdhalifah Machmud, MT) formally opened the meeting after providing remarks as follows.

- It was reminded that palm oil is one of the leading commodities in Indonesia and contributes significantly to national economic growth, with approximately 14 million hectares of palm oil plantations and 17.5 millions workers in the palm oil sector. The ministry believes that this commodity can contribute significantly to achieving the Sustainable Development Goals (SDGs), as part of Indonesia’s commitment to the international agenda. This contribution applies particularly in areas that have very limited economic resources.
- Given the significance of the palm oil sector, the “Terpercaya” Study will be very important in informing efforts to improve practices and policy in promoting sustainability palm oil production. The Coordinating Ministry appreciates the study and hopes that it can promote better governance for sustainable and traceable palm oil. Hopefully, in return, the European Union will be able to accept traceable and trustworthy Indonesian palm oil.
- The pressure for a moratorium on new oil palm concessions is reasonable because Indonesia already has a large number of plantations. However, to pursue this, the government needs to build new economic resources for poor communities and people by finding alternative commodities that, for instance, can grow in forests. Diversification of crops is important. International support to promote production of those commodities in Indonesia is welcomed.
- We should not judge badly the actors in the sector; solid study on traceability and tracking solutions with clear stages and steps, is exactly what we need.

Mr. Michael Bucki, on behalf of the European Union Delegation for Indonesia, provided the following opening remarks:

- The ‘Terpercaya’ study, which is component 2 of the EU funded work on ‘Defining and tracking "deforestation-free" palm oil’<sup>1</sup>, aims to build shared understanding of palm oil sustainability to inform EU-Indonesia dialogue on climate change and environment.
- The European Commission is deeply aware of the socio-economic aspects of palm oil in Indonesia. On the environmental aspects, there are different concepts regarding deforestation and the legal deforestation definition in Indonesia is not speaking to what many consumers are looking for. The national forest reference emissions level is referred to in UNFCCC discussions and there is no question here that there is a certain level of acceptable deforestation; but the concept is not fully understood; and some consider only illegal deforestation as deforestation while others consider that deforestation includes all biophysical deforestation.
- There is no EU blueprint defining ‘sustainability’ in this context. It needs to be defined by Indonesia, which along with many other countries is a signatory of the Paris Agreement, and other climate change related commitments. There is, therefore, a recognition of combined purpose and working together towards climate change related goals.
- Today is the kick-off of the “Terpercaya” Study. The word “Terpercaya” means trustworthy in the Indonesian language and expresses the aim of the study to build and reinforce trust and shared understanding concerning the social, environmental and economic dimensions of palm oil production and trade. The study will hopefully make space for interested stakeholders to ask questions and debate critical issues. ‘Terpercaya’ is not just about palm oil but about addressing all drivers of deforestation and the study will review existing standards and data to see how to move towards addressing drivers and sustainability. The study will also involve the demand side at a later stage.
- The study is not about collecting new data or setting new standards but about existing data and existing standards. The study aims to share techniques and build consensus around a definition of sustainability. The study is about creating opportunities for all stakeholders from smallholders to businesses to buyers to build a shared understanding of choices. We do not have the answers; the answers should be Indonesian to ensure that national ownership is created.
- The workshop is a first step and in following up, we aim to establish a smaller group to act as an Advisory Committee in guiding the work, providing a narrative, contributing analysis, and disseminating messages to Indonesia and the world.

An introduction to the European Forest Institute was provided by Dr Jeremy Broadhead.

- The European Forest Institute (EFI) is an international organisation, which was established by European Member States, with member research organizations in 36 countries. EFI carries out research and policy support related to forests. The EU Delegation has contracted a study called ‘Defining and tracking “deforestation-free” palm oil – analysis of supply chains and opportunities for area based verification’. The study, which will be carried out from February 2018 through May 2019, has two components. First component is the Supply Chain Analysis carried out by Trase consortium of Stockholm Environment Institute and Global Canopy. The second component is to carry out an analytical study and stakeholder outreach where EFI is the lead contractor and INOBU will focus on stakeholder engagement and outreach as well as analysis of jurisdictional approaches.

The first session was concluded with a presentation of the “Terpercaya” study by Mr Thomas Sembres [see

<sup>1</sup> The two studies (‘Supply Chain Analysis’ and ‘Analytical Study and Stakeholder Outreach’) constitute components 1 and 2 of the EU funded project on ‘Defining and tracking "deforestation-free" palm oil - analysis of supply chains and opportunities for area-based verification.

presentation circulated after the seminar].

- Mr. Thomas Sembres provided a presentation specifically on the second component of the study on ‘Defining and tracking “deforestation-free” palm oil. Key points included the following:
  - The objectives of the study are to track sustainable palm oil and defining jurisdictional sustainability at scale.
  - Palm oil is currently attracting great attention and there is considerable interest among a wide range of actors in quality information and nuanced analysis to reduce monitoring costs in the sector. An operational system of monitoring and verification which can be trusted by all parties is greatly needed.
  - Beyond palm oil, the “Terpercaya” study aims to provide higher visibility to districts and provinces that are making progress towards jurisdictional sustainability. This includes market visibility to attract responsible buyers and investors and visibility in the sustainable development agenda to “attract” national and international support in relation to achievement of SDG and NDC targets, etc.

The study aims to answer the following research question:

- Regarding the accuracy of supply chain data, the research question is: “is it effectively possible to track sustainable palm oil and jurisdictional sustainability performance across Indonesia within the next 12-18 months? How reliable?”
- Regarding the territorial information where the challenge is shared understanding, the research question is: “Is it possible to gain consensus among different stakeholders about the best indicators for measuring jurisdictional performance? Are these indicators acceptable and appropriate for tracking the sustainability of palm oil?”

## Second Session

The first presentation of the second session was provided by the Seruyan District Government on the “Perception of Local Government” towards jurisdiction sustainability.

- Seruyan is the only district out of 14 districts in Central Kalimantan that is classified as underdeveloped despite the presence of many palm oil companies in the district.
- Seruyan District covers 1.6 million hectares of which 20 % is conservation area and the other 80 % is classified as productive area both within and outside of forest area. Under the leadership of the current Bupati, there have been no new oil palm concession issued, as the focus has been on empowering local communities to participate in the economy. The challenge is hence how to pursue economic growth while at the same time preserving the environment.
- The District Government is aware of the market demand for sustainability in the production of agricultural commodities. They also see that the transition towards sustainable practices is a must.
- Steps taken by Seruyan Government in pursuing sustainability include:
  - Establishment of Working Group on Jurisdiction based certification that involves palm oil companies, smallholder representatives, civil society, and district government. The Working Group aims to identify solution for sustainability issues, e.g. deforestation, destruction of High Conservation Value areas, forest fire and social conflict.
  - Mapping 60 % of smallholder in Seruyan. The data has been integrated in a plantation monitoring system called SIPKEBUN. Through geo-referenced data stored in SIPKEBUN, the district government has easy access to information on independent smallholders, statistical data and analysis for the plantation sector, basic company information including Plantation Business Assessment, environmental performance conditions such as fires, deforestation, degraded lands, and regulatory compliance.
  - Establishment of an Agriculture Facility. The Facility will provide trainings, access to agriculture inputs, and funding for smallholders who are transitioning to sustainable practices. The Facility aims to offer training for 4,000 smallholders and to certify at least 1,200 smallholders (20% of Seruyan’s total smallholders) by 2020.

- Issuance of a decree on determination of HCV area within plantations. The decree serves as a legal basis for conserving HCV area which is usually considered as abandoned land by the National Land Agency.
- Developing standard operating procedures (SOP) on conflict prevention and resolution to remove conflicts from the supply chain.

The second presentation was provided by the Directorate General of Plantation, Ministry of Agriculture on “Social and Economic Standards in Commodity Production”:

- Law No. 39/2014 on Plantation is the basis for the operations of plantation activities in the country. The Law regulates all activities from planning to operation of a plantation based on the scale: commercial or small scale (farmer) level. The Law has been further detailed by the issuance of numerous Ministerial regulations on the environmental and social responsibilities of large- and small- scale operations. Currently, the government regulation on plantation is being drafted.
- Article 62 of the Law requires sustainable practices in the management of plantations. Sustainability consists of three aspects - economic, socio-cultural and ecological aspects. For palm oil, particularly, there is a Ministerial Regulation on Indonesia Sustainable Palm Oil (ISPO) for both large- and small- scale operations. Farmers or small-scale operations can obtain certification through smallholder groups.
- The Directorate General of Plantation appreciates the “Terpercaya” study. Input for the study should also explore jurisdictional levels below the district, i.e. the village level. The village level is closer to smallholders and direct support can be provided by village governments to farmers. Indonesia Village Law has also provided mandates and resources for village governments to empower local communities. However, the challenge is that there are approximately 74,000 villages (and 514 districts).
- The study should also consider incentives for districts that maintain their forests for conservation rather than converting them into oil palm plantations.

The third presentation was provided by Directorate General of Forestry and Environmental Planning, Ministry of Environment and Forestry on “Government’s responsibility in Promoting Sustainability”:

- Act 32/ 2009 on Environment stipulates that the protection and management of the environment is under the authority of different government levels, including district governments. The Law aims to support environmentally sustainable development through proper environmental planning and rational exploitation and development using different tools as means to control and prevent environmental degradation.
- Environmental protection and management shall be planned through the following phases: inventory of existing natural resources and environmental conditions; designation of ecoregions; and formulation of environmental protection and management plans.
- The Ministry noted that all districts should assess the carrying capacity of the environment. Based on the concept of carrying capacity, the environment has a capacity to provide environmental services including for freshwater provisioning, disaster prevention, biodiversity conservation and others. By estimating the carrying capacity, a district or province can decide how much development should be allowed before the upper limit of carrying capacity is reached. Local governments can also consider cooperation with other jurisdictions particularly if they are dependent on the environment of neighbouring districts or provinces.
- The Ministry currently faces challenges in enforcing the implementation of strategic environmental assessments (KLHS), which act as a tool for local governments to ensure development is not damaging the environment. KLHS is required for the formulation of major government policies, development plans, and spatial plans. Currently, of the total 269 regional governments that were required to develop strategic environmental assessments (KLHS), only 110 developed have done so. Only 10% of KLHS that have been completed, however, met the required standard. By 2019, the Ministry may only be able to provide technical guidance to 25% of the 400 total regions that requested technical assistance. There are less than 50 experts on KLHS and they are mostly based in Java.

- The Ministry aims to have 500 regional governments formulate KLHS by 2019 and to ensure 100% of the completed KLHS meet the required standard. It also hopes to be able to provide the necessary technical guidance to all regional governments, and to establish necessary human resources and information systems on carrying capacity.

The fourth presentation was provided by the Directorate General of Regional Development, Ministry of Home Affairs on “Monitoring the Local Government’s Performance in Sustainability”

- In order to ensure jurisdiction sustainability, one should refer to the authorities that are provided to subnational governments. The authorities of local governments within the decentralization setting are regulated in detail by Law No. 23 / 2014. The national government or ministries in respective sectors should issue Norms, Standards, Procedures, and Criteria (NSPK) for each authority and function devolved to the subnational level. The NSPK can be a powerful (monitoring) tool to ensure that local governments comply with national policies and target. If certification for palm oil is an important target, for instance, the Ministry of Agriculture can formulate NSPK to regulate the roles, function and mandate of local governments in supporting the process for certification.
- The ministry appreciates the proposed study. The result of the study could provide information for the Ministry to explain division of roles and authorities regarding sustainable agricultural activities. In carrying out the study, Law No. 23 / 2014 should be considered. The authorities and roles of local governments are classified based on functions and not on commodities (Article 407). Regarding jurisdictional certification, it is important to explore: a) specific standards that could be set for subnational governments for supporting sustainable palm oil production; and b) the roles of subnational governments specifically on achieving sustainable palm oil production.

### Third Session

During the discussion session, interventions were made by several participants. The interventions are summarised below according to topic.

- Terminologies used in the study. The Coordinating Ministry of Economic Affairs suggested that the meaning of the term “jurisdiction” and “jurisdictional sustainability” should be clarified so that stakeholders have a clear understanding of the study. Getting at a shared and operational definition of jurisdictional sustainability is precisely what Terpercaya is aiming to get at throughout the study period. Due to various terminologies and acronyms used by the Indonesian Government, EU Delegation suggested that it will be important to develop a glossary for all the terminologies used in the study to prevent confusion.
- Authorities and role. The Ministry of Home Affairs suggested that the study should take note of the roles and authorities of each government level (central, province and district) in certification by considering relevant laws, regulations and NSPK. The jurisdictional approach depends on the laws that govern the authorities of each government level. Currently, there is no clarity regarding regulations related to ISPO on the roles of local governments. Given unclear division of authorities and roles between central and regional governments on certification, the study might be able to offer related recommendation.
- Exploring the existing system. IDH suggested that the study should collect information on existing reporting systems implemented by districts so that the study does not develop new systems that might not be viable for the government. The Coordinating Ministry of Economic Affairs indicated the importance of taking into account the One Map policy.
- Multi stakeholder approach. The Sustainable Districts Platform LTKL suggested that the study has to involve government, smallholders and market actors. The government has to be involved starting from its very early stage. Additionally, IDH suggested that jurisdictional certification has to meet the expectation of government and the private sector.

- RSPO Jurisdictional Certification. RSPO is preparing a jurisdictional certification system; and it is estimated that pilot projects will be rolled out in a few locations in 2019; RSPO shared information on its initiative to establish a system for Jurisdictional Certification under which RSPO was keen to note it will not attempt to govern the role of the government. Arrangements will be as follows:
  - The proposed RSPO Jurisdictional Certification system is a multi-stakeholder approach. Governments, companies and smallholders jointly agree to declare that the jurisdiction is sustainable. The multiple stakeholders make arrangements and the roles of all parties are clearly delegated. In cases that regulations need to be revised, the government will play this role.
  - Financing: Other than regional government budget, it is still considered that other sources of funding need to be found.
  - Jurisdictional certification does not waive other certification required by RSPO. In the end, certification will be confined to only one commodity; but it can also cover other commodities. However, it is important to prioritize the commodities upon which stakeholders intend to build the certification system. A key point regarding RSPO Jurisdictional Certification is that regional governments need to issue the necessary regulations to support the system.
- Political dynamic and relationship among different stakeholders. SPKS suggested that the study needs to discuss local political power, the position of private companies, and ways that district governments can enforce the law and engage private companies.
- Incentives. SPKS suggested that the study should explore incentives for smallholders and companies that comply with regulations. The organization stated that, in terms of incentives and people's welfare, a village approach might mean that incentives have a larger impact on communities. LTKL also stressed the importance of incentives for local jurisdictions and mentioned possibility of investment forum.
- Format. EU Delegation suggested a way to present the wealth of information produced by the study so that it can be understood not only by experts in Jakarta or in production areas, but also by those outside the country. Three dimensions need to be considered in the final report.
  - First, the scale or jurisdiction level - focusing on how different levels should work together (national, provincial and district levels).
  - Second, for each scale, there are several components of sustainability. The first component is the social dimension including values, consultation, registration, rights, and social elites. The second component is the economic component (e.g., fair pricing...). The third component is related to environmental issues such as deforestation mapping, HCV, HCS and others.
  - Third, for each level and component, there are key questions that should be discussed, including: Who has the authority to set the norms and rules? Who is held accountable? How is it measured? How is it enforced by each Section? How is it centralized?
- Data and data collection. As the study might need to collect official information from government, TFA suggested that the study might need to acquire a mandate from government and related agencies. Hopefully the government will provide support and the mandate to carry out the study. SPKS added that the study needs to have data on smallholders (total number, location, etc.).
- Involvement from Indigenous People. AMAN suggested that it is important to collect information on how land was acquired during the establishment of oil palm plantations. By knowing how land was initially acquired, exploitations and any harm to or abuses of local people's rights can be identified.

- Context specific. KEHATI suggested that the jurisdictional approach should focus on the welfare of the jurisdictions. Hence, mapping of the landscape and the potential of jurisdictions transitioning towards sustainability is crucial. Ministry of Agriculture mentioned the importance of taking the density of population into account to capture very different conditions between districts.
- Inclusion of big plantations. KEHATI suggested that jurisdiction certification should not be limited to smallholders alone but also needs to include big plantations.
- Connection with global development agenda. KEHATI suggested that the study should develop the connection between the 'Terpercaya' approach and SDGs goals.
- Collaboration. GIZ inquired about the parties to be involved in the 'Terpercaya' study and possible collaboration that can take place.

#### **Next Step**

A quick summary of next steps was presented before the meeting was officially closed by the EU Delegation. The timeline for the study is as follows [see presentation circulated after the seminar]:

- End June/early July: The first draft of practical guide will be circulated to the Advisory Committee for inputs.
- Early July: Advisory Committee focus group discussion.
- Early October: The first draft of the metrics will be circulated to the Advisory Committee for inputs.
- Mid October: Advisory committee focused group discussion.
- End November: Focus group discussion with larger audience
- First quarter 2019: Final report circulated for a wider audience for comments.

All seminar participants were invited to express their interest in being part of the Advisory Committee by email.

**APPENDIX I**
**TERPERCAYA SEMINAR PARTICIPANT LIST**

No.	Name	Organization
1	Drs. Haryono, M. M	Seruyan Government
2	Sugian Noor, S. Pt, S. E., M. P.	Seruyan Government
3	Ade Ferdiansyah	Yayasan SETARA Jambi
4	Mardaani, S. T.	AMAN Kotawaringin Barat
5	Shepherd Muchuru	UNDP
6	Hermawati Widya P	WRI Indonesia
7	Telci B. Karacan	Danish Embassy
8	Mickael Bucki	EU Delegation
9	Yuliana Suliyanti	GIZ
10	Terrenoire Helene	Economic Desenteur French Embassy
11	Reza Ariesca	Coordinating Ministry for Economic Affairs
12	Nurdiana Darus	Landscape Indonesia
13	Paul Eastwood	DFID
14	Giorgio Indrarto	Madani
15	Triyanto Fitriyardi	IFC
16	Agung Wibowo	HUMA
17	Adhi Solahuddin	<a href="#">Global Canopy / Trase</a>
18	Diah Suradireja	KEHATI
19	Nizar Zulkarnaen	Hatfield
20	Thomas Sembres	EFI
21	Aisyah Sileuw	KEHATI
22	Alexandra Lehmann	EU Delegation
23	Lucius Dinto	Unilever
24	Sasmita Nugroho	Ministry of Environment an Forestry
25	Musdalifah Machmud	Coordinating Ministry for Economic Affairs
26	Annisa R. H	Coordinating Ministry for Economic Affairs
27	Gita Syahrani	LTKL
28	Iman YF	CPOPC
29	Edison Siagian	Ministry of Home Affairs
30	Eva Naranty	Ministry of Home Affairs
31	Puji	Ministry of Home Affairs
32	Tiur Rumondang	RSPO
33	Erwin Widodo	TFA
34	Reuben Blackie	IDH
35	Mansuetus Darto	SPKS
36	Silvia Irawan	INOBU

37	Ofra Shinta Fitri	INOBU
38	Dian Mayasari	INOBU
39	Jeremy Broadhead	EFI
40	Thomas Sembres	EFI
41	Nita Roshita	INOBU

**APPENDIX II**
**AGENDA**

<b>Time</b>	<b>Program</b>	<b>Speaker / Moderator</b>
<b>11.30 – 12.00</b>	Registration	
<b>12.00 – 13.00</b>	Lunch	
<b>13.00 – 13.10</b>	Opening remarks by European Union Delegation	Michael Bucki, EU Counselor CC&E
<b>13.10 – 13.20</b>	Opening remarks by Coordinating Ministry for Economic Affairs	Ir. Musdhalifah Machmud, MT
<b>13.20 – 13.40</b>	Presentation: “Terpercaya” Study	Thomas Sembres, Jeremy Broadhead and Bernadinus Steni
<b>13.40 – 13.55</b>	Perception of local government	Secretary of Seruyan District – Haryono, MM
<b>13.55 – 14.10</b>	Social and economic standards in commodity production	Ministry of Agriculture, Plantations Directorate General – Ir. Irmijati Rachmi Nurbahar, M. Sc.
<b>14.10 – 14.25</b>	Government’s responsibility in promoting sustainability	Ministry of Environment and Forestry – Sasmita Nugroho, S. E.
<b>14.25 – 14.40</b>	Monitoring the local government’s performance in sustainability	Ministry of Home Affairs – Ir. Edison Siagian, M. E.
<b>14.40 – 15.20</b>	Q&A session	Moderator
<b>15.20 – 16.30</b>	Interactive discussion	Moderator
<b>16.30 – 16.35</b>	Next step	Silvia Irawan
<b>16.35 – 16.50</b>	Closing remarks	EU Delegation

APPENDIX III

PHOTO



